NATIONAL HOUSING CRISIS TASK FORCE

STATE AND LOCAL HOUSING ACTION PLAN




ACCELERATOR FOR AMERICA

DREXEL UNIVERSITY
Nowak Metro Finance Lab
Lindy Institute for Urban Innovation

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nationalhousingcrisis.org

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Letter from Co-Chairs

Last summer, we came together to launch the National Housing Crisis Task Force to give fellow state and local leaders the tools and resources to take urgent action to address the housing crisis. We launched this bipartisan, public-private sector partnership knowing innovative programs to boost housing supply and affordability existed in many communities and needed to be scaled quickly and nationally to have a meaningful impact on housing supply and production.

One year on, we are convinced that state and local governments have more power than they realize, more capital to deploy, and more capacity than previously utilized. State governments and their housing finance agencies regularly raise billions of dollars for housing development, housing preservation, and single-family mortgages through bond offerings. We hear from peers across the U.S. how local governments have created housing trust funds, new revolving loan funds, and new public development agencies. That community foundations and other philanthropies are investing in people, projects, and communities. And that state, county, and local governments are innovating to speed permitting and streamline zoning and other regulatory requirements.

Today, we are proud to introduce the Task Force's **State and Local Housing Action Plan**, which profiles 15 tools from models of innovation around the country that show the promise to both scale and deliver more housing. The Action Plan highlights models that have the greatest potential to transform state and local housing ecosystems towards greater production and preservation at lower cost and greater speed.

The tools are categorized into the following thematic areas:

- **Land** interventions seek to ensure that publicly owned land is put in the service of housing production and preservation, and that private land owners have appropriate incentives to consider housing development.
- **Construction** interventions seek to reduce the cost of building and renovating housing.
- **Capital** interventions seek innovative capital stacks that enable more affordable housing.
- **Regulation and Policy** interventions reduce obstacles in the way of housing production through efforts such as land use, permitting, and building code reform.
- **Governance** interventions seek to build capacity for affordable housing at scale by forging greater collaboration across sectors and jurisdictions at the local and regional level.

The State and Local Housing Action Plan serves as both a guide so that communities can implement the tools in the Action Plan now and a roadmap to identify how these innovations can scale more rapidly in more places. Not every part of the State and Local Housing Action Plan will make sense in each jurisdiction, but as a whole, they offer a set of policies that will enable local and state leaders from both the public and private sectors to make meaningful progress on addressing the housing crisis. We are ever committed with the National Housing Crisis Task Force to uplift existing solutions and transform the existing system to help more of our citizens live in the places they want to call home.

Sincerely,

Task Force Co-Chairs

Mayor Justin Bibb
Mayor of Cleveland

Governor Spencer Cox
Governor of Utah

Mayor Andre Dickens
Mayor of Atlanta

Susan Thomas
President, Fifth Third Community Development Corporation

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Task Force Members

Margaret Anadu
Senior Partner, The Vistria Group

Chelsea Andrews
President and Executive Director, Housing Opportunities Commission of Montgomery County

Richard Baron
Co-Founder and Chairman, McCormack Baron Salazar

Tony Bertoldi
CEO, CREA

Kenzie Bok
Administrator, Boston Housing Authority

Laura N. Brunner
President and CEO, The Port of Greater Cincinnati Development Authority

Lourdes M. Castro Ramírez
President and CEO, Housing Authority of the City of Los Angeles

Henry Cisneros
Chairman, American Triple I

Cullum Clark
Director, Bush Institute-SMU Economic Growth Initiative

Alfonso Costa Jr.
COO, Falcone Group

Rachel Diller
Senior Managing Director, Bridge Investment Group

Frank Fernandez
President and CEO, Community Foundation of Greater Atlanta

Rebecca Foster
CEO, San Francisco Housing Accelerator Fund

Ira Goldstein
Senior Advisor, Reinvestment Fund

Jennifer Ho
Commissioner, Minnesota Housing

Josh Humphries
Ex Oficio Member,
Senior Advisor to the Mayor for Housing, City of Atlanta

Priya Jayachandran
CEO, National Housing Trust

Task Force Members (Continued)

Ben McAdams
Founder and CEO, Common Ground Institute

Duke McLarty
Executive Director, Groundwork

Marisa Novara
Vice President of Community Impact, The Chicago Community Trust

Steven Paynter
Global Leader of Building Transformation and Adaptive Reuse, Gensler

Lucas Reeve
Ex Oficio Member,
Senior Advisor, City of Cleveland

Esther Toporovsky
Executive Director, Community Sustainability Partners

RuthAnne Visnauskas
Commissioner and CEO, New York State Homes and Community Renewal

Steve Waldrip
Ex Oficio Member,
Senior Advisor for Housing Strategy and Innovation to Governor Cox, State of Utah

Scott Wiener
Senator, California State Legislature

Members' professional and lived experience is equally valuable and important to their participation in the Task Force. Although all the individuals formally affiliated with the Task Force may not agree completely with every statement noted, they are committed to working together to find solutions to the housing crisis. All members and co-chairs represent themselves and not their organizations or professional affiliations.

Task Force Staff & Consultants

Benjamin Preis
Executive Director, National Housing Crisis Task Force

Bruce Katz
Co-Founder and Inaugural Director, Nowak Metro Finance Lab at Drexel University

Mary Ellen Wiederwohl
President & CEO, Accelerator for America

Michael Saadine
Senior Advisor, Nowak Metro Finance Lab at Drexel University

A.J. Herrmann
Director of Policy and Program Innovation, Accelerator for America

Anne Bovaird Nevins
Chief of Economic and Community Impact, Accelerator for America

Emily Desmond
Special Projects Manager, Nowak Metro Finance Lab at Drexel University

Lauren Leonard
Research Analyst, Nowak Metro Finance Lab at Drexel University

Chanell Hasty
Senior Manager, Accelerator for America

Caitlin Shearer
Director of Communications, Accelerator for America

Samantha Deutchman
Manager of Events and Operations, Accelerator for America

Mary Tredway
Project Manager, Nowak Metro Finance Lab at Drexel University

Rain Henderson
Principal, Elemental Advisors (Consultant)

Steven Couppas
Content Editor and Publication Designer, Elemental Advisors (Consultant)

Task Force Mayor's Implementation Committee

Mayor Kate Gallego
Phoenix (Co-Chair)

Mayor Quinton Lucas
Kansas City (Co-Chair)

Mayor Jane Castor
Tampa

Mayor Paige Cognetti
Scranton

Mayor Todd Gloria
San Diego

Mayor Quentin Hart
Waterloo

Mayor David Holt
Oklahoma City

Mayor Tim Kelly
Chattanooga

Mayor Mattie Parker
Fort Worth

Mayor Victoria Woodards
Tacoma

Mayor Randall Woodfin
Birmingham

Former Mayor John Giles
Mesa

Former Mayor Tishaura O. Jones
St. Louis

Former Mayor Ron Nirenberg
San Antonio

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State and local governments have more power than they might realize, more capital than is first apparent, and more capacity than they may have utilized in recent decades. State governments and their housing finance agencies regularly raise billions of dollars for housing development, housing preservation, and single-family mortgages through bond offerings. Local governments have created housing trust funds, new revolving loan funds, and new public development agencies. Community foundations and other philanthropies are investing in people, projects, and communities. While state and local zoning reforms have garnered the most attention, innovations to create faster, better, and more attainable housing have also occurred around land, construction, capital, regulation, and governance.

Housing development and preservation in the U.S. is a federated system. It is largely undergirded by the federal government. Institutions like the Federal Housing Administration, Federal Housing Finance Agency, and the Treasury Department set the baseline conditions for almost all housing finance in the U.S. The Department of Housing and Urban Development, through direct funding to public housing authorities and continuum of care organizations, supports millions of low-income households in every part of the country. Medicaid, the Department of Agriculture, Veterans Affairs, and other federal agencies provide additional support to individuals, landlords, and mortgage lenders.

The current Administration and Congress may carry out the most sweeping restructuring of federal housing policy in decades. Proposals include the transition of rental housing assistance from direct appropriations to block grants, establishment of work requirements, expansion of the Low-Income Housing Tax Credit, continuation of the opportunity zones program, and more. The end result of these actions would be to devolve to states and localities, and private and civic stakeholders, greater responsibility for expanding the supply of housing, boosting homeownership and helping low- and moderate-income households afford and access quality rental housing. This would amount to the greatest change in the U.S. housing ecosystem since the 1930s.

Many of the recent state and local innovations in housing represent a de-facto *defederalization* of housing activity in the U.S. as housing demands have grown and federal policy has been in near stasis for decades. States, localities, and the civic sector are looking to their own balance sheets, their own constitutional powers, their own enabling legislation, to identify what they can do to develop housing, preserve housing, protect tenants, encourage homeownership, minimize displacement, and ensure that their residents can achieve the American dream.

These state and local innovations have gained new urgency and importance. Many of them are programs, policies, or processes that places across the country can implement now without any federal support, and could measurably increase housing production, preserve their existing housing stock, reduce homelessness, and lead to a more prosperous community. There may be no pure substitute for the size and scale of the federal government's role in housing in this country, but state and local leaders can make a real difference.

These innovations have already led to the creation of multiple toolkits that feature examples of best housing practices and, in some cases, "how-to" guides on designing and implementing these practices at the state or local levels. They include toolkits and playbooks from the National League of Cities, National Association of Counties, National Multifamily Housing Council, Local Housing Solutions at the Furman Center at NYU, and from the Department of Housing and Urban Development, among others.

The National Housing Crisis Task Force's **State and Local Housing Action Plan** draws from recent and promising innovations that have the greatest potential to transform state and local housing ecosystems towards greater production and preservation at lower cost and greater speed. The premise of the Action Plan is threefold:

- First, the Action Plan highlights complementary activities across the five segments of the housing ecosystem: land, capital, construction, regulation and policy, and governance. Any given tool, when paired with other tools from the Action Plan, should be complementary such that, taken together, the tools are greater than the sum of their parts. The theory of impact of the state and local action plan is that, within a given community, at least one tool from each of the five segments can be implemented, either by the local government, the state government, or the local civic sector. Implementing five tools simultaneously should have a catalytic impact in a region.
- Second, the Action Plan connects the roles of different actors in the housing ecosystem: state governments and housing finance agencies, local governments and public housing authorities, philanthropies, private sources of capital, and private companies. The Task Force's Action Plan serves as a node between traditionally siloed components of the housing ecosystem to more efficiently diffuse innovations across the country.
- Third, the Action Plan largely draws on the innovations from members of the National Housing Crisis Task Force, who are co-authors of the tools in the action plan and describe in detail how the programs, policies, or processes were created and can be replicated. Additional learnings are drawn from the experience of Accelerator for America's network of local leaders.

The State and Local Action Plan serves as both a guide so that communities can implement the tools in the Action Plan now and a roadmap to identify how these innovations can scale more rapidly in more places.

To most effectively use the State and Local Housing Action Plan, communities should:

1. Assess the tools that they already have at their disposal. Cities can use existing tools like the Housing Strategy Review from Local Housing Solutions, or the Housing Supply Accelerator Field Guide from the National League of Cities. Local Housing Solutions also provides a Housing Needs Assessment tool with data from PolicyMap that can serve as a valuable resource.
2. Convene the players in their housing ecosystem: the state government, county government, city government, philanthropic community, major employers, developers and homebuilders, financial institutions, tenant advocates, and homeless service providers. States, counties, and cities should create a "Housing Strike Force" (outlined as a tool in the Governance section).
3. Identify the tools from the State and Local Housing Action Plan that can make an impact in their communities and identify the existing entities that are able to implement them. Identify what is already possible in the existing state and local legal framework, and what may require policy change to enact. Outline **Commitments to Action** where each player commits to implementing their part of a localized plan.
4. Pass policies, create programs, and improve processes from the State and Local Housing Action Plan that can reduce the cost and speed of construction, preserve existing housing, and allow people of all backgrounds to afford to live in the places they wish to call home.

Not every part of the State and Local Housing Action Plan will make sense in each jurisdiction. Some tools are appropriate for high-growth, high-cost markets where land is scarce and expensive. Other tools are more appropriate for legacy communities where land is abundant, vacant structures a blight, and rehabilitation the most pressing need. Given the federated nature of housing solutions, details matter. Differences in state law make certain things a non-starter in some communities that will be obvious in others. The tools within the State and Local Housing Action Plan spell out the type of communities where the tool is most appropriate and actionable.

The State and Local Housing Action Plan is not meant to be exhaustive — many of the existing toolkits and playbooks offer a breadth of tools that many communities have developed over decades. Instead, the Action Plan is meant to highlight new innovations from across the country that have the potential to be catalytic when implemented.

The State and Local Housing Action Plan is meant to be a living document. As places develop new tools to respond to changes from the federal government, the Task Force will identify what those are and how they can diffuse and scale to other communities across the country. These new innovations will need to be developed in a more difficult environment, with even less access to federal funds, greater market uncertainty, and with related investments in community and economic development under threat.

Next Steps

The innovations identified in the State and Local Housing Action Plan already exist and can be diffused and scaled across the country. It's time to bring these innovations to more places. The Task Force will work to put these tools into action in communities across the U.S. through its Mayors' Implementation Committee (MIC), co-chaired by Mayor Kate Gallego of Phoenix and Mayor Quinton Lucas of Kansas City. The MIC will serve as an implementation arm of the Task Force by testing innovations in their cities and states and providing a platform for national learning and replication. Mayors, county executives, and state leaders will need enhanced capacity and access to subject matter expertise in order to implement the tools highlighted in this Action Plan. Accelerator for America will provide technical assistance to elected officials and their staff to adapt each of these tools to their local context and successfully overcome political, financial, and legislative hurdles.

The National Housing Crisis Task Force originated from a belief in *The New Localism* — that local governments and local actors were facing the housing crisis head-on in a vacuum of national policy change. Faced with rising homelessness, skyrocketing housing costs, and a lack of new housing development, cities, states, and public and private actors began looking for solutions that they had the power to implement. Hundreds of communities have passed local housing trust funds. Tens of states have passed housing bonds to construct and preserve affordable housing. Developers are seeking out new sources of funding, from concessionary capital to federal dollars that heretofore have not been used for housing development. Public housing authorities and redevelopment authorities are flexing “public developer” muscles not used in 40 years, developing new projects through revolving construction funds and mezzanine debt. Cities and states are setting production targets, relaxing regulatory requirements, upzoning around transit corridors, and increasing the pace for permit approval.

From these myriad actions, questions arise: what is the most impactful thing that communities do with their land, capital, and power? Are there economies of scale where best practices can be identified, routinized, and scaled? What is the proper role of the different sectors of the American economy regarding housing production, finance, and preservation?

For these reasons, the Task Force came together to identify state and local innovations that can be abstracted, normed, and federated. Some of these innovations can be diffused through knowledge sharing via existing intermediaries and associations. Others would be more effectively replicated with shared infrastructure, such as new national financial products, new platforms, and markets, or new clearinghouses of technical guidance. Finally, some, owing to the type of innovation, may best be suited to national policy or regulatory change to create the incentives, infrastructure, or requirements for uptake.

The Task Force first convened in July of 2024 and first delivered its *Federal Housing Policy Agenda* in November 2024. Its second major deliverable is this *State and Local Housing Action Plan*. Over the next 18 months, the Task Force will be working simultaneously to implement the State and Local Housing Action Plan and developing a *National Housing Vision* that identifies new ways to produce and preserve housing, treat the housing sector as an industry, and set a roadmap for the radical remaking of the housing ecosystem.

Introduction and Summary of Tools

The State and Local Housing Action Plan from the National Housing Crisis Task Force represents the culmination of nearly 12 months of work. The tools in the Action Plan were selected in consultation with the Task Force's 28 members and involved interviewing more than 50 practitioners and policymakers throughout the nation. These interviews included individuals involved in multifamily and single-family development, tenant advocacy, private equity investment, financial institutions and lenders, providers of homeless services, public housing authorities, housing finance agencies, community land trusts, academic researchers, housing accelerators, trade associations representing every part of the housing ecosystem, elected officials at the state, county, and local levels, and more.

Based on these interviews and their own expertise, Task Force members identified the most promising new innovations of the past decade that are proving successful in producing and preserving housing. Some of these innovations — like Atlanta's Strike Force, Montgomery County's Housing Production Fund, or Houston's Housing Command Centers for homelessness — are easily translatable and implementable nationwide in communities with varying levels of capacity. Others — like Atlanta's and Chattanooga's Public Asset Corporations or San Francisco's Housing Accelerator Fund — require greater capacity and larger financial commitments, but are poised to deliver the greatest impact.

Policymakers at the state, county, and local level, along with civic partners like community foundations, nonprofits, and others, should consider the tools presented in this State and Local Housing Action Plan as a set of options that can solve a particular challenge within their housing ecosystem. To that end, each tool in the chapters that follow provide a summary, along with the answer to three questions: what challenge does this tool solve? What sorts of communities can use this tool? And what are the expected impacts of this tool?

The pages that follow summarize each of the five segments of the housing sector that the tools reach — land, capital, construction, regulation and policy, and governance — and describe each tool in brief.

Land interventions seek to ensure that publicly owned land is put in the service of housing production and preservation, and privately owned land, including land owned by nonprofits and faith-based institutions, is encouraged towards its highest and best use. Currently, the public sector owns extensive but underutilized land and property assets that hold immense potential for addressing pressing housing challenges.

- **Public Asset Corporations:** Cities like Atlanta and Chattanooga are creating special purpose public asset corporations to redevelop public land into mixed-income housing.

The Atlanta Urban Development Corporation and Invest Chattanooga are two new entities, both established as subsidiaries of their public housing authorities, that use a suite of public tools, including the use of public lands, revolving loan funds, tax abatements, and low-cost permanent financing to develop mixed-income housing. The Port of Greater Cincinnati Development Authority is an existing public authority that makes use of many of these same tools to develop housing.

- **Municipal Property Advisors:** Cities like Austin are using local procurement practices to contract with external third-party "Municipal Property Advisors" ("MPAs") to serve as intermediaries on the jurisdiction's behalf. These MPAs are responsible for identifying, monetizing, and redeveloping underutilized public assets to drive public objectives, including the production of affordable housing, through private investments. The Putting Assets to Work (PAW) Initiative has been working with several U.S. cities to invent solutions that are ripe for replication, like Municipal Property Advisors.

Capital interventions seek innovative capital stacks that enable more affordable housing. As federal funding sources shift, there will be an even greater need for cities to partner with local investors, banks, and philanthropy to create new capital stack components that can provide the necessary subsidy, close the gap, and produce housing, at scale, regardless of the macro-economic cycle.

- **Right-Sizing Property Tax Abatements:** Places like Seattle and Texas are using tax abatements to ensure the creation or preservation of affordable housing. While some models are dialed in to ensure the appropriate trade-off between public and private costs and benefits, too many are poorly targeted, resulting in low uptake or public sector giveaways. The Task Force is developing an open-source "local tool for affordability" so localities can better calculate the value of their public investments.
- **Place-Based Philanthropy as a Regional Catalyst:** The Community Foundation for Greater Atlanta has a multi-faceted strategy to address Atlanta's urgent need for housing that includes the GoATL Affordable Housing Fund, a for-profit subsidiary of the foundation that invests private capital in affordable housing developments, and the TogetherATL Affordable Housing Fund that makes grants to nonprofit housing projects and supports the WORTH initiative to expand access to homeownership in communities of color. The Chicago Community Trust convened a large group of partners to launch the 3C Initiative, which supports homeownership opportunities for residents of disadvantaged communities through counseling, down payment assistance, and lower-interest mortgages, with a focus on households making 60% of AMI. The San Diego Foundation has partnered with developers to launch the San Diego Housing Fund with the goal of producing 10,000 new units of affordable housing by 2034. These leaders are reimagining the role of community foundations and place-based philanthropy in funding the production and preservation of housing in their regions.

- **State and Local Housing Ballot Measures:** In 2024, local and state voters considered 53 measures to raise or preserve local revenue for affordable housing, less than half of the estimated 120 transportation and infrastructure related measures that state and local voters considered last year. This suggests that there are opportunities to greatly expand the use of housing ballot measures as a tool to promote local investment in housing production. These funds have the benefit of being locally controlled, are more responsive to local priorities and needs, and can be leveraged with private, philanthropic, and federal funding. Los Angeles County's Measure A will provide approximately $1.1 billion annually to fund homes, shelter, and services to the homeless, as well as broader support for affordable housing production. Recent failed measures in places like Denver and the Bay Area also provide lessons that other communities can learn from as they consider how to design, organize, and campaign for their own local funding sources.
- **Unlocking Public-Private Collaboration to Speed Housing Delivery:** San Francisco's Housing Accelerator Fund has developed a set of tools and practices allowing them to deliver affordable units without up-front public subsidy; the public sector engages by pledging future operating support. This effectively turns real estate risk into public finance risk and regularizes the process of designing and building affordable housing. Other communities, such as Austin and Philadelphia, are iterating with the Housing Accelerator Fund model to solve challenges unique to those geographies, while Cleveland's Housing Investment Fund is partnering with an existing intermediary to similarly provide flexible financing.
- **Public Investments in Homeownership:** The Utah Homes Investment Program starter home program demonstrates the impact of pairing interventions on the demand side like homebuyer assistance with interventions on the supply side like an infrastructure bank and funding for construction. In Utah, the state repurposed $300 million to provide below-market rate loans to developers who produce for-sale homes and condominiums under $450,000. Washington County, WI developed their Next Generation Housing Initiative to provide 0% interest loans of up to $20,000 per unit for predevelopment work, along with permit fee reimbursements, in exchange for homes sold below $420,000.
- **Mixed-Income Public Development:** Originating with Montgomery County but having now spread to Chicago, Atlanta, and Michigan, housing production funds are revolving loan funds meant to replace equity during the construction phase of multifamily deals. These revolving loan funds provide substantial capital for the development of new housing, granting the public entities that provide the loan joint ownership in the project and delivering affordable units in what may have been a market rate deal.

Construction interventions seek to reduce the cost of building and renovating housing. As the housing crisis has worsened, the housing sector is (finally) being disrupted by technological innovations and advances in building techniques and modular construction. The housing industry is witnessing new ways to aggregate market demand, new forms of designing, financing and delivering off-site manufacturing solutions and new solutions to address associated supplier, workforce, and logistics issues.

- **Public Pre-Purchasing of Modular:** Cities like Cleveland are actively recruiting modular factories with the promise of using a combination of government grants and publicly owned land. The Metropolitan Area Planning Council — a regional urban planning agency in the Boston area — has launched a partnership with Newton, Cambridge, Everett, and Boston to bring a modular housing manufacturing facility to their region. The Minneapolis Public Housing Authority successfully sited 84 units with 16 modular apartments as part of a public housing redevelopment.
- **Building for Insurability, Resilience, and Energy Efficiency:** As the size and frequency of natural disasters increase, many insurance providers are exiting marketplaces or increasing premiums to levels that are unaffordable to many homeowners. Additionally, utility costs in many parts of the country are increasing substantially, representing a significant burden on residents. However, a suite of financial programs, building techniques, and incentives seek to increase homes' resilience and energy efficiency, leading to decreased ownership costs, decreased insurance premiums, and greater long-term sustainability of new housing, both single-family and apartments. This includes the use of the FORTIFIED standard for new homes, Passive House Institute of the U.S. (PHIUS) standard, and programs from state utilities like the Maryland Department of Housing and Community Development's (DHCD) Multifamily Energy Efficiency and Housing Affordability (MEEHA) program.

Regulation and Policy interventions reduce obstacles in the way of housing production through efforts such as land use, permitting, and building code reform as well as protect renters through practices like rental registries. Cities and counties are recognizing that too many local regulations drive up the cost and slow down the construction of housing while also acknowledging that their regulatory powers can ensure a fairer housing market.

- **Land use, Permitting, and Building Code Reform:** States as different as Oregon, Montana, California, Connecticut, Utah, Washington, Arizona, Vermont, Colorado, Hawaii, Massachusetts, Maine, Florida, New Hampshire, Maryland, and Minnesota have all enacted statewide zoning reform in recent years. Cities and counties across the country from Portland, OR and Boise, ID to Minneapolis, MN and Austin, TX, to Arlington, VA and Cambridge, MA have all done substantial rewrites of their zoning codes to allow for more homes of all shapes and sizes. Cities, counties, and states are also tackling building code reform to allow for more types of housing on more parcel types — such as small multifamily buildings with only a single stair. And states and local authorities having jurisdiction are all experimenting with ways to make the permit processes faster, including expedited review for affordable housing, concierge project management, and broader regulatory reform.

- **Regulatory Reform for Industrialized Housing Delivery:** Industrialized Housing Delivery is an integrated system of housing production that uses best practices from other industries to provide faster, lower-cost, and more reliable homes. Primarily enabled through offsite construction, i.e., panelized and modular homes, industrialized housing delivery can be accelerated through building code reform, aggregated demand from the public sector, and housing certification programs from the public sector. This tool describes international comparisons and provides a set of recommendations for state policymakers to harmonize building codes, integrate state housing offices towards greater efficiency, and enable aggregated demand towards industrialized housing delivery.

Governance interventions seek to build capacity for affordable housing at scale by forging greater collaboration across sectors and jurisdictions at the local and regional level. Innovations include new mayor-led organizing efforts as well as the creation of nonprofit intermediaries.

- **Housing Command Centers:** Cities and counties across the U.S. are organizing their governments and nonprofit communities differently around homelessness solutions. These "Housing Command Centers" in Cleveland, OH, Houston, TX and other localities utilize a disaster-response approach to homelessness, enabling them to act with urgency and bring together systems advocates, coordinated outreach teams, and government departments to expediently re-house people who are unsheltered. The Command Centers conduct weekly case conferencing meetings to coordinate the process and work with private landlords to provide people with housing and the critical support services needed to end their homelessness and ensure they remain stably housed.
- **Strike Forces for Housing Delivery:** Under the leadership of Mayor Andre Dickens, the City of Atlanta has launched a Housing Strike Force. It includes the senior executives of every major public agency that touches housing or has public land that could be developed for housing. It aims to catalyze the production of 20,000 affordable housing units and has launched more than a dozen initiatives, including selecting 40 public land sites for housing development, raised $370M+ in public, private and civic commitments, created an expedited permitting system for affordable projects, and built a one-stop-shop for residents called the Housing Help Center.
- **Organizing Capital for Housing and Community Development:** Founded in 2018, Opportunity Alabama (OPAL) is a private economic development organization focused on

transforming Alabama's communities through public and private investment in physical spaces and places. OPAL helps communities leverage federal Opportunity Zone tax incentives for projects and initiatives that improve quality of place and re-energize local economies. OPAL works with a broad network of developers, property owners, economic development professionals, local community leaders, and investors to support projects that move communities forward with new workforce housing, market rate housing, mixed-use development, historic revitalization, industrial development, and more.

The current moment also calls for new innovations. Over the next year, the Task Force will be developing a National Housing Vision, meant to provide a roadmap for the radical remaking of the housing ecosystem in America, with simpler capital stacks, greater efficiency, decreased cost of construction, widespread adoption of industrialized construction techniques, and the transformation of the fractured housing ecosystem into a cohesive industry.

NATIONAL HOUSING CRISIS TASK FORCE

STATE AND LOCAL HOUSING ACTION PLAN

LAND

Land interventions seek to ensure that publicly owned land is put in the service of housing production and preservation, and privately owned land, including land owned by nonprofits and faith-based institutions, is encouraged towards its highest and best use. Currently, the public sector owns extensive but underutilized land and property assets that hold immense potential for addressing pressing housing challenges.

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LAND >>>

PUBLIC ASSET CORPORATIONS: A MODEL FOR MIXED-INCOME HOUSING DEVELOPMENT

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01 Public Asset Corporations: A Model for Mixed-Income Housing Development

By Bryan Fike and Benjamin Preis

Additional contributions from Task Force Advisor Luise Noring and National Housing Crisis Task Force members: Ben McAdams, Josh Humphries and Laura Brunner

Summary

The Center for Geospatial Solutions at the Lincoln Institute of Land Policy estimates that local governmental agencies in the U.S. own over 230,000 acres of transit-accessible land, with potential to support up to 5.9 million housing units. This land ownership, however, is typically divided among numerous agencies, including local government(s), school districts, transit authorities, housing authorities, local public utilities, land banks, and more. While much of this publicly owned land is located in amenity-rich areas near good jobs and transit, the entities that own these parcels may not be best positioned to develop them into much-needed housing.

Public asset corporations exist worldwide to turn publicly owned land and assets into housing and mixed-use developments that communities need. Copenhagen's City and Port Development Corporation is perhaps the most well-known example, but New York State created an Urban Development Corporation in 1968 to build affordable housing across the state (in response to the Civil Rights Era and a recognition of the growing housing crisis in the late 1960s), and a number of cities in the U.S., including Atlanta and Chattanooga, are bringing the model back with new public asset corporations created in the last two years. Other cities, such as Cincinnati, are using existing public entities like Port Authorities to redevelop public land.

Public asset corporations use publicly owned land to develop real estate, in partnership with the private sector, that provides both public and private benefit. In the context of this *State and Local Housing Action Plan*, it is assumed that public asset corporations would focus on housing development (which is not true of all public asset corporations worldwide, some of which focus on public transportation, infrastructure, or other large scale projects) and are a complement to the Municipal Property Advisor model also profiled by the Task Force. Rather than working with outside real estate experts to identify publicly owned land and solicit bids from private-sector developers, public asset corporations bring that expertise in-house. As public entities, they can work with their partners within local government to align land use, public financing tools, permitting, and other aspects of the land assembly and development process. The benefits lie in gaining control over public sector coordination, particularly through strategies like land bundling and the consolidation of overlapping authorities. They also ensure that the public sees a return from the development on public land — either through monetary return from the sale or leasing of land, or through social return with public goods like affordable and mixed-income housing, new schools, fire stations, and police stations, and walkable, amenity-rich neighborhoods near transit and jobs.

The Challenge This Tool Solves

Public asset corporations solve four problems simultaneously. First, they help redevelop vacant, underdeveloped, or obsolete public assets into more productive use, providing a public-sector partner with much-needed real estate activity, such as developing mixed-income housing. Second, they remove the burden of real estate development from governmental departments that may lack the in-house expertise or staff availability to shepherd the development process, helping local governments identify, prepare, and use publicly owned land for the public good. Creating a public agency focused on developing public land addresses the disjointed, costly, slow, and burdensome process that typically characterizes public land redevelopment. Third, by contributing public land to housing developments, they can lower development costs and provide an equity investment in new housing development that can drive affordability. Fourth, they utilize the advantageous locations of many public land parcels to place housing close to other jobs, transit access, and other public and neighborhood services.

Types of Communities That Could Use This Tool

Every community where the public sector owns vacant, underdeveloped, or obsolete public assets could benefit from a better system to identify, prepare, and redevelop those assets for more productive uses, such as public asset corporations. However, public asset corporations require significant up-front investment and in-house staff expertise. Atlanta provided its Urban Development Corporation a $4 million grant to quickly hire staff with real estate development expertise so it could immediately begin working on projects, while the Port of Greater Cincinnati Development Authority has approximately 10 staff devoted to housing work. Other communities may instead prefer to work with Municipal Property Advisors to aid with public land development.

Expected Impacts of This Tool

Public asset corporations can transform vacant or underutilized public land and assets into modern, attractive developments with housing and amenities for people of all income levels. For instance, in Atlanta, the city has started the process of redevelopment across 50 different public land projects. This followed a city-wide land audit that identified more than 700 acres of publicly owned land within jurisdictional limits. While these projects are in the early stages of development, they are expected to generate hundreds of units of affordable and market-rate housing. If all land owned by local governments and agencies were opened for redevelopment by public asset corporations, in partnership with the private sector, millions of new homes and apartments could be built at price points affordable to people across many income levels.

Background

As local governments search for new tools to address housing shortages, public land is often identified as a potential solution. Land costs can contribute significantly to overall housing project costs, and public land can be sold or leased at discounted rates for affordable housing development. By reducing or eliminating a major development cost, public land can offset the financial impacts of reduced rents for affordable housing.

Local governments can own or control thousands of parcels within their boundaries, many of which are underutilized, need revitalization, or remain vacant. The process to redevelop that land varies by jurisdiction, but is often slow, arduous, and bespoke. Individual departments may recognize that they own underutilized land but focus on core objectives rather than real estate development. Local elected officials may be aware of developable parcels, but navigating a clunky land disposition process may require the development of a request for proposals, with specific criteria, orchestrated by multiple city departments, and requiring approval from the city council or county commission. Often, public land development in the U.S. occurs through outright land disposition/sale to private developers, giving the public sector upfront cash but forfeiting control over future redevelopment and long-term financial gain.

In many communities, the public sector organizations with the most real estate development experience are public housing authorities, redevelopment authorities, port authorities, and land banks. These agencies historically have experience developing affordable housing (in the case of public housing authorities) and redeveloping blighted and vacant properties for economic development purposes (in the case of redevelopment authorities, port authorities, and land banks). They typically possess the appropriate tools for public sector redevelopment, including the ability to hold property, issue bonds, utilize the power of eminent domain, and more. Additionally, many of these public sector organizations are exempt from property taxes, and sometimes sales taxes, further lowering potential development and operations costs.

In some places, these existing organizations successfully shepherd public land through the disposition and development process to create much-needed affordable housing and public benefits. In other communities, though these organizations have the *powers* needed to utilize public assets to create housing, the local norms, capacity, or interagency relationships make such a pivot challenging. In many cases, these agencies can create wholly owned subsidiaries with their own independent boards, staffs, and processes, endowed with the same powers to hold, finance, develop, and utilize public lands for a wide range of purposes, including the creation of affordable and mixed-income housing. These subsidiaries blend the best of both worlds, creating new, mission-focused organizations, while building on the powers and structure of their parent organizations.

Proposed Solution: Public Asset Corporations

Public asset corporations are public agencies created specifically to develop publicly owned land for public impact, including mixed-income and affordable housing. By entering into cooperation agreements with other public entities, these corporations can gain control of various publicly owned lands across city government, land banks, public housing authorities, local transit agencies, local school districts, and more. They then undertake a planning and community engagement process to identify the needs of the community and optimal uses of that public land. They may engage in demolition, site preparation, environmental remediation, rezoning, environmental review, and other activities to ensure that sites are "redevelopment ready."

Once publicly owned land is ready for redevelopment, public asset corporations work with private sector developers to request solicitations for building projects. In the case studies we highlight below, the public asset corporations solicit requests for qualifications rather than requests for proposals to identify developers for collaborative work on developing mixed-income housing and other socially beneficial projects on a site. They negotiate with the developer on the value of the publicly owned land, and may deploy additional public financing tools, including tax abatements or exemptions, below-market loans, bonds, equity investments, grants, operating subsidies, or other mechanisms. Public asset corporations often retain an ownership stake in their projects, retaining ownership over the land, acting as joint-venture partners in a development, or investing equity to ensure long-term affordability. This ownership model enables the public sector to gain positive returns on investment from publicly owned land.

The *Atlanta Urban Development Corporation* and *Invest Chattanooga*, created in 2023 and 2024 respectively, are wholly owned subsidiaries of their cities' public housing authorities and share many of the same development tools and powers. Establishing these organizations as wholly owned subsidiaries of the public housing authority offers three benefits. First, it allows them to operate with the backing of the public housing authority while reducing regulatory burdens. Second, the subsidiary structure insulates the public housing authority from the public asset corporation's debts, obligations, and liabilities, allowing the authority to focus on traditional housing development tools while the public asset corporation works on public land development. Third, while public housing authorities often have the technical power and development experience to create new housing units, they typically focus on the use of Low-Income Housing Tax Credits, vouchers, and rental assistance programs to finance deals. Creating a new entity allows that organization to focus on the use of new public finance tools, mixed-income and market-rate developments, and land redevelopment owned by entities other than the housing authority.

Both the Atlanta Urban Development Corporation and Invest Chattanooga have independent boards of directors. The Atlanta Urban Development Corporation is governed by an independent eleven-member board of directors appointed by Atlanta Housing and the City of Atlanta:

- Seven voting members nominated by the Mayor and appointed by the board of Atlanta Housing, including at least four members of Atlanta Housing's board
- Four ***ex officio*** nonvoting members:
  - Mayor or Mayor's designee
  - Chair of City Council Community Development/Human Resources Committee
  - CEO of Invest Atlanta
  - President and CEO of Atlanta Housing

Invest Chattanooga is overseen by a five-member board, including:

- Three members appointed by the board of the Chattanooga Housing Authority
- Two members appointed by the Mayor of Chattanooga.

Public asset corporations use a ***four-part financing toolkit*** to decrease capital costs and, in turn, development costs for public projects: public land contributions, property tax abatements, below-market construction loans, and access to municipal debt markets or low-cost permanent financing. While each of these tools may exist in an existing agency or across multiple existing agencies, Public Asset Corporations are able to pull them all together as a comprehensive suite of options.

Public Land Contributions

Selling or leasing public land at below-market prices can significantly reduce housing development costs. Public asset corporations can negotiate with their development partners over discounted public land values to drive affordability goals and other public benefit goals. Both the Atlanta Urban Development Corporation and Invest Chattanooga have operating and cooperation agreements with other local public agencies, such as the city, to receive public land at low or no cost from those agencies for redevelopment. Frequently, these land contributions serve as equity-like inputs in the capital stack, significantly reducing the cash, equity, and debt required for a project.

Tax Abatements and Exemptions

Property taxes can be a significant operating cost in many jurisdictions. Abating or exempting property taxes on housing projects altogether can decrease operating costs, allowing reduced rents for tenants. That combination can certainly enhance feasibility, but it does have impacts on long-term public benefits that are important to consider. Under state laws in both Georgia and Tennessee, public housing authorities and their subsidiaries are able to exempt properties they control from property taxes. By creating a Public Asset Corporation and partnering with developers, these cities are able to have a deeper relationship and understanding with a developer about the financial feasibility of the project, can combine tax abatements with the other tools described here, and can streamline the process through a joint venture. In turn, that allows public asset corporations to do a better job "right-sizing" and targeting those tax abatements to help make projects financially feasible without giving away too much. Both Atlanta and Chattanooga require a percentage of units to be affordable to households earning under certain income thresholds to have the project qualify for tax abatements.

Below-Market Construction Loans

Some jurisdictions have created revolving, low-interest mezzanine funds to reduce capital costs for project development. Montgomery County, MD, for example, recently established a $50 Housing Production Fund backed by a $3 million annual commitment to the county's housing trust fund to lower the cost of capital for project development. Atlanta's 2023 Housing Opportunity Bond financed their own housing production fund, a $38 million appropriation managed by Invest Atlanta to provide low-cost, equity-like mezzanine debt. Invest Chattanooga similarly deploys a $20 million housing production fund. With interest rates below market rate, these loans can cover up to 20%, in Atlanta, or 25%, in Chattanooga, of the capital stack at construction with three- to five-year terms. In all three cities, Housing Production Fund loans can cover pre-development, site acquisition, preparation, and improvement, and initial construction. The capital functions like preferred equity at approximately a 5% rate of return, considerably lower than the 1520% internal rate of return (IRR) typically required by market capital.

Low-Cost Permanent Financing

Since, both the Atlanta Urban Development Corporation and Invest Chattanooga are wholly-owned subsidiaries of their local housing authorities, they can draw from municipal debt markets, and access other preferred capital sources like Tennessee's Community Investment Tax Credits. Preferential capital products reduce the cost and provide permanent takeout financing for construction debt.

In addition to these financial tools, the Atlanta Urban Development Corporation and Invest Chattanooga utilize various structures to achieve affordability goals. In the case of the Atlanta Urban Development Corporation, partners must commit to affordability requirements, with 20% of units affordable at 50% AMI; 10% of units at 80% AMI, and all units below 140% AMI.

To achieve long-term affordability, the Atlanta Urban Development Corporation and Invest Chattanooga have access to different ownership structures, including ***Joint Ventures*** (JVs) and ***Public Ownership***. Projects are structured as JVs where the public asset corporation has an ownership stake of at least 51%. This public ownership structure allows public asset corporations to maintain long-term control over project governance, affordability covenants, and use restrictions. By structuring deals this way, public asset corporations ensure that public investments generate lasting community benefits, not just short-term gains. JV structures include:

- *Public land JVs:* These public asset corporations' partner with equity partners or fee developer partners to redevelop publicly owned land through joint venture structures that align incentives and preserve long-term affordability;
- *Capital JVs:* In response to unsolicited partnership proposals, public asset corporations can contribute Housing Production Fund mezzanine financing and tax abatements to support development on privately owned land; and
- *Ground lease financing:* Public asset corporations can structure projects through long-term ground leases, providing tax abatements and potential public financing to enable new construction or the acquisition and rehabilitation of existing properties, while retaining public ownership of the land and receiving a regular revenue stream.

The Atlanta Urban Development Corporation has also experimented with ***Procurement Flexibility*** to improve public outcomes. After identifying potential redevelopment sites, the city undertakes a community engagement process to determine potential uses of the site, completes any required rezoning, and fully entitles the site prior to partner procurement. This process maximizes public land value and shortens the development timeline, reducing uncertainty and risk for developers who ultimately compete to build on this public land.

Once a property is entitled, the Atlanta Urban Development Corporation relies on requests for qualifications (RFQs), rather than traditional Requests for Proposals (RFPs). Traditional public procurement projects are cumbersome; requests for proposals (RFPs) often specify form, function, processes, and lengthy requirements to which a bidder must adhere in a detailed bid. Submitting a bid may require a potential bidder to have fully developed architectural renderings, dedicated project financing, and detailed plans to address entitlement issues (e.g., zoning and permitting). Collectively, these requirements increase up-front costs and back-end uncertainty, limiting respondents and increasing costs for potential bidders before a proposal is even selected.

The RFQ process prioritizes developer capacity and alignment with broad affordability and ownership objectives. Rather than reward bidders for detailed proposals which may or may not ever materialize, the RFQ process asks whether a respondent can successfully complete a project in alignment with the Atlanta Urban Development Corporation's public use and affordability objectives. After selecting a qualified developer through this competitive process, the corporation works collaboratively with the developer to arrange partnership and financing structures, address entitlement issues, and address use, affordability, and development plans. The structure as a public corporation provides assurance to developer partners in working with city permitting agencies (zoning, planning, utilities, etc.).

Unlike the newer entities in Atlanta and Chattanooga, the ***Port of Greater Cincinnati Development Authority*** has operated since 2001 (and expanded in 2008) with broad economic development powers, including the power to own, lease, and develop real estate, issue bonds, and manage the county Land Bank, with equally broad powers. Additionally, under state law, Ohio port authorities are exempt from sales tax.

The Port of Cincinnati is an active public asset corporation, pursuing single-family housing developments using its wide range of tools through its Land Bank, ability to issue bonds, and ability to cooperate with other governmental agencies. For developments using its public finance tools to assist the private sector, it retains ownership of multi-family projects, exempting building materials from the sales tax to significantly reduce construction costs. Through the Land Bank, it uses its tax status and public grants to reduce costs when selling real estate for single- or multi-family development Additionally, the Port of Cincinnati looks for opportunities to build market rate housing, reinvesting profits into affordable housing in the same neighborhood surrounding these new developments. In 2023, the Port used its bonding capacity to bid at auction for a portfolio of 194 single-family rental homes, with the goal of investing in them and selling them as affordable home ownership opportunities. Leveraging its financial capabilities to buy a real estate portfolio with the aim of transforming a neighborhood is the sort of quick action at which public asset authorities can excel.

These three examples — the Atlanta Urban Development Corporation, Invest Chattanooga, and the Port of Cincinnati — highlight how public agencies can leverage public land values, powers, and finance tools to create affordable and mixed-income housing developments that benefit communities and unlock public land for development.

Diffusion and Scaling of Public Asset Corporations

Of the three public asset corporations discussed, two are wholly owned subsidiaries of their local housing authority, while the third operates as an independent entity. With over 3,000 public housing authorities nationwide, many have the capability to create subsidiaries that could function as public asset corporations, though enabling legislation varies by state. Additionally, many communities have redevelopment authorities and port authorities with similar powers. Diffusing and scaling public asset corporations requires two key elements. First, political will is essential to create new organizations or repurpose existing ones for new roles. This political will cannot be understated. Creating a new entity is a significant challenge, and convincing a City Council, County Commission, Public Housing Authority board, and the public to see the value in a new public entity is an important part of the process. Second, both human and fiscal capital are necessary. Establishing new organizations requires hiring real estate professionals who are experienced, capable, and dedicated to creating mixed-income housing on public land, problem solving, and implementing new financial models. Atlanta's initial investment in the Urban Development Corporation included $4 million in start-up financing, plus $38 million for a revolving loan fund. This investment will certainly pay long-term dividends but did require a substantial upfront commitment of local government funds.

Examining the existing models, four major lessons emerge:

1. *Organize for outcomes*: The Atlanta Urban Development Corporation was precipitated by Atlanta Mayor Andre Dickens' Affordable Housing Strike Force, which convened agency heads and senior officials across city government and partner organizations. The Strike Force recognized that while the city possessed a wealth of public assets, these were spread across organizations with no single entity having comprehensive oversight. This cross-agency, outcome-focused structure was critical to Atlanta's success. Mayor Dickens' Affordable Housing Strike Force convened agency leaders from Atlanta Housing, the local transit agency MARTA, Atlanta Public Schools, Invest Atlanta, and others. This approach provided a comprehensive inventory of publicly owned assets across multiple entities — something no single organization had previously assembled. Local leaders interested in establishing a new public asset corporation model should first assess assets across both local government and affiliated entities.
2. *Align organizational structure and capacity with goals:* Atlanta and Chattanooga recognized that legacy agencies, built around legacy tools — while critical to the existing housing ecosystem — were not structured to leverage underutilized public assets for mixed-use, mixed-income development at scale. Both cities created a new type of organization. By creating public asset corporations as nonprofit subsidiaries of housing authorities, these cities established entities with the flexibility and capacity to focus exclusively on redeveloping public land for housing at a range of incomes without being encumbered by legacy procedures or political cycles. These corporations can provide a range of public financing tools but are not bound by inertia or legacy procedures that can slow progress at traditional agencies. Moreover, their structure provides insulation from political currents. The Port of Cincinnati was an existing entity endowed with the legal and financing tools and chose to invest in housing initially to respond to the Great Recession, and now has the in-house expertise, tools, and flexibility to expand its mission to increase its housing impact. Local leaders should evaluate the strengths and weaknesses of existing agencies with relevant authorities to determine whether a new entity needs to be created, as was done in Atlanta or Cleveland, or whether an existing agency could be granted expanded powers or capacity to focus on the development of publicly owned land, as was pursued in Cincinnati.
3. *Leverage full range of tools:* Public asset corporations deploy multiple options and tools to achieve public benefit goals. While each of these tools may exist in an existing agency or across multiple existing agencies, Public Asset Corporations are able to pull them all together as a comprehensive suite of options. Specifically:

- Public land contributions lower upfront development costs;
- Property tax exemptions and abatements enhance project feasibility and lower construction and operating costs;
- New housing production funds offer low-cost mezzanine debt that bridges capital gaps without relying on limited resources like the Low-Income Housing Tax Credit; and
- Access to municipal bond markets provides low-cost permanent financing that ensures financial sustainability.

Collectively, these tools can lower project costs while maintaining long-term ownership and meeting affordability objectives. Each city is unique, facing different challenges and equipped with different tools. A city should conduct an inventory of available tools and build a cohesive strategy that leverages them in concert.

4. *Streamline Procurement to Encourage Innovation and Reduce Costs:* Shifting from traditional RFPs to more flexible RFQs significantly lowers barriers to entry for developers and streamlines the selection process. By focusing on developer capacity and alignment with affordability goals—rather than prescriptive design or financing requirements—public asset corporations foster collaborative partnerships with qualified development teams. Cities can benefit from reevaluating their procurement processes to reduce unnecessary complexity and up-front costs. This encourages innovation and expands participation.

Bryan Fike *is a Research Officer at the Nowak Metro Finance Lab at Drexel University.* ***Benjamin Preis, Ph.D.***, *is the Director of the National Housing Crisis Task Force, and a Senior Research Fellow at the Nowak Metro Finance Lab.*

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EXPANDING HOUSING SUPPLY: A CALL FOR MUNICIPAL PROPERTY ADVISORS

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02 Expanding Housing Supply: A Call for Municipal Property Advisors

By Ben McAdams, Bruce Katz and Luise Noring

Summary

Cities across the U.S. possess extensive but underutilized land and property assets with immense potential for addressing pressing housing challenges. Leveraging these public assets can make affordable housing projects financially viable by reducing production costs and engaging public entities as equity partners. Unlocking this potential could be part of broader initiatives to produce hundreds of thousands of affordable housing units.

The Putting Assets to Work (PAW) Initiative has worked with several U.S. cities to pioneer a replicable solution. Cities like Austin are using local procurement practices to engage third-party entities — Municipal Property Advisors (MPAs) — as intermediaries. These MPAs identify, monetize, and driving the redevelopment of underutilized public assets to advance public objectives, including affordable housing production, through private investments.

The Challenge This Tool Solves

Cities face multiple challenges in maximizing their property assets. Most U.S. localities lack a full inventory of public assets, partly because ownership is fragmented across numerous local governments and their individual departments, public authorities, and public utilities. Moreover, these separate public entities often lack the knowledge and expertise to work with public, private and nonprofit developers and financial institutions to convert public land and buildings into housing.

Types of Communities That Could Use This Tool

Governments of all levels and sizes could benefit from a new approach to identifying and developing public assets.

Expected Impacts of This Tool

The use of MPAs could potentially unlock hundreds of thousands of affordable housing units on currently underutilized public assets. Indeed, the Center for Geospatial Solutions at the Lincoln Institute of Land Policy estimates that local governments own over 230,000 acres of land served by transit, with potential to support up to 5.9 million housing units.

Background

The American housing crisis has reached a critical juncture, with record-high homelessness coinciding with historically low rental affordability and homeownership rates. This crisis not only impacts individual Americans and their families but also has profound socioeconomic implications for the entire population and economy.

A promising solution exists: the public sector could play a major role in catalyzing the production of affordable housing via the strategic disposition or repositioning of underutilized assets. Public entities at federal, state, and local levels collectively own substantial land and building portfolios. As communities have grown and evolved, many holdings like surface parking lots and administrative facilities have become underutilized, particularly those that are in or near employment centers and transit stations; and are now ideal candidates for redevelopment. By conservative estimates, a strategic disposition or repositioning of public assets could help drive the production of hundreds of thousands of housing units.

A partnership between Accelerator for America and government technology firm Tolemi is supporting 17 cities through the Data for Housing Solutions initiative, which leverages a data analysis tool and peer learning to provide insights into local real estate markets. The goal is to use those insights to help preserve and build affordable housing, keep families in their homes, combat predatory real estate investors, and ensure publicly owned real estate is utilized for the greatest community benefit. To-date, the initiative has identified over 100,000 publicly owned properties managed by more than 450 public entities across the cohort of 17 cities, allowing local leaders to evaluate these sites for potential transformation into affordable housing.

In some European cities like Copenhagen and Hamburg, public asset corporations have been established to design and deliver ambitious asset leveraging strategies. In Copenhagen, since 2007, the publicly owned, privately managed City & Port development corporation has spearheaded large-scale urban redevelopment overseeing half of all new developments in the city. Those developments adhere to the national mandate that requires 25% of all new housing projects be allocated for affordable and social housing. Simultaneously, City & Port has channeled revenues from redevelopment into financing the city's extensive metro system. In Hamburg, the HafenCity Hamburg development corporation has pioneered innovative urban solutions in collaboration with private developers for both housing and businesses. These initiatives have significantly shaped the city's unique future by creating a diverse mixed-use redevelopment area and catalyzing a diverse set of clean energy initiatives.

The U.S. now has an urgent imperative to adapt European and other models to accelerate the production of affordable housing. Over the past two years, the Putting Assets to Work Initiative (hereinafter "The PAW Initiative"), a collaboration of the Government Finance Officers Association, Common Ground Institute, and Urban3, has worked with multiple cities and counties to find a sensible and scalable approach to public asset disposition in the U.S. The PAW Initiative has worked with localities as diverse as Atlanta, Austin, Chattanooga, Cleveland, Evanston and Salt Lake County to identify and map publicly owned land holdings and real estate assets, estimate their value, and develop strategies to engage intergovernmental partners and community stakeholders. The goal is to attract private capital and generate new revenue from these assets.

The PAW Initiative has pioneered the creation of an Asset Map, which is a tool used to inventory government-owned land and buildings across various jurisdictions. For instance, Boston's City-wide land audit identified parcels owned by the nine different city-controlled entities, segmenting them between "large opportunity sites," infill sites, and others. While many jurisdictions maintain lists of owned parcels, they often lack complete understanding of their assets' full scope, market value, or development potential. The ownership of government assets is fragmented among a multitude of public entities including general purpose city and county governments, separate public utilities and public authorities (e.g., Public Housing Authorities, Port Authorities, Airports, Redevelopment Agencies (RDAs), Land Banks, Transportation Authorities, Public Works Departments), and various state and federal entities. An Asset Map addresses these gaps by providing a geospatial representation of publicly owned properties, integrating data from geographic information systems (GIS), county assessors, internal records, and staff interviews. These maps highlight specific parcels suitable for prioritized investment or development efforts.

Asset mapping, while foundational, is insufficient on its own.

The typical next step, issuing a Request for Proposals (RFP), can be time-consuming and requires specialized expertise, placing additional burdens on already stretched government staff. Following asset assessment, most jurisdictions have limited capacity to advance complex redevelopment initiatives, as elected officials and agency staff understandably focus on core functions and immediate priorities. Regardless of their potential economic upside, complex, long-term initiatives like PAW often get placed on the back burner.

For that reason, several cities involved in the PAW Initiative are pushing new innovations. The City of Atlanta, for example, has established a specialized entity, the Atlanta Urban Development Corporation (AUDC), to lead the redevelopment of public land into marketable, mixed-income housing that is attractive and accessible to tenants across all income levels. The City of Atlanta appropriated $4 million to launch the AUDC and authorized additional bonding of $100 million to support the mayor's affordable housing initiative, leveraging the city's underutilized public assets. The City of Austin, by contrast, is using local procurement to hire third-party entities to manage the disposition and repositioning of public assets and drive redevelopment. The City of Austin worked to identify city-owned parcels of land that are unused or underutilized that are suitable for housing development or other beneficial uses which they identified as "reposition properties". The city then issued a Request for Qualifications (RFQ) to solicit comprehensive Reposition

Property Advisor or Development Advisor services aimed at advancing strategic planning and redevelopment. Tasks outlined in the RFQ encompass analyzing the utilization of public assets, devising innovative financing models, fostering collaboration among city departments and stakeholders, conducting market analyses, drafting RFPs for development projects, offering guidance on zoning regulations, and facilitating the negotiation of development agreements. Both the Atlanta and Austin reforms, taken holistically, are pathbreaking and deserve serious consideration. The Atlanta effort adapts the institutional successes of Copenhagen and Hamburg to the U.S. and is already playing a major role in Mayor Andre Dickens' stated objective to produce 20,000 affordable homes over eight years. The AUDC has the further benefit of blending public, private and philanthropic capital in efficient and effective ways, creating new capital stacks and financing mechanisms that can yield results over the long term. The harsh reality, however, is that most U.S. communities lack the capacity to design, incorporate, capitalize and stand up a fully operational Urban Development Corporation.

Austin offers a more readily scalable and adaptable approach. Using RFQs is a familiar practice in public-private real estate partnerships, and many cities already employ similar procurement methods across sectors.

This approach also accommodates the reality of limited local resources by leveraging external expertise through competitive procurement, allowing cities to manage development initiatives without overextending internal capabilities.

For these reasons, this tool focuses on scaling Austin's innovation and establishing Municipal Property Advisor services as a standard practice nationwide.

Proposed Solution: Municipal Property Advisors

To unlock the value of public assets and overcome capacity limitations faced by most local governments and public entities, we propose creating and scaling a new class of housing professionals — Municipal Property Advisors — to identify and leverage public assets as a key solution to the housing crisis.

Under this approach, a city could issue an RFQ to select a municipal property advisor, or advisors, for a defined period of time. Selected advisors are pre-qualified to evaluate the city's real estate portfolio, identify asset opportunities, present development proposals and negotiate terms directly on behalf of the jurisdiction, subject to final approval by the jurisdiction of the particular process and terms, and ultimately participate in the project redevelopment to ensure its success. This approach is similar to how local governments pre-qualify outside local counsel or bond underwriters to represent them in financial transactions generally and not confined to individual legal matters or one-time bond issuances.

MPAs fill the gap between public sector capacity and private sector investment by evaluating project options, assessing market interest, identifying capital sources, running RFP or RFQ processes to select a project developer, and coordinating large-scale development projects aligned with the long-term overall development strategy of the city. As part of the selection process, the local government can set goals and guidelines around using public assets to advance the production of affordable housing.

The MPAs should be highly skilled and trained in the redevelopment and revitalization of public assets in the private market. Their tasks include creating an overview of public assets, selecting the most promising locations for revitalization, and executing first-mover projects to demonstrate the potential value of public assets. They will ensure that new developments fit and feed into the city's overall strategy. They will also research and resolve complex title issues often associated with publicly owned property, design and manage public-private partnership formations (which may include competitive bid processes or other processes approved by the jurisdiction) and negotiate contracts for jurisdiction approval.

Additionally, MPAs formulate various financing options and innovative approaches to capital formation for approval by the jurisdiction and private parties, prepare relevant documentation, supervise project implementation and development activities on behalf of the jurisdiction, and report on ongoing performance metrics.

This third-party intermediary approach can operate on minimal investment from the jurisdiction by allowing the MPA to assess project participation fees from transactions. Such fee structures are already common in government where a jurisdiction uses a real estate broker to sell public property who is compensated through a fee on the land sale transaction, or a municipal financial advisor or underwriter who is compensated through bond issuance fees or other financial transaction fees. Similarly, this structure is commonplace in private-sector transactions where developers readily pay a "finder's fee" or origination fee to parties who source transactions or a capital sourcing fee to parties who bring investment capital to support various projects. However, we are proposing to aggregate the real estate broker and the finder of the finder's fee into an all-encompassing role to enable a holistic approach that fully leverages the full potential of the public assets. In Austin, the city has already completed the development of a 251,000 square foot facility based on its use of an MPA.

Diffusion and Scaling of Municipal Property Advisors

The wider adoption of the Municipal Property Advisors approach could yield substantial housing benefits across multiple timeframes. Technical assistance for government leaders can accelerate this process. The Task Force supports the PAW Initiative as a valuable intermediary that can standardize and expand Municipal Property Advisor procurement and practice across the nation. The expansion of this work to more places will require five core elements:

Create Successive Cohorts of Adopters: The PAW Initiative proposes working with multiple cohorts of cities annually (five to ten cities per cohort) that commit to using a common approach for asset mapping, MPA procurement, and affordable housing production. Cities must have commitments from local elected officials as well as key corporate and civic leaders.

Routinize Core Elements: The scaling of an innovative practice starts with the sharp distillation of its core features and components. Repetition requires codification, which is best accomplished using a common template that is flexible enough to accommodate places with different governance structures, market conditions, and institutional capacities.

Routines Matter: They reduce risk, lower costs and simplify replication. Common term sheets. Common capital stacks. Common metrics. Common analytics. Common technologies.

To reach more places, we need to create and make widely available sample RFP and RFQ agreements, making these easily accessible for any city wanting to go down the Municipal Property Advisor path.

It will also develop a catalogue of potential financing options and performance metrics. Success could be measured by the provision of affordable housing options, tailored to the specific needs of each city, county and metropolitan area.

Municipalities can enhance the impact of Municipal Property Advisors by establishing right-to-build policies. Cleveland has, for example, adopted (a) as-of-right zoning for 1- to 4-unit housing; (b) as-of-right accessory dwelling units; and (c) pre-approved housing designs.

Peer Learning and Knowledge Dissemination

As MPA utilization grows, PAW aims to foster collaboration among municipalities, facilitating exchange of best practices and innovative solutions. By publishing common agreements and performance metrics and documenting successes and lessons learned, PAW will build a knowledge repository supporting localities in addressing common challenges and maximizing housing impact. Making practical information widely accessible will empower local governments to optimize their assets for economic, social, and environmental community benefits.

Professionalize Municipal Property Advisor Industry

We anticipate natural evolution of a Municipal Property Advisor industry as more cities adopt this approach. Beyond convening city cohorts, the PAW Initiative plans to bring together firms and nonprofit entities serving as MPAs across multiple engagements or communities. This collaboration will establish practice standards that become industry norms. As the field matures, professional certification should be considered, with PAW potentially providing initial quality assurance and standards development.

There are many steps that local — and even state — governments can take today at no or little cost to better put their public assets to work and begin the process to implement a Municipal Provider Advisor approach that builds more affordable housing. The fuller scale implementation, including cohorts, knowledge center, templates, and professionalization of the positions, will require additional funding.

The PAW Initiative is grateful to the Robert Wood Johnson Foundation, Schmidt Futures, the Lincoln Institute of Land Policy, and other local and national foundations that have seeded this important work.

Ben McAdams *is CEO of Putting Assets to Work, a former Member of Congress and the former Mayor of Salt Lake County.* ***Bruce Katz*** *is the Founding Director of the Nowak Metro Finance Lab at Drexel University.* *Dr. Luise Noring is a recognized global expert on public asset disposition.*

NATIONAL HOUSING CRISIS TASK FORCE

STATE AND LOCAL HOUSING ACTION PLAN

CAPITAL

Capital interventions seek innovative capital stacks that enable more affordable housing. As federal funding sources shift, there will be an even greater need for cities to partner with local investors, banks, and philanthropy to create new capital stack components that can provide the necessary subsidy, close the gap, and produce housing, at scale, regardless of the macro-economic cycle.

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NATIONAL HOUSING CRISIS TASK FORCE

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"RIGHT-SIZING" PROPERTY TAX INCENTIVES TO INCREASE HOUSING AFFORDABILITY

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03 "Right-Sizing" Property Tax Incentives to Increase Housing Affordability

By Michael Saadine, Andrew Gibbs, and Florian Schalliol

Additional contributions from National Housing Crisis Task Force members: Susan Thomas, Josh Humphries, Rachel Diller, Laura Brunner, and Rebecca Foster

Summary

The national housing crisis manifests in many forms, but most impactful is the severe shortage of affordable housing units. In the absence of meaningful federal action in recent decades, and uncertainty regarding current federal priorities, state and local municipalities are increasingly taking action to build and preserve affordable housing.

Localities are deploying a wide range of tools and investments: tax abatements and exemptions, tax increment financing, payments in lieu of taxes, public land contributions, low-interest loans, voucher programs, and more. Most of these tools are effectively public subsidies to private developers or landlords, designed to incentivize the creation or preservation of affordable housing. Little analysis, however, has been done to understand 1) which tools make the most sense in which localities and housing developments, 2) how much these incentives are truly "worth" to developers, and 3) how much public entities should require in return (e.g., number of affordable units, level of affordability, duration).

The Challenge This Tool Solves

Often, existing incentive programs either provide excessive benefits to the private sector, generating insufficient social return for the cost, or offer inadequate incentives, resulting in no uptake and therefore no new affordable housing units. Such discovery is difficult for public entities that may not have robust financial underwriting teams and may distrust the analysis of the private developer, who is effectively sitting opposite them on the negotiating table. There is a need to bring a clearer understanding to the tradeoffs the public sector is making when offering incentives for affordability. While every locality is balancing different financial and policy variables, the underlying financial underwriting fundamentals remain relatively consistent. A select few localities have developed and refined financially sophisticated programs that generate affordability, offer the private sector sufficient incentives, and have guardrails against unfair deals.

Types of Communities That Could Use This Tool

Tax incentive programs are applicable across localities throughout the country. While specific mechanisms vary by location, the fundamental underwriting considerations remain consistent. Likewise, many communities across the country are suffering from shortages of quality, affordable housing, especially in income segments that are less covered by federal incentive programs. The proposed **Underwriting Model** offers geographic and income-level flexibility but could be especially effective in communities where political and fiscal conditions allow trading potential property tax revenue in favor of increased housing affordability.

Expected Impacts of This Tool

By highlighting best practices from across the country and providing a framework and shared language for the public and private sector's understanding of project underwriting, we aim to help states and localities implement new tax incentive programs, strengthen public-private trust, and improve execution efficiency across both new and existing initiatives.

Background

Most affordable housing in the U.S. is built by private developers. In this context, affordable housing refers to for-sale or rental housing with cost caps that make it accessible to moderate- and low-income households. Often, these caps result in prices below what would be financially viable based on development costs. To incentivize private developers to build affordable housing, the public sector must subsidize those costs.

There are many different subsidy programs in the U.S. for affordable housing. The largest, the Low-Income Housing Tax Credit, subsidizes approximately 40–70% of the total development cost for rental housing, and caps the rents in the project to rents that are affordable to households earning 60% of the Area Median Income (AMI). Other federal subsidies for affordable housing include the HOME Investment Partnerships Program, Rental Assistance Demonstration Program, and USDA Section 515 Rural Rental Housing Loans, among others.

However, these federal incentives for affordability are limited, antiquated, overly competitive, and vulnerable to changing politics. State and local governments have stepped in with many of their own subsidies. These subsidies include direct grants and loans for specific projects, subsidized land, and abatements or exemptions on the property taxes that developments need to pay. This State and Local Housing Action Plan tool primarily focuses on property tax incentives, providing a framework for localities to compare the potential costs and benefits of subsidy programs, examining not only types of tax subsidies localities can provide but also the cost, "public return," and, ultimately, the efficiency of those subsidies (i.e., units created or preserved and other public policy priorities served). We highlight examples of leading programs across the country, explaining the underwriting that makes them viable, and the tradeoffs considered in crafting them. We share a preliminary flexible underwriting model (the ***"Underwriting Model"***) that can be used by the public and private sector as they consider implementing or using programs, and propose a much more robust, data-rich, open-source, and usable model to be built.

Proposed Solution: Property Tax Incentives for Affordability

The National Housing Crisis Task Force proposes that more localities implement property tax incentive programs to subsidize new and preserved affordable units. To support this expansion, we propose the creation of a flexible ***Underwriting Model*** paired with a standardized methodology to analyze and compare local incentive programs. This approach would establish a new set of standard metrics that account for differences in incentive structures and how they affect the various measures that are important to the public sector and to developers.
Our initial proposed ***Underwriting Model*** is Excel-based and relies heavily on a number of assumptions that any given locality or developer would need to input. While this provides a foundation for understanding underwriting fundamentals, it serves primarily as a first step toward bridging the knowledge gap between developers and public entities regarding project finances and subsidy valuation. It is not intended to replace customized underwriting, and there remains the risk that local nuances may not be fully captured, or that developers may still have a different read of the project's finances.

We envision a much more accessible and usable model as this project's final output. A final model would be open-source, with standardized, dynamic, reliable data (such as rents, median incomes, and local tax rates) rather than relying on user assumptions. The model would be hosted online and accessible to anyone. Data sources would update constantly and automatically via API.

The proposed model would allow any public sector official or developer, almost anywhere in the country, to automatically evaluate a proposed incentive program. It would also guide users towards target key metrics. For instance, if the public sector knew it had a distinct need for mixed-income developments with a certain number of units at a moderate Area Median Income (AMI) level, the model might guide it to offer a partial tax abatement to achieve the metrics that would incent a developer to perform.

Production of the final online ***Underwriting Model*** will require additional budget to develop and a permanent home for hosting and updating. The National Housing Crisis Task Force's initial ***Underwriting Model*** should serve as the testing ground for this more ambitious model.

A Background on Housing Finance

Understanding the basics of housing finance is essential to understand the value and tradeoffs of subsidies that localities can offer the private sector. While priority methodologies and inputs will always vary from place to place and developer to developer, the private real estate industry does adhere to some basic, consistent practices.

Revenues: Net Operating Income

Among the most important metrics underpinning real estate analysis is Net Operating Income ("NOI"). NOI is indicative of a project's recurring revenues (e.g., rents) and is essentially calculated by summing rents and other revenues (e.g., parking) and subtracting typical operating expenses such as maintenance, utilities, insurance, and property taxes.

Revenues Compared to Costs: Yield on Cost

NOI, however, does not account for the substantial costs of developing or purchasing a property. To compare these costs to NOI, the real estate industry calculates "yield on cost." To determine yield on cost, NOI is divided by total construction and / or acquisition costs. For example, a 7% yield on cost implies that a developer's NOI will yield 7% on their total investment each year once the project is leased up.

Sale Price: Cap Rates

Capitalization rates or "cap rates" represent another important metric for project revenue. While NOI is an indicator of a project's recurring revenues (e.g., rents), cap rates are an indicator of the property's ongoing value and potential sale price. Cap rates represent, effectively, a desired yield for a stabilized project; in a traditional development environment, an investor should be willing to accept a lower yield once a project is built and leased because there are fewer risks related to construction delays or leasing the property. Cap rates are used to drive a proposed valuation or sale price. Like yield on cost, cap rates are a percentage yield metric representing NOI divided by valuation.

Putting it all Together: IRR

NOI, yield on cost, and cap rates all help determine the developer's return on investment in a housing development. The most commonly used metric used to evaluate this return is called Internal Rate of Return ("IRR"). IRR is calculated by summing the cash flows (money spent or income received) each year. Generally, this consists of acquisition and development costs up front, less NOI while the project is leased out, and sale proceeds determined by the market Cap Rate at exit, also accounting for the impact of debt financing. These cash flows are then time-weighted to calculate IRR. These "leveraged" (including the effect of debt) Internal Rates of Return are targeted in the double digits for more stable assets and above 20% for the riskiest new developments.

Affordability has a distinct effect on these metrics. Rents are one of the most important components of NOI (and, as a result, on cap rates), and affordable housing units typically generate lower rents. If rents dip low enough, developers and investors may choose to walk away from a potential housing development. In exchange for lowering rents, the public sector can reduce operating costs (e.g., through a tax incentive like an exemption, abatement or tax increment financing (TIF)) to increase NOI or reduce development costs (e.g., through free land, grants or low interest loans) to lower the total cost denominator; either of these offsets can get the developer back to a market-rate yield on cost. While every project has dozens of moving pieces, understanding precisely how these incentives affect a developer's finances is critical to understand which incentives to provide, and how deep they should be for maximum effect.

Case Studies

As state and local governments assume greater responsibility for affordable housing production and preservation, innovative tax incentive programs have emerged nationwide. The following examples highlight effective approaches from Texas, Atlanta, and Chattanooga.

Texas's Public Facility Corporations

In 2015, Texas implemented a unique multifamily tax exemption program. Facilitated under Texas Local Government Code, Texas is one of the first places to provide this form of incentive to create affordable housing and, as a result, it has had opportunities to refine the program towards ensuring it accomplishes its intended public purpose over time.

The Texas program allows Public Facilities Corporations (PFC) created by cities, counties, public housing authorities, and other public entities to utilize their tax-exempt status to incentivize and subsidize affordable housing development or preservation through the creation of public-private partnerships. These arrangements typically operate through ground leases where the PFC acts as lessor and a private developer as lessee.

In exchange for placing income and rent restrictions on not less than one-half of a property's units, both the fee and leased entities are exempt from property and sales taxes. The private developer provides and secures all capital needed to fund the acquisition, development, and renovations.

In addition to the income and rent restrictions on at least one-half of the units, the PFC often receives additional consideration for facilitating the tax exemption; an origination fee, annual monitoring fee, a portion of cash flow, an annual payment in lieu of taxes (PILOT), and/or a percentage of the proceeds from a sale or refinancing of the property. These funds are often used by the PFC to fund other activities including, but not limited to, housing for very-low and extremely-low-income residents. Importantly, the benefit of the tax exemption is received by the lessee for the entire length of the ground lease as the PFC continues to own the property at the end of the lease term.

To ensure the property tax exemptions align with the intended public purpose of creating affordability through below-market rents, the enabling statute was amended in 2023. As amended, the statute creates different requirements for new construction, acquisition with rehabilitation, and stabilized properties without reinvestment.

The amended statute requires that developers of new multifamily communities receiving the benefit of the tax exemption reserve at least 10% of the units for households earning 60% or less of AMI and at least 40% for households earning 80% or less of AMI. More stringent requirements are placed on existing occupied properties, whether they are acquired and renovated or simply transitioned from market-rate to mixed income tenancy.

To address concerns that properties receiving the benefit of the tax exemption were already naturally affordable, the amended statute requires the partnership to obtain a third-party underwriting assessment finding that a new development would not be feasible “but for” the exemption and that an occupied property would have not less at least 60% of the property tax savings returned to residents via reduced rents during the second to fourth years after acquisition.

Other provisions in the amended statute included requiring the local jurisdiction to approve the tax exemption, limiting the initial term of the exemption to 60 years for a new development and 30 years for a stabilized property, requiring property owners to accept housing choice vouchers for rent, and incorporating tenant protections.

Prior to June 18, 2023, the effective date of the amended statute, the Texas multifamily tax exemption was often used not only to incentivize the development of new properties but also the acquisition of stabilized properties, and tens of thousands of units were developed or acquired in partnerships with PFCs. However, the more stringent affordability requirements included in the amended statute has resulted in the incentive now being primarily utilized for new development, not the conversion of stabilized properties.

Since the effective date of the amended PFC statute, owners of and investors in existing, occupied properties have used a similar but arguably not as efficient provision in the Texas Local Government Code to secure tax exemptions for their properties. Using the legal principle of “equitable title,” Texas’ public housing authorities (PHA) and housing finance corporations (HFCs) can also facilitate tax exemptions for existing properties and new developments under the Texas Local Government Code.

Much like tax exemptions provided by PFCs that did not create significant new affordability, recent transactions facilitated by PHAs and HFCs have been subject to criticism as failing to serve a public purpose. Much like the Texas Legislature amended relevant PFC code in its 2023 session, it is currently considering amending relevant PHA and HFC code in its current session. Multifamily tax exemptions facilitated by PFCs, PHAs, HFCs, and other governmental entities have been and will likely continue to be a very efficient tool to create affordable housing opportunities for moderate, low, and, on occasion, very low-income residents.

Atlanta's Private Enterprise Agreement

In 2023, as part of Mayor Dickens’s pledge to create 20,000 affordable housing units, Atlanta established the Atlanta Urban Development Corporation (“AUDC”). Beyond functioning as a

“European style” public developer, AUDC created a program leveraging the Private Enterprise Agreement (PEA), found in the original 1937 Georgia Housing Authorities Law, to provide tax exemptions to projects that provide a minimum number of affordable units. In exchange for reserving at least 20% of units at 50% AMI, 10% of units at 80% AMI, and the remaining units at 140% AMI or lower, projects can receive a tax exemption of negotiable length (typically tied to the length of the affordability mandate of at least 20 years). Similar to Texas’ program, the PEA is structured through a partnership whereby AUDC owns the land and enters into a ground lease with the private developer for the duration of the affordability program.

The frictional transaction costs, or Friction Costs (unrecoverable costs associated with any given program, defined further below) associated with the PEA are moderate. Developers are required to pay a lease closing fee (0.5% of property value at time of agreement), annual compliance charges between $2,500 per year and up to $75 per unit per year, and a lease break fee, if applicable. The application and approval process for the tax exemption includes a short, written, application (as part of a collaborative information collection process), AUDC investment committee review, and a board vote. Because AUDC is a quasi-independent public corporation not beholden to the same regulations as public entities, and because the PEA, importantly, is an off-the-shelf product, the response time for a PEA award is typically between 3-6 months.

This standardized approach presents certain tradeoffs. The uniform structure risks providing insufficient subsidy for some developments while potentially over-subsidizing naturally occurring affordable properties, wherein tax abatement is not needed. In the current market environment, the private rate of return enhancement may be insufficient to stimulate new affordable housing production.

To address this potential issue, the City of Atlanta, along with the Community Foundation for Greater Atlanta (“CFGA”) has created a low-cost loan program to provide further incentives for the affordable housing units that need it the most. With an independent underwriting team and investment committee, CFGA is able to provide more tailored subsidies to spur more affordable developments.

Chattanooga's PILOT Program

Chattanooga recently instituted a Payment in Lieu of Taxes (PILOT) program to offer developers a 15-year tax abatement commensurate to the number of affordable units created. Similar to Atlanta and Texas, the PILOT is enacted through a ground lease between a public entity, the Health Education and Housing Facilities Board, and a private or nonprofit real estate operator. The program differentiates itself by offering developers flexibility in determining their desired level of tax abatement and applying a performance standard rather than prescriptive requirements, which gives developers the flexibility to choose how they allocate the abatement amongst affordable households and unit types. The abatement stays with the property and can be transferred to another owner upon a sale event and has the option to be renewed for a second 15-year term.

To incentivize developers to apply for the PILOT, the program offers a tax abatement that is 2% greater than the projected revenue loss from converting market-rate units to affordable housing. To create consistency across the market, rents are provided and updated by the city on an annual basis. Market rents are calculated at 130% of the HUD Small Area Fair Market Rent (SAFMR). The 130% figure serves as a proxy to estimate the value of new construction.

The Chattanooga model provides several advantages compared to alternative programs. Its open-source, flexible calculator ensures complete transparency regarding maximum available abatements and potential outcomes. Additionally, the abatement directly correlates with public benefit since developers receive only a 2% premium on abated cash flows, making it difficult to claim excessive subsidization.

It is important to stress that this recently ratified PILOT has not yet been adopted by any developers; however, several developers have begun applying for the PILOT. Given the challenging capital markets environment, it remains to be seen whether the 2% spread is sufficient to incentivize developers and their capital sources to build. If the abatement is used for half of the units, it may only increase net operating income by one to two percent, which may be insufficient given friction costs. Chattanooga is actively monitoring the market's response to this incentive and may adjust its parameters going forward, if necessary.

Diffusing and Scaling Property Tax Incentives for Affordability

Defining and Prioritizing

With the myriad incentive structures in Chattanooga, Atlanta, Texas, and beyond, combined with the long slate of variables involved in each individual project, it has historically been difficult to assess the structure and value of one affordability program to another. As local programs grow more urgent and prevalent, it has never been as important to create such a tool and methodology.

We propose a methodology of comparing local tax incentive programs via standardized metrics that account for effects on key private underwriting metrics, including net operating income (NOI), yield on cost, cap rates, and internal rate of return (IRR). In modeling the balance of costs and benefits of affordability programs, we focus on three key additional metrics: **Public Return on Investment, Friction Costs, and Private Internal Rate of Return Enhancement**.

Public Return on Investment (PRI) compares public benefits (often in the form of reduced rent) to public costs (often in the form of lost tax revenue via a tax incentive). These costs and benefits should be time-weighted to account for the time value of money and calculated as a net present value:

PRI: First, the net present value of all the rent savings (from the affordable units) is calculated. This sum is then divided by the net present value of all of the reduced taxes from the tax abatement. Net present value is a methodology that discounts future cash flows into "today's" dollars.

In a market environment in which development deals do not pencil (returns are below equity cost of capital) and / or affordability is optional, we would expect the PRI to be less than 1x (present value of subsidy is greater than public benefit). In an efficient market, the extent of this gap should be smaller. Due to changing market conditions, it can be challenging to estimate an exact "correct" ratio.

Friction Costs (FC) represent the difference between the value of the subsidy provided (e.g., taxes foregone) and the value received by the developer. For example, subsidies that often require help from specialist consultants and / or need additional high-cost financing can lead to significant incremental costs outside of a project's true development costs. This metric can help local government leaders determine the most efficient allocation of public resources. For tax incentives, friction costs can be grouped into two costs: 1) legal and closing costs associated with obtaining the incentive; and 2) annual administrative costs for monitoring compliance with incentive mandates. There are also potential friction costs that are harder to quantify, including a developer's level of comfort and familiarity engaging in what may be a more complex transaction; colloquially the "is it worth the headache?" cost.

FC: Calculated by taking the sum of up front Legal Costs, the net present value of Annual Compliance Costs, and (if quantifiable) an estimate for additional resources needed to handle the "headache" of a more complex transaction. That sum is divided by the net present value of total Estimated Reduction in Rents.

FC is calculated as a percentage, with FC below approximately 5% considered to be relatively efficient, especially as compared to commonly used federal programs.

Private Internal Rate of Return Enhancement (PIRRE) measures the incremental benefit to private developers of every public subsidy offered for various affordability options. It is calculated by taking the net change in IRR to a developer as a result of the affordability program. Different tools can have very different effects: for example, cities may spend years setting up below-market interest loan funds while a property tax abatement could have had quicker and more efficient impact on enhancing IRR. When calculating the incremental IRR for enhancement, it is important to include the effect of Friction Costs.

The analysis also considers potential valuation impacts from increased cap rates due to buyers' perceptions that restricted rents may lag market growth over time. Based on conventional underwriting methodologies, cap rate adjustments (and resulting valuation effects) typically reflect the differential between NOI growth with and without affordability restrictions, though this varies significantly by market. This effect on exit valuation is factored into the calculation of IRR.

PIRRE: Calculated by taking the difference between the private investor's net IRR after the tax abatement and the private investor's original IRR before the tax abatement.

PIRRE is calculated in percentage points (%pt). While the absolute PIRRE matters (a higher number means a higher incentive for developers), it is typically more important that the gross IRR reaches developers' minimum return thresholds (this number will vary based on the investor's targets and comfort with risk; under current market conditions, the mid-to-high-teens might justify proceeding with a project).

Model Example: Full Tax Exemption for Mixed-Income Housing

Below highlights key metrics based on utilizing a hypothetical tax abatement for a development project of 200 units. We assume the program offers a full property tax exemption in exchange for 20% of units being held at 50% of AMI, and 10% of units being held at 80% of AMI. All metrics are hypothetical and reliant on several key assumptions regarding the geography and property's rents, property taxes per unit, and cap rates. With those assumptions entered, the model boils down to consideration of the key metrics we propose standardizing.

Key Metrics	Total	Present Value
Abated Taxes over 20-years	$23,027,027	$11,107,769
Estimated Value Decrease from Rent Caps	(1,386,899)	(1,036,371)
Estimated Transaction Costs	(234,983)	(234,983)
Total Estimated Compliance Charge	(50,000)	(28,675)
Net Savings from Abatement	$21,355,146	$9,807,740
Estimated Reduction in Rents	$15,465,734	$7,823,317
Net Subsidy to Developer	**$5,889,412**	**$1,984,423**
Public Return on Investment		**0.70x**
Total Friction Costs	$284,983	$263,657
Friction Costs		**2.4%**
IRR Pre-Tax Abatement		12.1%
IRR Post-Tax Abatement		16.2%
Private Internal Rate of Return Enhancement		**4.1%pt**

The ~$8 million of present value of reduced rents compares to ~$11 million of present value of abated taxes, resulting in a Public Return on Investment of 0.7x. By being relatively close to 1x, this demonstrates a net benefit to the developer without being overly generous — perhaps just enough sacrifice to make a project and its corresponding new affordable units and economic development viable. Friction costs are minimal, at ~2%, representing significantly more efficiency than many other affordable housing programs. Finally, the project's IRR goes from 12.1% without the program to 16.2% with it. This demonstrates that the benefits to the developer could be sufficient to move this particular project from a likely unviable returns range to one that may convince investors and lenders to pursue it.

The Public Return on Investment is not too severe, the Friction Costs are minimal, and the Private IRR Enhancement is material, meaning this incentive program would likely result in a previously unviable project being executed — producing net new affordable housing units.

Introduction to the National Housing Crisis Task Force's Model

Using the metrics and early methodology outlined above, the National Housing Crisis Task Force proposes building a standardized ***Underwriting Model*** that calculates the public and private costs, as well as the public and private benefits, of local affordability incentive programs. The model would standardize some key metrics in the context of tax incentive programs, such as Public Return on Investment, Friction Costs, and Private Internal Rate of Return Enhancement to compare real and hypothetical incentive programs. In doing so, the model will help localities efficiently structure incentives and maximize the number of affordable housing units built or preserved in their localities. Our proposed model focuses on accounting for the complexity of all input variables while also generating a neat, digestible output of standardized metrics.

Key standard modeling inputs include the **project's parameters**, including number of units, unit types, proposed level of affordability, and size; **rent levels**, both market rate and affordable, and vacancy estimates; **operating costs**, including repairs and maintenance, marketing, utilities, insurance, and property taxes; **development costs**, including land value, hard costs, developer fees, and soft costs; **financing assumptions**, including senior and mezzanine debt levels and interest rates, and **exit assumptions**, including hold period and driven primarily by exit cap rate and transaction costs.

The public's contribution assumptions are also accounted for via **affordable rent levels, tax incentives, grants per affordable unit, below-market debt, free land**, and **project-based voucher rents**.

These inputs generate net cash flows which generate an Internal Rate of Return for the project, with and without the incentive program in-place. All parties involved can easily compare a pure market-rate project to one that achieves the locality's affordable housing goals, bridging the gap between what a private developer asks for and what a public entity can offer.

The initial model is under production in spreadsheet format, and with additional funding, the Task Force anticipates building out a more sophisticated web-interface model on an open platform for use by state and local leaders.

Diffusion and Scaling Via Standardized Modeling

The market writ large, and Task Force Members' experience specifically, highlights myriad situations in which distrust or misunderstanding of key metrics was the bottleneck to the execution of compelling public-private developments. We propose that pursuing a dynamic, user-friendly model focused on property tax incentives will help close the gap between the public sector's needs and private developers' requests. By providing an open-source, objective analytical framework, the proposed model could reduce friction and unlock the scaling of some of the local "best practice" tax incentives that have sprung up around the country.

State and local government leaders interested in supporting the ***Underwriting Model's*** development or testing the initial Excel model should contact the National Housing Crisis Task Force at info@nationalhousingcrisis.org. As we work to refine the tool, build our database, and develop market norms, we greatly value and welcome collaborating with localities to understand how their programs align with our proposed standardized metrics.

Michael Saadine *is a Senior Advisor to the Nowak Metro Finance Lab and Managing Partner at Invisible Group, an interdisciplinary real estate investment platform.* ***Andrew Gibbs*** *is a Principal at Arctaris Impact Investors and an Advisor to the National Housing Crisis Task Force.* ***Florian Schalliol*** *is a Director at Arctaris Impact Investors and an Advisor to the National Housing Crisis Task Force.*

NATIONAL HOUSING CRISIS TASK FORCE

CAPITAL >>>

BEYOND TRADITIONAL GIVING: HOW PLACE-BASED PHILANTHROPY CATALYZES HOUSING SOLUTIONS

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DREXEL UNIVERSITY Nowak Metro Finance Lab Lindy Institute for Urban Innovation

04 Beyond Traditional Giving: How Place-Based Philanthropy Catalyzes Housing Solutions

By A.J. Herrmann and Chanell Hasty

Additional contributions from Chelsy Alfaro at the Housing Authority of the City of Los Angeles, Mark Stuart at the San Diego Foundation, and from National Housing Crisis Task Force members: Frank Fernandez, Marisa Novara and Lourdes Castro Ramírez

Summary

Place-based philanthropy can serve as a powerful tool to support housing production and affordability by catalyzing resources, convening key stakeholders across multiple sectors, and coordinating strategic efforts within specific geographic areas. In many cities, community foundations and other place-based philanthropies are activating and focusing efforts to address the unique challenges and opportunities within their local housing ecosystem, and leading initiatives to launch programs that boost housing supply and affordability. In some cases, they are also directing impact investments into housing production and preservation that generate positive, measurable social or environmental impact alongside financial return.

As a leader in housing production support, the Community Foundation for Greater Atlanta (CFGA) expects to leverage its investments to create or preserve 5,000 affordable units in a five-year period between 2022-2026. San Diego Foundation similarly aims to develop 1,000 units annually through 2034 through its San Diego Housing Fund. A national effort to launch and support similar programs and investment funds could catalyze the creation of at least tens of thousands of units annually.

The Challenge This Tool Solves

The affordable housing ecosystem at the local level is diffuse and often disorganized, making it difficult for stakeholders to broadly assess community needs and coordinate housing production and preservation efforts. Most regions lack a centralized process to match projects in need of additional capital with potential funders, forcing developers to take a piecemeal approach to assembling the capital stacks for worthwhile projects and leaving many opportunities unidentified or abandoned. Moreover, there is significant need for patient, flexible, and affordable capital for acquisition and predevelopment costs, as well as capacity-building for nonprofit and under-capitalized private developers, to build and maintain a strong project pipeline.

Community foundations and other place-based philanthropies can help address these challenges by forming the backbone of local coalitions that bring together policymakers, philanthropy, and the private sector. These coalitions can play key roles in evaluating data, engaging community voices, prioritizing critical needs, and developing or supporting comprehensive strategies to address local housing gaps. As aggregators of mission-driven capital, place-based philanthropies can significantly expand housing production and affordability through impact investment funds, traditional grant-making, and partnerships with the public sector. Community foundations in cities and regions across the country are uniquely positioned to leverage both their social and financial capital to meet the urgent needs of the current housing crisis.

Types of Communities That Could Use This Tool

More than 900 community foundations operate nationally, covering every state and both urban and rural areas. In almost every geography in the U.S., a place-based funder will be operating and could potentially play a supporting or lead role in addressing the housing crisis as a convener, pilot funder, capital aggregator, or organizer of local coalitions.

Expected Impacts of This Tool

Community foundations nationwide collectively manage more than $110 billion in assets and award more than $14 billion in grants annually. More broadly, U.S.-based philanthropic organizations manage over $1.1 trillion in assets, but only about 5% of those are devoted to impact investments. Increasing the percentage of assets that these organizations devote to housing production and deploy through impact investment funds could unlock billions of dollars to support the creation of tens of thousands of homes annually.

Background

Community foundations are grantmaking public charities that mobilize the assets of past and current donors to improve quality of life and economic stability for residents in defined geographic areas. Affordable housing is a key factor in achieving these objectives, as it provides stability for families, supports workforce retention, and enhances overall individual and community well-being. Notably, workers who are forced to move due to housing insecurity are 22% more likely to lose their jobs within a year, and numerous studies demonstrate connections between high household housing cost burdens and poor health outcomes.

As the costs of land, construction, financing, and maintenance have increased in recent years, projects that build or preserve affordable housing increasingly need additional low-cost capital to be financially feasible. This is particularly true for projects that target affordability for households falling significantly below Area Median Incomes (AMI), such as those targeting households earning less than 80% AMI. In a growing number of higher cost markets, subsidies are needed for projects with rents targeted for affordability at or even slightly above median income (up to 120% AMI).

Recognizing this reality, many community foundations and other place-based philanthropic organizations that emphasize economic mobility and quality of life are increasingly interested in supporting affordable housing and housing production. This includes not only direct grantmaking to nonprofit organizations that develop housing or provide housing counseling and related services but also raising and managing impact investment funds that directly support for-sale or rental housing projects. Additionally, some local funders engage with policymakers, the private sector, and other philanthropic organizations to assess, develop, and manage new collaborative programs that address gaps in local housing ecosystems.

There are over 900 community foundations currently operating in the U.S., the majority of which focus on a regional (metropolitan area or similar) footprint, with others also operating at a statewide level. Many place-based private philanthropic organizations play similar roles in their communities, such as The James Irvine Foundation in California and the George Kaiser Family Foundation in Tulsa, greatly expanding the pool of potential organizations that could serve as conveners and funders. Yet much of this potential remains untapped: a 2024 study found that U.S. philanthropic organizations hold total endowment assets valued at over $1.1 trillion, though only 5% of philanthropic foundations invest *any* of their endowments for impact.

Proposed Solution: Local Philanthropy as Catalyzer, Convener, and Deployer

Community foundations and other place-based philanthropy can play critical roles in supporting housing production, preservation, and affordability in their geographic areas through four main avenues.

Defining and Prioritizing

Place-based funders can serve as initial catalysts to help regions identify the scale and scope of their housing challenges, as well as gaps or deficiencies in their regional housing ecosystems. Specific actions could include funding a market analysis or needs assessment of the local housing market, convening a group of civic (public, private, and philanthropic) leaders to evaluate the housing market, and developing strategic plans for bolstering housing production. Atlanta and Omaha are both examples of geographic regions where philanthropy played critical roles in developing strategic plans for addressing the housing crisis.

Ongoing Convening and Organizing

Local philanthropy can be essential to “setting the table” for longer term collaboration around housing policy and production. Housing markets are inherently regional, meaning no single local government entity can coordinate housing production for a broader metro area. Furthermore, the short-term tenure and competing daily demands of elected officials may not align with the longer-term strategic focus needed to increase housing production and supply, making it critical for nongovernmental actors to deeply engage in implementing long-term housing priorities. Local Foundations have supported ongoing convening and organizing through the funding of intermediaries to coordinate regional strategic plans over the long-term (Atlanta, Omaha) and collective impact efforts that partner with local governments and other philanthropy to coordinate transitional housing and homeless services (Oregon, Chicago).

Piloting New Investment and Program Models

Elected leaders and public officials may hesitate to pilot new programs, particularly due to "NIMBY" constituent concerns and competing budget pressures over the commitment of limited government funds. Private investors, particularly those managing institutional capital, may be reluctant to invest in projects they view as risky (e.g., investing in historically disinvested neighborhoods with high loan-to-value and large appraisal gaps). Philanthropy can play a unique role in funding pilot funds, programs, or projects to validate the feasibility of new models for producing or financing housing. Examples include funding to support projects that use innovative building technologies like modular construction (Telluride, Los Angeles), new models for supporting homeownership opportunities (San Diego, Chicago), creating new financing vehicles and products to support affordable developments (Atlanta, Austin) through demonstration models that prove the concept and/or market, and providing seed funding to launch organizations like Community Land Trusts that steward long-term affordability (Western Nevada).

Organizing and Aggregating Long-Term Capital

Many community foundations already serve as capital aggregators for their communities. They pool donations from individual donors, families, and businesses into a unified investment portfolio, achieving economies of scale that enable more effective fund management and greater returns. This provides an opportunity for community foundations to establish and raise impact investment funds focused on housing production. Impact investments through program related investments (PRIs) offer several potential advantages over traditional grants. These include the ability for funds to revolve, exceeding the traditional 5% or similar annual fund threshold for deployment, the possibility of attracting and pooling capital from a wider range of funders (including private investors), and a broader range of investment vehicles through which funds can be deployed (including equity-like instruments). When offering PRIs to nonprofits, foundations can play a role in building up the balance sheet and credit history of a nonprofit, enabling long-term scaling and growth. Foundations can fund administrative, management costs, and seed funding, with most of the investment capital itself coming from private donors. Examples of foundations that have established and are managing large ($100+ million) impact investment funds include the Community Foundation of Greater Atlanta, San Diego Foundation, and Seattle Foundation. Other organizations like the Scranton Area Community Foundation are beginning to assess how impact investing and philanthropic capital can be most effectively deployed to fill gaps, scale innovative solutions, and support housing and other issue areas relevant to inclusive economic development.

Ideally, place-based philanthropy can act as a flexible, strategic, and long-term convener and catalyst for local efforts in increasing housing production and supply. It can leverage its unique position to take risks in funding new pilots or new investments models that traditional funders may not be willing to take. It can also foster collaboration among the public, private, and philanthropic sectors, serving as a neutral "table-setter" to bring together all the necessary actors in the local housing ecosystem. Philanthropy can also serve as a long-term advocate for systemic changes, an important position in a system where many political actors are constrained by electoral cycles and the desire to differentiate their policies from their predecessors.

Case Studies

Several community foundations have already devoted grant and impact investments to support housing production and affordability. In high-cost, fast growth markets like San Diego, they are launching impact investment funds to support the production of needed workforce housing and partnering with nonprofits to pilot new models of affordable housing development. In cities like Chicago with a stark homeownership gap, they are convening the private and philanthropic sectors to work collaboratively to pilot new pathways to homeownership. In Los Angeles, where public resources are insufficient to meet the huge demand for affordable housing, they are partnering with the city and private sector to launch flexible capital funds that can speed housing production and opportunistically acquire existing market-rate housing that can be converted into affordable rental housing. Finally, in Atlanta, philanthropy is serving as a catalyst for policy change and an aggregator of impact capital, partnering with the city and private foundations to deploy impact investments at scale.

The following case studies provide more information about the activities of philanthropic actors in each of these cities:

San Diego Foundation

Like many cities, San Diego continues to face significant challenges from the ongoing housing crisis. Nearly 40% of households in the region are cost burdened, and the income needed to afford a down payment on a median-priced home in the city is approaching $200,000. Recognizing that housing affordability represents the greatest threat to San Diego's economic growth, the San Diego Foundation (SDF) launched the San Diego Housing Fund (SDHF) in 2024. SDHF partners with investors, developers, and property owners to adopt a new approach to provide faster, more efficient housing production across the spectrum of affordability for all San Diegans. By providing low-cost philanthropic capital to increase low-and middle-income housing, SDHF aims to support the creation of 1,000 new units annually through 2034, totaling 10,000 units. San Diego permitted 9,693 new homes in 2023, therefore, if SDHF successfully meets its goals, it could increase the city's housing production by more than 10% annually.

SDHF uses an innovative four-pronged affordable housing strategy. First, it **builds cross-sector coalitions**, including philanthropists, architects, planners, community advocates, to address housing affordability. The second prong **activates vacant and underutilized land** to build housing units on land at low or no cost, with ground leases or fee simple ownership, alongside improvements to adjacent infrastructure. SDHF also has trusted partners in major institutional landowners that consists of government, quasi-government, education, and religious partners with a strong alignment to improve housing accessibility whether they are cash poor or resource rich. Third, the strategy uses **philanthropic capital**, building affordable housing by underwriting financial returns at philanthropic, community-centered rates. This capital helps catalyze new construction and enables deeper affordability in mixed-income projects. Finally, SDHF builds **community resilience** by offering wraparound services for healthcare, life skills, tutoring, childcare, and even book and gardening clubs. SDHF is also utilizing proactive management with technology, text messaging, door knocks, and tenant feedback to build community resilience along with long-term ownership and stable communities by de-risking assets and improving lives.

SDHF established a number of partnerships related to affordable housing, like its **Joint Venture** with Naturally Affordable Housing, which builds workforce housing in San Diego for individuals working in the Arts, Education, and Healthcare. This collaboration identifies parcels for systematic development, employs pre-approved site plans to reduce time and costs, and focuses on restricted units for residents with incomes between 60-120% AMI, independent of publicly provided bond financing or tax credits. Construction is set to start this year on roughly 500 units in San Diego County. SDHF also has a strategic partnership with Catholic Charities Diocese of San Diego (CCSD) to explore opportunities to redevelop real estate properties owned by CCDSD to address the housing crisis. This is an illustrative example of a nationwide trend of faith-based organizations taking a more active role in supporting housing production that some have called "Yes in God's Back Yard."

The SDF also administers the Access Granted Homebuyers Program, which works to close the racial wealth gap by creating opportunities for qualifying Black, Indigenous, and People of Color (BIPOC) households to purchase a home in one of the highest-cost housing markets in the country. Operated in partnership with LISC San Diego and the Urban League of San Diego County, the program serves households with incomes at or below 120% AMI ($119,000) who are first-time homebuyers. Participants receive a $40,000 grant from the San Diego Foundation (applied during closing) and an additional $10,000 grant for closing costs. Since its launch in August 2021, 84 buyers have purchased homes in San Diego County through the program at an average price of $455,899.

The Chicago Community Trust

Reflecting a national trend, Chicago saw a surge in homelessness in 2024. According to the Chicago Coalition to End Homelessness, approximately 76,375 people experienced homelessness, a 10.4% rise from the previous year. A recent report by the Illinois Policy Institute estimated that 42% of all Chicago families — and 88% of low-income families in the city — are housing cost burdened.

The Chicago Community Trust (CCT) addresses the housing crisis by supporting **innovative programs combating homelessness** and **deploying low-cost capital** to help promote opportunities for homeownership. CCT is the convener of Connecting Capital and Community (3C), an all-inclusive housing initiative working to give Chicagoans in two West Side communities, East Garfield Park and Humboldt Park, a smoother path to homeownership and the wealth-building benefits that homeownership can provide. 3C collaborates with residents, lenders, developers, HUD-certified Housing Counseling Agencies, community navigators, private, public, and philanthropic partners to create supply and demand solutions for homebuyers.

The core product offered through 3C is a 30-year fixed rate mortgage at 3.5% with no Private Mortgage Insurance (PMI). CCT has enabled the deployment of this product by providing a $1 million loan loss reserve fund along with contributions by JP Morgan Chase and another foundation. Thus far, 3C has raised about half of their $7 million goal for this mortgage loan fund, with the hope of selling it on the secondary market for greater scale. Participants can access down payment assistance through the city's Building Neighborhoods and Affordable Home Program. To qualify, participants must have income below 120% of AMI, complete eight hours of homebuyer education courses, and purchase a home built by a qualifying developer in East Garfield Park or Humboldt Park.

CCT also promotes housing stability and combats homelessness through a number of initiatives, including its Sustainable Solutions for Housing Stability program. Launched in the spring of 2024, the program supports organizations working toward housing security and addressing homelessness in Chicago and Cook County. It funds services and initiatives that provide housing opportunities, improve client outcomes, pivot towards culturally relevant services for various populations, and strengthen coordinated care networks.

One of the program's key components involves supporting organizations fulfilling housing needs, particularly of underserved populations like asylum seekers, at-risk youth, and returning citizens, among others. Their approach is "people-centered" rather than issue-based, recognizing that many people don't fit within the traditional service model. More than $2.375 million in grants have been awarded to 26 organizations exploring solutions to housing stability and homelessness. Prior to the Sustainable Solutions for Housing Stability program, the Trust made nearly $2.3 million in grants to 35 organizations providing direct services and advocacy to reduce homelessness.

Los Angeles (LA4LA/California Community Foundation)

LA4LA is a groundbreaking public-private partnership between local philanthropy, the private sector, and the Office of Los Angeles Mayor Karen Bass. The goal of LA4LA is to create a more flexible pool of capital than can reduce the cost of providing affordable housing in the city by lowering the cost of capital, acquiring properties that can be converted into affordable or mixed-income developments, and speeding up housing production. Housed at the California Community Foundation (CCF), LA4LA was launched in 2024 with seed funding from The Conrad N. Hilton Foundation.

The Housing Authority of the City of Los Angeles (HACLA) has worked closely with LA4LA to expand the impact of the new initiative and to accelerate the rapid delivery of deeply affordable housing. In just its first year, LA4LA has helped unlock more than 1,200 affordable units — including several projects in partnership with HACLA.

As an illustrative example of an LA4LA funded project, in January 2025, HACLA and LA4LA acquired Clarendon Apartments in Woodland Hills, a 335-unit multifamily property that was built in 2019. HACLA acquired the Class A property in an off-market transaction at a price that was significantly below the cost to build new affordable housing. The development will be converted into a mixed income project, providing deeply affordable housing units in one of the State of California's Highest Resource Opportunity Areas, near employment, retail, schools, and other amenities. HACLA was able to sell tax-exempt bonds to finance the property and provided an investment from HACLA's acquisition equity fund.

HACLA was also able to utilize HUD's Restore Rebuild program, which adds long-term rental assistance for lower-income families, to help finance this project. This is the first time this program has been utilized in a project in Southern California. Ultimately, the project will include a mix of market rate units and units with long-term income and rent restrictions, including units affordable to families earning up to 30%, 50%, and 80% of area median income. Affordability will be preserved even as units turn over, and no current residents will be displaced as a result of the conversion.

The purchase of the Clarendon is also part of HACLA's Acquisition Program, which focuses on buying market rate apartment buildings and adding affordable housing for families with a range of incomes. Since 2020, HACLA has been one of the most active buyers in the City of Los Angeles, closing on more than 30 transactions with a value of nearly $1 billion. HACLA also purchases and converts properties in partnership with for profit and nonprofit partners through its Innovative Partnerships Program.

Atlanta

In Atlanta, nearly 72% of households spend more than 45% of their annual income on housing and transportation, leaving fewer funds for other critical needs and savings. Rent for a one-bedroom apartment has increased 50% since 2014, outpacing wage growth, meaning that despite the strong regional economy many households find themselves further behind financially. Furthermore, Atlanta historically lacked collaboration between the public, private, and philanthropic sectors in addressing housing affordability and production.

Based on these concerning and growing housing challenges, nearly 200 housing leaders launched House ATL in 2018. This ad hoc group developed a plan with 23 specific recommendations for addressing the growing housing challenges of the broader region. The recommendations coalesced around four main themes:

1. *Invest in an Affordable Atlanta* by raising $1 billion in new local capital specifically to support the creation or preservation of 20,000 homes affordable for incomes between 0-120% of AMI.
2. *Prioritize Community Investment Without Displacement* by targeting programs and policies to help those at risk of eviction or losing housing because of rapidly increasing costs.
3. *Working Together Better and Smarter*, creating new mechanisms for collaboration across the private, public, and philanthropic sectors, including the launch of the ATL Funders Collaborative and creating a senior-level cabinet position in the Mayor's Office focused exclusively on Housing.
4. *Empowering Atlantans through Education and Engagement* to inform civic leaders and residents about the importance of affordable housing, and opportunities for community members and neighborhood groups to participate in decision making.

This strategic plan formed the blueprint and catalyst for several important local initiatives involving the public, philanthropic, and private sectors.

Then-Mayor Keisha Lance Bottoms adopted several of the policy recommendations from House ATL, including setting a goal of creating or preserving 20,000 new affordable units by 2026 and authorizing the issuance of $50 million in affordable housing bonds. Furthermore, many of the groups and philanthropic organizations involved in developing the strategic plan formed the Atlanta Affordable Housing Fund in early 2020 to deploy flexible, low-cost capital to accelerate the creation of affordable housing across Metro Atlanta. The initial $15 million invested helped support 11 new projects totaling over 800 units, 78% of which were affordable to households making less than 80% of AMI.

These initial efforts gained momentum in 2021 with the election of Mayor Andre Dickens and the absorption of the Atlanta Affordable Housing Fund and related initiatives by the Community Foundation of Greater Atlanta (CFGA). Mayor Dickens pledged to create an additional 20,000 affordable units by 2030 and established a Housing Strike Force, led by a senior cabinet-level position, including senior executives from every major public agency that touches housing or controlling public land that could be developed for housing. Together, this group has reformed lethargic systems, deployed cutting edge housing innovations, and begun reshaping what affordable housing delivery can look like at the municipal level.

The success of the Atlanta Affordable Housing Fund served as a proof of concept for two larger funds launched by the CFGA: the $100 million GoATL Affordable Housing Fund, which provides loans at discounted rates of 3%-6.5% to developers of affordable housing, and the $100 million TogetherATL Affordable Housing Fund, which provides 0% interest conditional loans and grants to projects which ensure deep and long-term affordability for a period of at least 65 years. These philanthropic funds complement an additional $100 million bond approved by the city of Atlanta in 2023, which finances housing production, preservation, and homeless support services. While CFGA manages its own funds separately from the city's funds, its staff regularly meet with members of the city's housing staff to share information about projects under review for potential investment. As of early 2025, the city, CFGA, and partners had collectively deployed approximately $157 million across these three investment vehicles, with tens of millions more committed to planned projects.

Notably, these funds benefited from a $100 million investment from two Atlanta-based foundations: the Robert W. Woodruff and Joseph B. Whitehead Foundations. CFGA provided the essential infrastructure to manage these funds, creating a streamlined vehicle through which interested private foundations could easily deploy their investments without the burden of significant administrative overhead. This model has already supported impactful projects like Oliver & North, a 114-unit multifamily community in the English Avenue neighborhood where 100% of the units are affordable at 80% of the Area Median Income (AMI) or below, with 50 units specifically affordable at 50% AMI or below. The GoATL Affordable Housing Fund provided a 4.5 million construction and permanent financing package for this $41 million project, leveraging an additional $24 million in tax-exempt financing and $5.6 million in federal and state tax credit equity.

CFGA and House ATL also launched the Housing Funders Collaborative, a group of "public, philanthropic, and private (banks, CDFIs, social impact) funders who seek to raise new capital, and more efficiently coordinate existing resources, to support the production and preservation of affordable housing in Atlanta, as well as related programs and services." The collaborative includes a Pipeline Review Committee that meets regularly to review affordable housing deals that have capital gaps, with membership consisting of local funders and investors with resources and capital to deploy into affordable housing projects. This group provides a forum that facilitates matching capital providers with developers.

The story of CFGA and its other partners in Atlanta demonstrate the full breadth of actions that local philanthropic organizations can take to boost housing production:

Initially, they focused on **policy and issue prioritization**. Recognizing the need for a clear roadmap, a philanthropically led coalition spearheaded the development of the aforementioned 2018 housing strategic plan for advancing affordable housing. Crucially, the plan didn't just identify problems; it also laid out specific recommendations for addressing these issues, calling for coordinated action across the public, private, and philanthropic sectors.

Building on this strategic foundation, CFGA took on the vital role of **ongoing convening and organizing**. HouseATL, which began as an ad hoc working group, was formally established in 2021 as an enduring entity, fiscally sponsored by CFGA. CFGA's Board and staff have since maintained a consistent effort in coordinating regional affordable housing initiatives. This includes supporting the Funders Collaborative and numerous other working groups, all focused on critical areas like homeownership, affordable rental preservation, policy advocacy, and prioritizing investments.

CFGA and its allies also worked to **pilot new investment models**. They brought together local philanthropists and investors to establish the $15 million Atlanta Affordable Housing Fund. This initiative served as a powerful proof of concept, showcasing how local capital could be effectively deployed to support affordable housing developments and highlighting the significant demand for such investments.

Finally, CFGA played a crucial role in **capital aggregation and organization**. The GoATL and Together ATL Housing Funds stand as compelling examples of how aggregated capital from various philanthropic sources can be strategically deployed.

The programs and policies championed by CFGA and its partners in Atlanta demonstrate the full range of methods by which local philanthropic organizations can support housing production in their local communities.

Diffusion and Scaling of Local Philanthropy

Place-based funders already support housing production and affordability in many jurisdictions nationwide. What is needed now are national efforts to scale and multiply the impact of these scattered initiatives. Concentrated advocacy, education, and technical assistance could encourage dozens of philanthropic organizations to launch new housing initiatives or expand their current housing work for greater impact.

Specific ideas for enabling place-based philanthropy to expand its ability to convene, catalyze policy change, and deploy impact capital to spur housing production include:

- Working with intermediaries such as the Community Foundation Opportunity Network (CFON) and Mission Investors Exchange to spread awareness of how place-based philanthropy can support housing production, showcasing promising case studies and practices from across the country.
- Supporting technical assistance targeted at local community foundations ready to engage in housing, particularly in places where local political leaders are also committed to and engaged in implementing necessary policy and changes, such as the other ideas outlined in the Task Force's State and Local Action Plan.
- Educating private foundations about the potential of housing-focused impact investment vehicles. CFGA served as both a supplier and aggregator of capital from other local placebased funders, we expect that Community Foundations and other place-based philanthropy will play a similar role in many other communities.
- Creating model fund prospectuses and investment evaluation criteria that can be replicated and widely disseminated.

A.J. Herrmann *is the Director of Policy and Program Innovation at Accelerator for America and former Policy Director for Kansas City Mayor Quinton Lucas.* ***Chanell Hasty*** *is the Senior Manager at Accelerator for America and previously worked in community and economic development at the National League of Cities.*

NATIONAL HOUSING CRISIS TASK FORCE

CAPITAL >>>

HOUSING BALLOT MEASURES

05 Housing Ballot Measures

By A.J. Herrmann and Mary Ellen Wiederwohl

Summary

Ballot measures offer a mechanism by which elected leaders can secure a dedicated local funding source to help fill capital gaps in affordable housing developments, provide funds that abate homelessness, and support a stressed ecosystem struggling to produce and preserve affordable units, especially during periods when elevated interest rates or high construction costs might constrain private developers. These locally controlled funds are more responsive to local priorities and needs, and can often be leveraged with private, philanthropic, and, in some cases, federal dollars, making them an extremely valuable resource for local communities trying to combat the housing crisis. When combined with strategic policy choices that expand access to quality housing options for low-income renters and prospective homeowners, and aligned with outside investment, ballot measures can have a major impact in supporting the production and preservation of affordable housing.

The Challenge This Tool Solves

As the costs of land, construction, and maintenance steadily rise, housing projects increasingly require infusions of additional capital to move forward. Without a dedicated local funding source to fill the gaps, many cities cannot produce the housing required to serve their residents, deepening an already sever affordability crisis.

Types of Communities That Could Use This Tool

Housing ballot measures could be pursued by thousands of local governments, including cities and counties, as well as at the state level. Nationally, most local governments have the authority to raise dedicated revenue via ballot measure, though whether that authority resides with city or county government, and the process which a local government must go through to put a measure on the ballot, can vary widely by state.

Expected Impacts of This Tool

Local governments have successfully leveraged public dollars up to 9.5X through private, philanthropic, and federal sources. Based on a development cost of $250,000 per subsidized unit, each $1 million raised through a local ballot measure could finance approximately 38 new homes. A $100 million bond could thus finance nearly 3,800 new homes. Costs for preservation and/or household stabilization programs often cost less, allowing these funds to stretch even further. Moreover, if deployed through a revolving loan, local funds can support even more units over the long-term, as the initial investment(s) can be redeployed into future projects as funds are repaid.

Background

The average cost of constructing a new single-family home has increased 89% since 2017, far outpacing wage growth and inflation, and placing starter homes out of reach for many working Americans. Broader measures of construction costs for all residential buildings (inclusive of multifamily) have grown at more than twice the rate of overall inflation. Additionally, higher interest rates compound these challenges, nearly doubling the average monthly mortgage payment for a median-priced home since 2019. Without a dedicated local source of funding to help fill these gaps, many cities will struggle to produce needed housing, deepening an already acute affordability crisis.

Polling consistently demonstrates that a broad majority of Americans across geographic and political lines are concerned about the housing crisis. A national poll conducted in the fall of 2024 found that 76% of Americans believed housing affordability was worsening, with even higher concern among rural and suburban residents. Another poll conducted in the summer of 2024 found that 83% of Democrats, 71% of independents, and 68% of Republicans believed that the lack of affordable homes was a significant problem. This shared recognition and concern presents a clear opportunity for elected officials around the country to pursue local investments in housing production. Indeed, several ballot measures which called for increases in taxes to finance housing production passed in the fall of 2024, even amidst voters' broader cost-of-living anxieties.

Seattle's 1986 Housing Levy was the first local ballot measure passed to raise property taxes for affordable housing. Voters have renewed the levy six times, most recently in 2023. In the years since, dozens of local governments around the country have passed similar ballot measures dedicated to affordable housing production, preservation, and homelessness support services.

Meanwhile, private housing production has decreased dramatically in the wake of the 2008 financial crisis, with most new homes produced without subsidy now unaffordable for those earning at or below median income. The average starter home is now only affordable to a household making $77,000 or more a year, up from $40,000 in 2019. The median household income nationally was $80,000 in 2023, suggesting that nearly 50% of US households are unable to afford a starter home. Additionally, on a per capita basis, federal investments in affordable housing have declined since their peak in the 1970s, while construction, maintenance, financing, and insurance costs have risen, leaving more projects financially unviable without local support.

Local funding can be a critically important way for cities and local leaders to close these gaps, particularly for households earning at or below the regional median. These dollars provide flexibility, can be tailored to local needs, and are often crucial to unlocking other sources such as Low-Income Housing Tax Credits (LIHTC), private capital, or philanthropy. They also allow cities and counties to target support for specific populations, including seniors, veterans, families, or individuals experiencing homelessness.

Further, dedicated local funding sources can incentivize and channel private capital into community priorities, as developers may sometimes be willing to adjust projects to qualify for local public funding. San Antonio, for example, has leveraged the $67 million it has disbursed to date from its 2022 housing bond with $644 million in private and federal funds, with the vast majority of units (91%) affordable for households making 80% of AMI or less.

Proposed Solution: Housing Ballot Measures

Given limited prospects for increased federal housing investment, persistently high interest rates, and elevated construction costs, local funding mechanisms will play an increasingly critical role in enabling city and state leaders to respond effectively to the housing crisis. Establishing a dedicated local funding source, especially as municipal budgets face mounting pressure, is critical. Many jurisdictions are turning to locally authorized revenue and financing mechanisms, including ballot measures (also referred to as a referendum or referenda). Approved by voters, these tools can help cities and counties bridge capital gaps in housing production and preservation. Moreover, some communities may want to further use these voter-driven measures to fund homelessness initiatives and operating support for local housing agencies and programs.

Local governments are already deploying a range of investment strategies to support housing production and preservation. Common tools include tax abatement and/or tax increment financing to “close the gap” in the capital stack for otherwise unviable development projects. Many local governments are providing land at no cost or low-cost long-term land leases. Some localities are dedicating a portion of their annual bonding capacity or a portion of general fund revenue to local housing trust funds or similar programs dedicated to housing production and preservation. Given the widening gap between the cost to preserve and develop housing and the available resources, however, new tools are required.

Voter-approved ballot measures can establish a stable local funding source for housing, untethered from the whims and pressures of an annual budget process or the local political cycle. The longterm reliability can also make it easier to attract federal matching dollars as well as private capital from developers and investors, who can be assured there is a dedicated and secure local revenue source that they can leverage. Finally, consistent funding can help build capacity in local housing service providers and nonprofit developers, who otherwise may be dependent on limited allocations from federal programs such as the LIHTC, the HOME Investment Partnership Program, and/or Community Development Block Grants (CDBG).

Here, we highlight key steps that cities can take to pursue a housing ballot measure campaign. While the process must be tailored to each community’s needs, and legal and political context, these general principles provide a starting point for action.

Plan Development

The foundation of a successful housing ballot measure is a clear and compelling case for investment. Local leaders must first identify and define a set of challenges or opportunities the proposed funding would address. This begins with asking: *What housing intervention(s) does my community need? What specific funding gaps or challenges are we trying to address? What is the scope/scale of the problem/challenge measured against local revenue options and budget/bonding availability?* Answers to these questions might include supporting new housing developments for rent or sale, providing funds for the operating budgets of existing affordable housing providers, preserving existing affordable units, paying for the increasing demands on city budgets and local nonprofits for supportive housing and services for the homeless, or some combination of these efforts. These questions should initiate an active listening campaign with the community and key stakeholders that helps to inform the plan development.

The process itself is important. Incorporating community input about housing priorities during the needs assessment phase demonstrates that local elected leaders are responsive to the community's needs. The translation of community feedback into an actual plan enables more robust investments, and the engagement process itself fosters a ready-made coalition, and community buy-in, that will be essential to a successful campaign. The public wants to know what they are buying with their tax dollars, who is spending it, and how they will be sure they got their money's worth. Voters are looking for clarity and transparency. Local leaders will benefit from implementing robust communications and spending transparency measures such as "open checkbooks" and community oversight boards. Engage community early and stay close throughout plan development, campaign, and implementation.

Furthermore, community-informed, data-driven housing investment strategies allows organizers to address questions and concerns about displacement and gentrification. Voters may be skeptical that new investments in housing will benefit them directly and worry that enhanced local support for development projects may exacerbate existing financial pressure in the housing market. This challenge is also an opportunity to demonstrate how targeted investments can stabilize neighborhoods, increase housing choices, and prevent displacement. Local officials can work with community members to design local programs and funding support that both make better policy and help build a broad coalition to support the initiative.

The plan development process should clearly delineate which types of projects will be eligible for support from the measure, and how the funds will be used to support those projects. Common categories of funding include:

- Production of new rental housing, typically affordable for households at or below median income, with priority given to lower levels of income;
- Preservation of existing affordable rental housing, particularly ones that are at risk of losing federal support through programs such as LIHTC (i.e., rolling off affordability requirements);
- Homeownership support, including down payment assistance, often working in collaboration with local nonprofits and/or Community Land Trusts;
- Home repair programs and/or tenant assistance that allows at-risk households to remain in their homes;
- Homeless support services and the construction of temporary and permanent support housing for the chronically homeless; and
- Operating support for city staff and nonprofit partners to administer the proceeds of a ballot measure.

The plan development stage must also define key governance and implementation parameters, such as:

- Will funds only be used to support households at or below a certain level of income?
- Will funds only be used for housing production or preservation (capital dollars), or are support services (operating dollars) also eligible?
- Who will decide how funds are allocated and which projects are prioritized? An existing city agency such as a Housing Department? A locally established Housing Trust Fund? An independent Board appointed by an elected official? What role will elected officials such as City Council members have in ratifying or approving these recommendations?
- How much funding needs to be raised, and over how long a time period will that funding be authorized?
- How will the public be informed about the ongoing revenue and expenditures? How will local elected leaders ensure a transparent and accountable process?

Authorizing the Ballot Measure

Policymakers need to identify who has the authority to levy, collect, and spend the proposed new or expanded revenue; this will vary by jurisdiction and is often governed by state law. In some states, localities are limited by their state constitutions on what they can and cannot pursue locally in terms of certain taxes or ballot measures. Other states or localities have restrictions on public dollars being used for private benefit, which could preclude funding from going to programs that benefit homeowners or private developers. Local leaders can benefit from examining the experiences of peer localities within their state that have already pursued housing or similar ballot measures.

In some cases, local leaders may need to pursue new state legislation to authorize their ability to even pursue a local ballot measure or to authorize new intermediaries with the power to manage and implement the proceeds from an initiative. For example, the California State Legislature authorized the creation of the Los Angeles County Affordable Housing Solutions Agency (LACAHSA) in 2022 to provide better coordination of affordable housing and homeless support programs across LA County. LACAHSA will receive and oversee 36% of the proceeds from LA County's recently passed, estimated $1.1 billion annual affordable housing initiative (Measure A), with remaining proceeds to be allocated to individual cities within LA County based on the relative size of their unsheltered homeless populations.

Additionally, local leaders must understand the process for placing the measure on the ballot. Specifically, which legal entity (e.g., City Council, County Commission) can authorize a measure to go on the ballot – and/or is there a local petition process by which residents can place a measure on the ballot? Further, in some states, there may be different voter approval threshold depending on how a measure gets on a ballot; for example, in California, some measures placed on the ballot by petition require voters to approve by a two-thirds vote whereas measures placed on the ballot by a representative legislative body (like a County Commission) only require 50+1% approval by voters at the ballot box to become law.

The wording of the ballot measure itself is also critical. Some states impose strict requirements on ballot language, while others provide broader flexibility. Regardless of the jurisdiction, the specific language used can significantly influence public perception and voting behavior. Legal counsel should be consulted early to ensure compliance and maximize clarity. Finally, state and local laws may limit when a measure can be placed on the ballot. Some jurisdictions require that ballot measures accompany local elections while other places may allow stand-alone elections. Understanding this legal reality is accompanied by a political reality, timing can have a significant impact on the measure's performance. For example, many ballot measures tend to perform better during higher turnout elections like a Presidential year; however, there are plenty of local examples of measures that succeeded as stand-alone elections in March or August. Success depends on understanding the local context, voter sentiment, and aligning campaign timing and strategy accordingly.

Local leaders should engage legal counsel such as a city or county attorney early in the plan development process on questions pertaining to the requisite authorities necessary for the ballot measure. Local leaders should request a clear legal memorandum from local legal authorities that spells out "who" has the authority to place the measure on the ballot, the timing, the process, and any prerequisites (i.e., financial plans, cost-benefit analyses, tax projections, etc.); further, legal advice should be provided on how the taxes will be levied, collected, reported, and audited.

In some cases, existing bodies within local, regional, or state government are charged with the implementation of the plan, but in other cases, a new agency or department may be created.

Organizing and Executing an Effective Ballot Measure

Placing a measure onto the ballot is only one step in the broader effort to secure and leverage new local housing funds. As noted earlier, robust community engagement is a critical element to the plan development process, and community input should be solicited and received during all parts of the planning, organizing, and execution process. It is important to remember that the core elements to the process – designing a plan, engaging the community, understanding the political environment, and convincing voters – are interconnected, and should be pursued in tandem.

During the plan development process, local elected leadership should be building strong relationships with a broad range of stakeholders who will be key to organizing and winning the campaign for new funds, including housing advocates, local developers (for-profit and nonprofit), business leaders, neighborhood organizations, tenants' unions, and more. Anyone invested in the future of the community is a potential ally. These stakeholders are critically important community advocates, and can serve multiple roles:

- As trusted validators within their networks and beyond;
- As public educators, which is particularly important for 501(c)(3) nonprofit stakeholders, which cannot politically campaign but can inform; and
- As funders and/or supporters of the formal political campaign.

Ballot measures do not pass on good ideas alone. Even with unanimous City Council support or mayoral backing, housing measures require a formal, professional campaign, just like a candidate race. This means creating a staffed advocacy operation with clear leadership, fundraising capacity, and voter engagement strategies. The ballot measure itself should have strong connections to a local and vocal elected official or trusted community leader, be it a mayor, county commissioner, council member, pastor, etcetera.

When setting up the campaign, the first step involves establishing the legal entities to manage and advocate for the policy measure, and often includes both local 501(c)(3) and 501(c)(4) organizations. It's usually necessary to create both because some funders will only give to a (c)(3), and a (c)(3) organization can do a lot to educate the public on the measure. A (c)(4) organization, and/or ballot committee (depending on state election law) is needed to do the true campaigning, like direct mail, online ads, and television ads.

A notable example of this is Austin, TX, where HousingWorks Austin, a 501(c)(3) organization, was established in 2006 with the mission of increasing the supply of affordable housing in Austin by providing research, education, advocacy, and workable policy recommendations. Local advocates and Housing Works have also organized a separate 501(c)(4), Keep Austin Affordable, which has provided direct campaign support for local ballot measures to fund affordable housing programs in 2018 and 2023.

So, you have your plan developed, you know your pathway to the ballot, and you're setting up your education and advocacy structures with new local organizations who are going to support your campaign to win at the ballot box. Let's talk about "how" you win. While the communications strategy will vary by community and proposal, there are standard winning persuasion messages. Messaging should be designed to appeal to the full electorate, not just those who may directly benefit from the proposed investments. For example, testing for Rhode Island's recently passed $120 million statewide bond initiative showed that voters reacted more favorably to broader messaging around the importance of providing affordable options housing for all state residents, especially families with children and low-wage workers, as opposed to messaging more directly focused on increasing housing costs. Similarly, supporters of Ingham County, MI's housing initiative, which passed in November 2024, highlighted how the referenda would be used to support affordable housing in rural areas, not just in Lansing, the state capital and the county's largest city. They also highlighted how some of the proceeds from the millage would be used for small and workforce development programs for homebuilders and developers, making it easier for them to access other federal and state housing programs and bringing additional investment into the region.

Second, accountability is key, and voters want to know that their money will be well spent. Advocates for Los Angeles's Measure A stressed how the proceeds of the measure would be tied to clear and specific metrics and outcomes. Los Angeles Mayor Karen Bass specifically appealed to this in advocating for the Measure at a press conference in October, telling reporters: "Money will be taken away from programs that do not deliver results…I want to make it clear that I mean business, and Measure A means business." Other advocates stressed that the accountability measures included in Measure A were directly developed from lessons learned from previous affordable housing efforts. Tying ballot measures to outcomes and specific metrics builds public trust.

Third, the most persuasive part of a proposal is not always the biggest piece of it. Taking an example from another issue area, in the recent Nashville transportation referendum, one of the smaller proposed expenditures by dollar amount was traffic light synchronization, but it was clearly the most popular component of the ballot measure for voters. Campaign leaders should not let the division of spend in the proposal dictate the strategy, but rather what resonates with community.

Since all politics is local, campaigns must be tailored to local political dynamics. One community that desires faster economic growth may find that voters are swayed by economic development messaging. In another community that is experiencing the pain of fast growth, similar messaging may encounter resistance. The (c)(3) or (c)(4) organization should conduct polling and qualitative research (e.g., focus groups) early and often in the process to really understand voter sentiment and opinions. What messages are appealing to voters? Why would they vote yes?

Housing campaigns offer a different set of voter sentiment variables than other "capital" ballot measures where voters can more likely see their dollars going to their personal use – i.e., using a new road from a transportation measure or enjoying new parks/libraries from a local quality of life referendum. Based on current experience, housing campaigns are probably most analogous to ballot measures seeking to increase funding for transit. Only a small percentage of the population uses transit on a regular basis, and successful ballot measure campaigns for transit have to figure out how to message to voters who will perhaps never use the service they are voting to increase their taxes to fund. Similarly, with local housing ballot measures, voters are asked to raise their taxes to pay for housing they will be unlikely to live in. Messages must broadly appeal to local voters and the community's vision for being a great place to live.

Case Studies

Seattle, WA, Seattle Housing Levy (most recently 2023)

First authorized in 1986, the Seattle Housing Levy has been renewed six times by city voters, most recently in 2023 by a 69-31 margin. The most recent reauthorization is expected to produce an estimated $970 million over seven years to support affordable housing. The levy is assessed via property taxes and amounts to about $375 a year in additional taxes for the owner of a median-valued home in Seattle (roughly $830,000). The program is administered by the city's Office of Housing, with oversight from an independent oversight committee of public officials and community members, appointed by the Mayor and City Council.

Levy funds can be used for affordable rental production and preservation, operation and maintenance of supporting services for vulnerable populations, homeownership, household preservation/stabilization, and administration.

The two most recent renewals of the Levy were championed and organized through Yes for Homes, a 501(c)(4), which was supported by a wide range of community organizations, private companies, trade associations, and philanthropic groups.

San Antonio, TX, Measure F (2022)

In 2022, San Antonio voters passed Measure F, dedicating $150 million to affordable housing as part of a six-initiative package that totaled over $1.1 billion for a number of civic needs. To date, the $67 million in awarded projects have leveraged $644.1 million in other private and federal funds to support the creation and preservation of more than 4,100 homes, with over 91% of those affordable to households making below 80% of area median income. Showing the popularity of the measure, many of the announced candidates for the May 2025 Mayoral election in San Antonio have announced plans to renew the ballot measure when it expires in 2027.

Los Angeles, CA (Measure A in 2024, Measure HHH in 2016)

In 2024, Los Angeles County voters approved Measure A, a half-cent sales tax measure that would raise an estimated $1.1 billion annually for homeless services and affordable housing, with no sunset date. The measure was seen as a successor to Measure HHH, a similar quarter cent sales tax that passed in 2016 and was scheduled to expire in 2027 (and which was repealed and replaced with the successful passage of Measure A). Proceeds from the sales tax will be split between local municipalities (based on their homeless populations) and the LA County Affordable Housing Solutions Agency, which was created in 2022 by the state legislature to accelerate affordable housing production, preserve existing housing and prevent homelessness across the County of LA. . LACAHSA's board includes the Mayor of Los Angeles, all five LA County Supervisors, elected officials from other cities in LA County (ensuring geographic representation across the county), experts in housing production, preservation, and tenant protections, and housing justice advocates.

Ingham County, MI (Lansing), 2024

Demonstrating that housing ballot measures can also succeed in less populated and more rural jurisdictions, Ingham County, MI, which includes Lansing, passed a housing and homelessness millage in 2024 by a margin of 62-38, with proceeds going to the County's Housing Trust Fund. Proponents of the millage argued that it was a way to continue important programs that had been launched with federal and state COVID relief funds and were supporting low-income housing and services for the homeless. The millage will raise an estimated $5.6 million annually over the next four years, with funding managed by the Trust Fund's existing 13-member Board, which includes a mix of county officials, individuals with expertise in housing development and finance, and members of the general public with relevant lived experience.

Colorado, Prop 123, 2023

Colorado's Proposition 123, a $300 million statewide initiative which passed in 2022, created the state's first dedicated funding stream for affordable housing. Annually, 1/10th of 1% of federal taxable income from the State's General Fund, or approximately $300 million in the first year, will be allotted to myriad affordable housing initiatives to include the development of multi-family rental units, down payment assistance for first-time homeowners, homelessness prevention programs such as legal assistance, emergency rental assistance funding, and supportive services for those experiencing homelessness. Supporters attributed the measure's success to messaging that focused on the ability of the funding to support a diverse array of housing needs across the state, including workforce housing, middle-income homeownership, and homeless services, as well as its flexibility in supporting solutions in both urban and rural areas.

Denver Measure 2R, 2024

Oftentimes as many lessons can be drawn from failed ballot measures as from ones that succeeded. Denver's Measure 2R would have increased the city's sales tax by 0.5%, generating an estimated $100 million a year in new annual revenue to support housing production through 2064. Despite strong support from Denver Mayor Mike Johnston and a broad coalition of supporters who raised nearly $2.5 million to help pass the measure, it failed by a narrow margin of 1.1%

Proponents of the measure attributed its failure to a number of factors, all of which can provide key lessons for organizers of housing ballot measures in other communities:

Limited Time for Needed Stakeholder and Community Engagement: The campaign for the ballot measure wasn't formally launched until June, only six months before the election. This made it difficult for organizers to conduct the necessary community engagement during the design phase, leading to tough public questions from city council members and other stakeholders that otherwise could have been resolved before the measure was put on the ballot. These questions and criticism contributed to negative media coverage of the measure. Furthermore, the short timeframe for the campaign made it difficult for organizers to organize supporters at a grassroots level.

Avoid Competition at the Ballot Box: Measure 2R would have been the single largest sales tax in Denver history, a 0.5% increase that would have raised nearly $100 million annually over 40 years. On the same ballot, Denver voters simultaneously considered Measure 2Q, a 0.34% sales tax to fund health programs, including Denver's safety net hospital, which voters approved by a 55-45% margin. Asking voters to consider nearly $170 million in annual tax increases may have been too much at once, especially during an election where many had concerns about the cost of living.

Have a Clear Plan Linked to the Financial Ask: In order to keep a broad coalition together, the measure did not include many specifics about how the funds would be allocated across various programs and targeted at households at various median income levels. This allowed proponents to build a broad tent of supporters, but also led to tough questions from council members and advocates about how the funds would be spent and whether they would address specific priorities. Further confounding this issue, Denver voters had recently approved two smaller measures to support homeless services and emergency housing: an independent ballot measure in 2020 and an allocation as part of the approval process for a general obligation bond in 2021. This led to some confusion among voters about whether Measure 2R would overlap with or be duplicative of existing taxes.

Limited Polling Late in the Election: Organizers commissioned three polls over the summer which showed that 63% of likely voters supported the measure. Based on this consistent base of support, organizers canceled a September poll to save costs for media and other campaign costs. A final poll commissioned in mid-October showed that support for the measure had dropped precipitously, leaving organizers with only limited time to adjust their messaging and shore up support.

Despite these challenges, the measure still came extremely close to passing, only failing by 3,706 votes out of more than 350,000 cast. This suggests that Denver voters might be willing to support a ballot measure to increase taxes for housing production if a more focused effort is launched in the future.

Diffusion and Scaling of Housing Ballot Measures

While housing ballot measures are gaining traction, they remain less common than those focused on transit and local quality-of-life improvements. In 2024, local and state voters considered 53 measures to raise or preserve local revenue for affordable housing, less than half of the estimated 120 transportation and infrastructure related measures that state and local voters considered last year. This gap suggests opportunities exist to greatly expand the use of housing ballot measures as a tool to promote local investment in housing production.

Nationally, we need to build better intermediaries and coalitions to help support local communities in planning and launching housing ballot measures. The National Low Income Housing Coalition produces resource guides to aide local officials in designing ballot measures and annual reports cataloging the success of local and state housing-related ballot measures nationally; however, there is not currently a nationally focused organization that provides direct TA and support to cities and states in this area. As corollaries, Accelerator for America's 501(c)(4) sister organization Accelerator for America Action provides support to localities for transit and transportation measures, and the Trust for Public Land has long provided similar support across the country for parks, trails and land conservation initiatives. These examples demonstrate the potential impact of targeted, strategic support for local ballot measures.

Discussions have begun about expansion of these kinds of efforts for the explicit purpose of providing direct support to states, counties, and cities for housing ballot measures and to serve as a resource hub for national best practices and lessons learned. These efforts can revolutionize how communities approach housing challenges, providing them with the tools, knowledge, and support needed to make meaningful local investments in affordable housing. The opportunity is substantial. Relatively modest investments to support capacity in these organizations could potentially unlock billions of dollars in local funding to support affordable housing. By fostering collaboration, building coalitions, and equipping local leaders with the tools they need, policymakers have an opportunity to expand the use of housing ballot measures as a powerful mechanism for addressing one of the nation's most pressing challenges.

A.J. Herrmann *is the Director of Policy and Program Innovation at Accelerator for America and former Policy Director for Kansas City Mayor Quinton Lucas.* ***Mary Ellen Wiederwohl*** *is the President and CEO of Accelerator for America and its sister 501(c)(4), Accelerator for America Action.*

NATIONAL HOUSING CRISIS TASK FORCE

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UNLOCKING PUBLIC-PRIVATE COLLABORATION TO SPEED HOUSING DELIVERY

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06 Unlocking Public-Private Collaboration to Speed Housing Delivery

By Rebecca Foster, Kati Vastola, and Michael Saadine

Summary

Communities across the country face significant obstacles to delivering affordable housing, due to sluggish bureaucratic funding processes that lack the agility to adapt to changing market dynamics or meet the scale of the problem. Addressing these challenges requires innovative, flexible financing solutions capable of rapid response and scalability.

Public-private collaboration can effectively deploy public, private, and philanthropic capital to accelerate affordable housing production and preservation, in close partnership with local governments, to help achieve ambitious and crucial affordable housing development goals. Communities interested in the benefits of public-private partnership have several models and approaches to choose from. This includes structuring the partnership via a memorandum of understanding between existing organizations, hosting the partnership within an existing organization, or setting up a standalone entity with its own balance sheet and governance structure. Standalone public-private collaborations often require more time, effort, and resources to set up compared to other approaches. Once launched, however, they offer communities a durable, flexible, scalable tool for achieving a range of affordable housing outcomes.

The San Francisco Housing Accelerator Fund (HAF) exemplifies the public-private collaboration. Initially incubated within the San Francisco's Mayor's Office, HAF began making loans in 2017 and has since evolved into an independent nonprofit and Community Development Financial Institution (CDFI). The organization was originally capitalized through a $10 million, 20-year, first-loss subordinate loan from the City of San Francisco, which was later increased to $20 million in 2019. Now in its ninth year of operations, HAF has raised over $450 million in capital, including $430 million from non-City sources. San Francisco's public investment has been leveraged at a ratio exceeding 20:1, demonstrating the catalytic power of public-private partnerships.

HAF now offers a diverse range of financial products including acquisition and pre-development, construction and rehabilitation, and permanent financing for the development and preservation of affordable housing. To date, HAF has committed over $600 million in project investments in its hometown of San Francisco and surrounding communities, funding more than 3,000 affordable homes. HAF is a compelling example of how a standalone public-private partnership can be successfully launched, scaled, and adapted over time to meet evolving priorities in affordable housing production and preservation.

The Challenge This Tool Solves

Well-structured, standalone, affordable housing-focused public-private partnerships create shared platforms where public agencies, philanthropic funders, and private and nonprofit partners align goals, pool resources, and move capital nimbly. These entities can take on the work of designing and deploying customized financing solutions that are responsive to local needs and enable more equitable development. They can absorb risk, reduce transaction timelines, and tailor underwriting standards to mission-driven outcomes — unlocking projects that would otherwise stall or fail. In doing so, they provide a vehicle for policy innovation, regional coordination, and scaled preservation and production of affordable housing.

The key benefits of this structure include:

- **Leverage:** Pooling diverse capital sources into coordinated, flexible investment strategies;
- **Speed:** Providing swift, market-responsive financing for property acquisition and preservation; and
- **Innovation:** Encouraging innovative and proactive solutions to affordable housing finance challenges.

Types of Communities That Could Use This Tool

Most communities facing affordable housing shortages encounter a common problem: public financing for affordable housing is often bureaucratic, siloed, and slow to deploy. This prevents developers from accessing capital quickly enough to compete in real estate markets, causing missed opportunities and increased costs as they assemble complex capital stacks. While public-private approaches can aggregate and distribute capital more effectively, they require both dedicated public-sector partners (even if they are often slow to get out into projects and encumbered by a lot of regulatory burden), and interested private and philanthropic capital sources (even if they lack a clear one-stop-place to invest).

Public-private partnerships, structured as independent nonprofits with their own capital stack, may prove particularly valuable when a community faces additional challenges, including:

- **Complex, Evolving Local Markets:** Requires an on-the-ground partner with the capacity to understand nuanced conditions and agility to address them;
- **Need for New Financial Products:** Especially if the need is ambiguous and the product terms require refinement;
- **Gaps in Existing Lending:** Established lenders may lack motivation to take on product innovation, increased volume, and/or new risks the community needs; and

- **Developers with Inadequate Financial Capacity:** There are partners motivated to serve as developers, owners, and operators, but they do not have the financial capacity and complexity to move on opportunities independently.

Expected Impacts of This Tool

Communities facing the challenges and conditions described above, and that invest in creating an independent public-private partnership (such as the Housing Accelerator Fund, profiled below), can expect to see:

- **Rapid Increase in Affordable Housing Stock:** Accelerated development and preservation timelines;
- **Enhanced Capital Attraction:** New inflows from a diverse range of investors, including private banks, foundations, and individual philanthropists;
- **Cost Efficiency:** Significant savings achieved by reducing regulatory burdens, increasing access to advantageous capital, and accelerating the speed of delivery. Additionally, innovative construction techniques are often easier to finance through a public-private collaboration like the HAF, generating further savings alongside sustainability enhancement;
- **Increased Community Stability:** Reduced homelessness and displacement through preservation of naturally occurring affordable housing and proactive development strategies; and
- **Long-Term Adaptability:** Flexible, durable tool can evolve with changing market conditions and community needs.

Background

Predecessor: NYC Acquisition Fund

In 2006, New York City launched the NYC Acquisition Fund, one of the first innovative affordable housing partnerships, to address a critical challenge: by the 2000s, the City had depleted its supply of tax-foreclosed properties carried forward since the 1970s that were traditionally transferred to mission-driven developers. Developers now needed to compete in a hot real estate market to secure development sites but lacked sufficient financial resources to do so. Traditional public financing was too slow, and financing terms available from private lenders to fund early-stage acquisitions were too restrictive. In response, the City partnered with Enterprise Community Partners, LISC, Forsyth Street, and foundations to create a revolving loan fund blending public guarantees with private capital to deliver fast, flexible acquisition loans at the scale needed to sustain the City's affordable housing pipeline.

The Fund offered a new model providing tailored bridge financing that allowed affordable housing developers to act quickly, with high loan-to-value ratios covering property acquisition and predevelopment costs, generous maximum loan sizes to support large and costly property acquisitions, and other terms calibrated for affordable and supportive housing projects in high-cost markets. Since launch, the Fund has helped create or preserve over 16,000 affordable homes and established a national model cities could adopt for capital and policy alignment to drive equitable housing development.

Structured as an LLC co-owned by Enterprise and LISC, the Fund operates through a credit committee, on which the fund's owners, lenders, and the City are represented. Day-to-day fund management services are provided by Forsyth Street. A network of six community development financial institutions (CDFIs) originate loans into the Fund, leveraging the trusted, long-term relationships that those CDFIs have built with the developer community. Public and philanthropic capital expand the flexibility of the Fund's loan product terms, and private capital from a bank lender syndicate provides scale.

Proposed Solution: Housing Accelerator Fund

In 2014, San Francisco Mayor Ed Lee convened a Housing Working Group highlighting the urgent need for innovative solutions in housing finance. Building on NYC's Acquisition Fund, the City created the Housing Accelerator Fund (HAF), with greater flexibility and expanded capability.

Organizational Structure, Staffing, and Governance: Whereas the NYC Acquisition Fund delegates loan origination to six existing CDFIs, the San Francisco Housing Accelerator Fund would make loans directly to borrowers. Moreover, the new loan fund would be an independent nonprofit, with the flexibility to provide financing not only for acquisition and predevelopment, but for needs across all project phases. Structuring HAF this way expanded its flexibility beyond what would be possible if it were to be owned by and originating loans through existing CDFIs. This approach also positioned the HAF for future scalability and versatility, conferring independent control that allows HAF to combine financing sources to increase efficiency, move quickly and nimbly, and think innovatively.

HAF's governance and capital stack are structured to secure partner confidence while allowing this independence. HAF is governed by an independent board of directors comprised of individuals with expertise in housing, finance, philanthropy, and community development, with the City holding ex officio seats.

Capitalization: HAF sought to design a capital structure that balanced the flexibility and scale offered by philanthropic and private capital with the security and risk protections those investors would require. Supporting this structure, an intercreditor agreement lays out the "loss waterfall", establishing the order in which different lenders or classes of debt are repaid—or bear losses—in the event of default or liquidation. Moreover, it provides a mechanism for new investors to join the fund while preserving the rights, priorities, and risk positions of existing investors.

To launch the HAF, the City approved a $10 million 20-year 0% subordinate investment. The loan administered by the Mayor's Office of Housing and Community Development, which maintains a close working relationship with the HAF for collaborative affordable housing pipeline management. As a subordinate investment, it serves as a backstop for the rest of the capital stack. This structure allowed HAF to utilize the City of San Francisco's initial investment into HAF to serve as "top loss" capital before HAF had any equity on its balance sheet. (Since launch, HAF has grown equity through retained earnings and grants to the loan fund, which provide even more security to other investors).

Alongside the City, HAF's earliest investors included the San Francisco Foundation, Dignity Health, the Hewlett Foundation, and Citibank, on both the Community Capital and Community Development side (press coverage here and here).

Scaling the HAF

HAF has grown remarkably from its $37 million initial capitalization to over $300 million today (averaging ~70% committed). It has expanded geographically beyond San Francisco throughout the Greater Bay Area. Further, HAF has successfully scaled its portfolio of financial products and now offers loans across all phases of affordable housing development. This includes innovative tools focused on specific gaps in affordable housing delivery, such as the Bay Area Housing Innovation Fund and Industrialized Construction Catalyst Fund.

As an independent public-private entity that built its own balance sheet, HAF blends public, private, and philanthropic capital into a mission-aligned platform for housing preservation and production.

This structure allows HAF to move quickly and tailor financing products to evolving affordable housing gaps. By strategically layering capital, HAF reduces risk for private investors while preserving affordability outcomes. Its unique governance and capital model de-risks transactions, accelerates execution, and enables a broader range of stakeholders to participate confidently in affordable housing solutions.

HAF offers private investors a range of positions on its capital stack, tailored to different risk-return profiles, including:

- **Project-Level recourse / Off-Balance Sheet Facilities:**
    - **Federal Home Loan Bank (FHLB) access:** HAF became a member of the San Francisco FHLB two years ago, gaining the ability to pledge assets (stabilized project loans or securities) and borrow competitively priced advances up to a percentage of the asset valuation. Each FHLB has its own terms and rules for CDFI borrowing, and until recently the max borrowing term for CDFIs in the San Francisco region was up to five years. However, the San Francisco FHLB recently extended eligible borrowing terms in specific instances for CDFIs up to a maximum term of 20 years, which should meaningfully impact HAF's ability to provide permanent loans to the affordable housing market in its region.
    - **Bank revolving lending facility ("Senior Secured"):** This facility provides 60–80% of financing for eligible projects. This senior debt is secured by a first-position deed of trust on the underlying property, and all draws do not have recourse to HAF's balance sheet, meaning they do not have rights to claim the assets off the balance sheet. This facility is priced at a spread to the Secured Overnight Financing Rate (between 1.5% to 2.5% spread) depending on the bank partner. Pricing is fixed at draw from the facility.
- **On-Balance Sheet / Recourse to HAF Investments:** Investment categories include:
    - **Senior Investments:** Predominantly banks and institutional investors, with typical interest rates ranging from 2.5% to 5%.
    - **Mezzanine Investments:** Structured for mission-aligned investors such as foundations and health systems, also including some banks. Typical interest rates are below 3%.

These investments are anchored by over $20 million in subordinate loan capital, including the previously mentioned 0% interest, 20-year first loss loan from the City of San Francisco, $60 million in philanthropic grants, and retained earnings. This deep subordination enhances the likelihood of repayment for private and institutional investors. Largely due to underwriting to the public sector takeout, these loans have seen zero losses to date.

Crucially, HAF underwrites many of its loans to a committed *future* public financing source that will repay HAF loans. Nearly all projects financed by HAF include a future commitment from the City of San Francisco or another public agency to provide permanent financing once affordability restrictions are in place. The City has never failed to complete its financing and HAF loan payback on a deed-restricted affordable housing project, and every HAF loan includes a permanent affordability deed restriction at closing, significantly reducing long-term repayment risk and enhancing investor confidence. HAF takes on the time-sensitive, hands-on phase of the deal and bridges to the timeline in which public financing can participate. Real estate risk and public finance risk are distinct risks which are often blended in complex projects; HAF disaggregates these risks to reduce complexity.

This structure enables HAF to tap into capital sources underutilized in affordable housing. For example, a partnership between HAF and the San Francisco Foundation channels donor-advised funds into an ultra-low-cost loan to the HAF (with an interest rate below 1.0%), which the HAF then leverages alongside its other balance sheet capital. The Home for Good Fund is a revolving DAF facility with a 5- or 10- year repayment date to donors, designed to accelerate housing solutions in donors' "backyard" while maintaining their future giving optionality. Over $30 million has been raised through this structure to date.

Diffusion and Scaling the Housing Accelerator Fund

Effectively scaling the Housing Accelerator Fund model requires:

- **Public Sector Alignment and Commitment:** Active engagement and sustained financial commitment from local governments are crucial.
- **Cross-Sector Collaboration:** Establish robust partnerships among public entities, private capital providers, and philanthropic organizations.
- **Capacity-Building:** Invest in developing local development expertise through training, technical assistance, and shared learning initiatives.
- **Continuous Innovation and Adaptation:** Regularly assessing local market conditions and investor requirements and adjusting financial products and strategies accordingly.

HAF's success in San Francisco and its ongoing expansion throughout the Bay Area underscore the model's replicability for affordable housing delivery nationwide. Jurisdictions facing affordable housing crises can benefit from adopting and adapting the HAF model to their local contexts, creating rapid, scalable, and sustainable impacts on the affordable housing crisis.
The HAF model is also being developed and implemented in other jurisdictions. Philadelphia's Accelerator Fund (PAF) was established in 2019 and operational by 2021. Philadelphia adopted a public-private model; PAF is structured as an independent nonprofit loan fund that coordinates with city agencies but remains beyond city governance. PAF works to both increase affordable housing supply and empower minority developers, with predevelopment loans, acquisition loans, subordinate debt, and construction financing. PAF also offers targeted support services for Black and Brown developers.

More recently, Austin launched a Housing Accelerator Loan Fund (AHALF). This fund is likewise a public-private structure, managed by an existing nonprofit, the Austin Community Foundation. The fund pursues new construction and preservation of affordable housing primarily via short-term, low-cost loans for predevelopment, land acquisition, and construction bridging. AHALF sees itself as filling a gap in funding sources and accelerating the pace of building affordable units.

In Cleveland, the city recently launched the Cleveland Housing Investment Fund (CHIF), an innovative and catalytic public-private partnership between the City of Cleveland, Cleveland LISC, and Key Bank. CHIF's goal is to create between 2,500 and 3,000 affordable housing units over the next 10 years. Like AHALF, the CHIF program is housed at an existing organization — LISC — to provide a stable foundation for flexible capital.

Austin, Cleveland, and Philadelphia's efforts, like the San Francisco HAF, seek to increase the speed of affordable housing delivery, leveraging the flexibility of the private sector while staying in concert with the public sector's goals, and future work of the Task Force will highlight these programs in more depth.

***Rebecca Foster** is the founding CEO of the San Francisco Housing Accelerator Fund, an independent nonprofit and Community Development Financial Institution with the mission to invest in the preservation and expansion of quality affordable housing and community facilities. **Kati Vastola** is the Operations & Communications Director at the San Francisco Housing Accelerator Fund. **Michael Saadine** is a Senior Advisor to the Nowak Metro Finance Lab and Managing Partner at Invisible Group, an interdisciplinary real estate investment platform.*

NATIONAL HOUSING CRISIS TASK FORCE

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INVESTING IN HOMEOWNERSHIP: PUBLIC INVESTMENTS IN STARTER HOME DEVELOPMENT

ACCELERATOR FOR AMERICA

DREXEL UNIVERSITY Nowak Metro Finance Lab
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07 Investing in Homeownership: Public Investments in Starter Home Development

By Benjamin Preis

Summary

Today, the median new home sold in the U.S. is 37 percent more expensive per square foot than the median new home sold in 2000, even when adjusted for inflation, according to U.S. Census Bureau data. That same median home is also 10 percent larger. Additionally, new-start condominium and co-op development virtually disappeared following the Great Recession. Taken together, that means that the prototypical "starter home" is harder to find. While there is no strict definition of a starter home, these homes are generally smaller (typically under 2,000 square feet), and attainable to first-time homebuyers with average incomes and credit scores. This lack of new starter homes has coincided with increased prices for the existing housing stock and stricter mortgage lending criteria, meaning that many first-time homebuyers are unable to find and finance a home to purchase, even if they have saved for a downpayment. Indeed, the median existing single-family home sold in the U.S. for $400,000 in 2024, compared to $247,000 in 2000 (even when adjusting for inflation) according to the Joint Center for Housing Studies at Harvard University, with the median home value now nearly six times the median income, and the income required for a starter home now approximately $77,000.

Moderately priced, entry-level homes are an important piece of the housing ecosystem. Small single-family homes, townhouses, and condominiums allow households to build up equity and leverage long-term savings to build household wealth. With fewer starter homes available, the median age of first-time homebuyers has continued to inch upward, reaching 38 years old in 2024, up from 32 in 2000.

In order to increase the supply of starter homes available for purchase by first-time homebuyers, a number of communities have created new sources of funding to incentivize the development and sale of new homes under a certain price point. These new programs mirror the housing production fund created by Montgomery County for the creation of affordable rental housing units but are instead focused on affordable homeownership. In Utah, the state repurposed $300 million originally slated for transportation investments to make available below-market rate loans to developers who build and sell homes for less than $450,000. In Washington County, WI, a suburban county near Milwaukee, the county used over $8 million made possible through America Rescue Plan Act ("ARPA") funding to create the Next Generation Housing Initiative (NGH). NGH requires the development of homes for owner-occupancy priced between $340,000 and $420,000. These programs demonstrate how creative financing can be used to encourage the private market to build new homes for sale for individuals that otherwise might be priced out.

The Challenge This Tool Solves

In the 21st century, newly built homes have gotten larger and more expensive and the availability of for-sale product type has been reduced by multiple variables. This increase in cost and limited supply leaves first-time homebuyers with few options for affordable, newly built homes. In part, the lack of newly built starter homes stems from the increased cost of construction, increased labor costs, and a smaller pool of new qualifying homebuyers; developers have responded by moving towards larger, more expensive, custom homes, or "build to rent" communities. By creating financial products that encourage the creation of new condominiums or single-family starter homes, public investments in starter home development result in the creation of new homes for purchase by individuals who may otherwise not be able to find new housing that they can afford to buy.

Types of Communities That Could Use This Tool

While scattered-site single family development can be used in conjunction with these financing tools, communities that have large tracts of developable lands for new single-family, townhouse, and missing middle developments of duplexes, triplexes, and small condo-developments under 10 units are best positioned to see returns from economies of scale. This tool can also be paired with other public incentives, such as discounted public land, in order to further drive down the cost of development and increase the amount of affordable housing created within a development. However, some communities — especially communities with depressed housing markets where new homes often appraise for far less than the cost of construction — may struggle to recoup their investments in starter home development, as the subsidy required to make the home affordable may be significant.

Expected Impacts of This Tool

In Washington County, WI, the stated objective of the Next Generation Housing Initiative is to generate 1,000 new owner-occupied housing units by 2032, from a total investment of $8.25 million. The $300 million in the Utah Homes Investment Program cost the state approximately $18 million to subsidize the interest rates offered by the program, and if used to its full potential, could result in 3,000 new homes in the state, a subsidy of only $6,000 per home.

Background

Following the Great Recession, home building ground to a halt. In the five years prior to the Great Recession, an average of 1.5 million new single-family homes were built ever year. Between 2010 and 2014, that number was only 522,000. Starter homes were particularly hard hit: prior to the Great Recession, new homes under 1,800 square feet represented approximately 30% of the single-family housing market; today, that number is only 20%, meaning that, every year, there are at least 200,000 new single-family starter homes missing from the pipeline. New condominium development tells a similar story, with very few new condominium developments having been constructed since 2007.

There are many reasons for this decrease in attainable starter-home development, including a shrunken homebuilding industry that never fully recovered from the Great Recession, workforce shortages, increased regulatory burdens including large-lot zoning and minimum dwelling unit requirements, more stringent condo-defect laws, and more. Federal regulations related to mortgage lending has also limited the number of eligible borrowers who would be interested in starter homes.

In place of new starter homes, two trends have emerged. First, larger, custom, high-end single-family homes, which are more profitable for builders, have crowded out new starter home development. Second, build-to-rent communities where subdivisions that previously may have been developed for owner-occupancy are instead being developed for renters. While there were fewer than 10,000 built-to-rent units under construction in any given quarter prior to 2015, new built-to-rent development has increased to more than 80,000 under construction in 2024.

In recent years, the sharp rise in interest rates has caused additional challenges with the starter home market. The inventory of existing homes for sale has dropped sharply, as existing homeowners have become reticent to move, and give up interest rates that may be three or four percentage points lower than what they could access in today's interest rate environment. With fewer existing homes for sale, new homebuyers can't access this part of the inventory either, leaving them further frozen out of the market.

In order to help first-time homebuyers access a challenging housing market, many communities have turned to downpayment assistance, closing cost assistance, and second mortgages. These are often structured as grants or forgivable loans and may be targeted to households making less than the median income in a region. These subsidies are an important piece of the puzzle, especially for households that are unable to save for a downpayment and closing costs but ultimately don't address the underlying supply constraints.

While states and cities have historically focused their public investment to spur affordable apartment developments, some communities are now trying to spur the development of new starter homes for sale, including single-family homes, duplexes and triplexes, and condominium buildings. This tool describes two such efforts.

Proposed Solution: Public Investments in Starter Home Development

In order to address the severe shortage in starter-home development, and the lackluster rebound of new for-sale housing development following the Great Recession, some communities have turned to direct public investment to spur the development of new starter homes. These public investments can take different forms but generally act as an incentive or a subsidy to a homebuilder and developer to build new homes, for sale, at a price affordable to households making the median income in a region or less.

Investments in starter home development often look different than investments in affordable apartments for-rent. That's because while apartments require rents that cover the ongoing cost of operations and maintenance — and ongoing subsidy if those rents are less than that ongoing operations and maintenance — homes built for-sale only require an up-front subsidy to cover the difference between the cost of land, labor, and materials and the cost that a new homebuyer can afford for that house. In the case of public investments to spur starter home development, this gap between the cost of construction and the affordable sales price could be even smaller, as the public incentives encourage smaller homes that simply cost less due to their construction and square footage.

Public investments in starter home construction can address many of the constraints associated with new housing developments, including:

- The high cost of land, by providing publicly-owned land for development at a discounted cost;
- The high cost of construction loans in the current interest rate environment, by providing below-market rate construction loans, repayable at closing;
- The high cost of predevelopment, by providing grants or repayable loans for land acquisition, engineering studies, infrastructure construction;
- The cost of public permits, including fees for plan reviews, building inspections, occupancy, HVAC, electrical, plumbing, water, sewer and other impact fees, by providing grants or repayable loans to cover the cost of such fees;
- The onerous restrictions on where and whether smaller homes on small lots are able to be built, by reforming land use restrictions; and
- The high cost of delays and the time-cost of money, by streamlining and reforming permitting processes and inspections to increase the speed at which permits are issued.

The two case studies described below use some combination of all of these different forms of financial assistance. Specifically, the Utah Homes Investment Program provide below-market rates loans, sometimes paired with state-owned land. While the Next Generation Housing Initiative in Washington County, WI provides funding opportunities for both predevelopment costs, infrastructure construction, and for the cost of core construction permit fees.

In order to provide the financial opportunities, these programs relied on a variety of funding sources. In Utah, the state appropriated $18 million to cover the lost interest earnings for the Utah Homes Investment Program when the funding was reallocated from the Utah Department of Transportation Infrastructure General Fund.

In Washington County, WI, the county used federal made possible by the American Recovery Plan Act (ARPA) to provide an incentive for development costs of up to $20,000 and a permit fee incentive up to $6,000 per owner-occupied dwelling unit. The $20,000 investment acts as a 0% loan to the builder or developer. When a development is located within a Tax Increment Financing (TIF) district, a portion of the increment can be used to repay the incentive. Other communities could turn to ballot measures, tax abatements, housing accelerator funds, philanthropy, or housing trust funds as sources of capital for homeownership subsidies.

Case Studies

Utah Homes Investment Program

Under Governor Spencer Cox, the State of Utah has set an ambitious goal: build an 35,000 additional new starter homes by 2028 beyond what the market had been providing historically. In order to achieve this goal, the Governor launched the Utah First Homes initiative, a suite of new programs and activities meant to spur starter home construction. This includes appointing a state "Housing Innovation Advisor," $50 million for downpayment assistance, and the $300 million for the Utah Homes Investment Program for starter home construction.

Recognizing the magnitude of the need, and that downpayment assistance would be insufficient to spur the creation of the number of starter homes needed in Utah, the Governor and his team looked to other sources of funding to kick-start housing development. Turning to the State Treasurer, the Governor's team realized that they had a source of low-cost capital available to them, literally sitting in the bank.

The Utah Homes Investment Program was thus born. The Utah Homes Investment Program reallocates $300 million from the Transportation Infrastructure General Fund and directs it towards development of starter home development. Since the $300 million would have been earning interest in the Transportation Infrastructure General Fund, the state appropriated $18 million to cover the forgone interest that would have been earned on the $300 million had it been invested by the state Treasurer.

Homes priced under $450,000 are defined as "attainable homes" for the purpose of the program. This is compared to the median home value of a single-family home in Utah of $540,000, according to Zillow data. In 2025, the legislature expanded the program to make condominium developments eligible for funding from the Utah Homes Investment Program and enabled the Utah Housing Corporation — the state's housing finance agency — to make loans through the program as well. This latter change is meant to address the strict lending requirements associated with Federal Housing Administration loans for condo developments.

To administer the program, the Utah State Treasurer partners with qualified financial institutions, including credit unions, to make loans to developers for eligible projects. These are projects where at least 60% of the homes that will be built will be sold at a price point under $450,000, and where those homes will have a deed restriction that requires owner occupancy for at least the initial five years. To make the Utah Homes Investment Program reach a greater population, developers are also required to provide information to prospective homebuyers about Utah's First-Time Homebuyer Assistance Program.

In today's interest rate environment, construction loans are often in the double digits. However, the Utah State Treasurer is able to access funding at the "federal funds effective rate," that is, the rate at which the Federal Reserve sets interest rates. In order to encourage developers to build during a time of high interest rates, the loans offered to developers by the qualified financial institutions must be priced at no more than 1.5 percentage points above the federal funds effective rate, lowering the cost of a new construction loan to 7 percent or less. In order to encourage financial institutions to offer these loans, the interest paid to the State of Utah is 2 percentage points below the federal funds rate, essentially guaranteeing a 3.5 percentage point spread for those lenders.

The program is already making a measurable impact. The first project to use funding from the Utah Homes Investment Program broke ground in late 2024, with 275 units expected to sell for less than $400,000. As reported by the Utah News Dispatch, the program is having the intended effect, with the developer opting to build smaller, more affordable units, in lieu of pricier units, in exchange for the interest rate subsidy provided by the State.

Washington County, WI Next Generation Homes Program

Washington County is a suburban county located to the northwest of Milwaukee County. With a population of less than 140,000, the county had seen continuous and substantial growth since the 1950s, growing more than 10% each decade until the 2010s. Since 2010, however, growth has slowed substantially, with the county only adding 4% to its population between 2010 and 2020.

A lack of new housing development is a major contributor to the slowed population growth, with Washington County building only 5,000 new homes between 2010 and 2020, compared to nearly 10,000 in the 2000s. In order to address the lack of new housing development, Washington County Executive Josh Schoemann established the Next Generation Housing Initiative (NGH) in 2021 as part of the Our Great Community Campaign. NGH focuses on addressing a suite of barriers to housing development in Washington County, including high development costs, high cost of homeownership, zoning and land division regulation, and increasing permit fees. The Initiative provides opportunities to overcome each of those barriers, including new programs to decrease development costs and increase homeownership opportunities, working with municipalities to reform land use codes, and conducting public outreach to inform residents of the current conditions of the housing market within Washington County.

The Next Generation Housing "2.0" Framework, approved in June 2024, includes a set of incentives and funding sources for developers to build new, owner-occupied housing units. The framework aims for all new housing built with these incentives to sell for less than $420,000, with 40% of those homes selling for under $340,000 and 80% selling under $360,000. This is substantially less than the average price of a new home in the county: $430,000, according to Zillow data.

In order to spur the development of new starter homes or other diverse owner-occupied housing types, the Next Generation Housing Initiative offers two different incentives. First, the **NGH Fund Incentive** provides up to $20,000 per owner-occupied dwelling unit as a loan with a 0% interest rate for eligible expenses associated with new housing development, including land acquisition, engineering studies, infrastructure construction, and more. In order to recoup the cost of the $20,000 loan, a lien is placed on the property, to be repaid at closing or through the use of tax increment financing. In order to prevent "double dipping", housing developments that are using tax increment financing to repay the $20,000 NGH Incentive associated with the NGH Fund are ineligible to use the Permit Fee Incentive, described below.

In addition to the lien, the County or developer records a Declaration of Protective Covenants on all NGH properties, requiring owner-occupancy in perpetuity. The County also records a deed restriction on any property sold under fair market value in order to prevent potential "flips for profit". The restriction states that a certain percentage of the difference between the purchase price and the fair market value will be owed back to the County should the buyer sell within five years of initial purchase (100% at year 1, 80% at year 2, etc.). There are several NGH developments where the homes are being sold for well below fair market value and after living in the home for five years, the first homebuyer fully earns the difference in value. In total, the County allocated $7.65 million for the NGH Fund, largely made possible by the federal funding that the County received as part of the American Rescue Plan Act (ARPA) in 2021.

In addition to the NGH Fund Incentive, Next Generation Housing has provided a **Core Construction Permit Fee Incentive** to cover 100% of the cost of local government permitting fees, up to $6,000, including fees for plan reviews, building inspections, occupancy, HVAC, electrical, plumbing, water, sewer, and other impact fees. The Permit Fee Incentive is included in as part of the Deed Restriction placed on the property to prevent "flip for profit" scenarios. This has helped spur the conversation with local governments who control the permitting process for new housing developments. The county has allocated $600,000 for the Core Permit Fee

Incentive program. Typical permit fees in Washington County are between $8,000 - $12,000 per home.

To date, multiple developments have taken advantage of the Next Generation Housing Initiative, including two developments totaling 139 units in the Village of Jackson, two developments totaling 23 units in the City of Hartford, and one development boasting 48 units in the Village of Kewaskum. A number of homes in the Village of Jackson and the City of Hartford are already completed and are now occupied by new homeowners.

Diffusion and Scaling Public Investments in Starter Home Development

Communities need to understand their local for-sale housing development ecosystem to diffuse and scale public investments in starter home development. They should target the barriers that mostly directly prevent the production of homes that are available for-sale to communities' median-income households.

Once programs have been developed targeting those barriers — interest rates, permit fees, land costs, or other impediments — communities must identify the best mechanism to distribute that funding to developers. The case studies highlight different approaches to capital disbursement. In the case of Utah, the state is partnering with existing qualified financial institutions to deploy loans to developers and homebuilders. These qualified financial institutions already have the in-house expertise and experiencing in underwriting, monitoring, and disbursement to private entities. In Washington County, WI's Next Generation Housing Initiative, the county itself enters into a development agreement with developers to provide funding for new housing developments. Programs in other places, like the Pennsylvania Housing Finance Agency's mortgage programs, can help with the purchase and rehab of existing homes, while Philadelphia's Turn The Key program encourages developers to create affordable single-family homes scattered throughout Philadelphia on city-owned land. Other sources of financing, especially for more resilient homes, may be available to complement or augment these new dedicated sources of funding for starter home development.

Other potential models exist as well. While not explicitly focused on homeownership opportunities, models like a Housing Accelerator Fund, or a Public Asset Corporation could be used to develop new starter homes with public or philanthropic investments.

One long-term challenge that communities need to address when considering public investments in starter home development is the long-term monitoring and enforcement of any deed restrictions. Both Utah and Washington County place deed restrictions on the homes developed with public funds. Utah requires owner-occupancy for the first five years, while Washington

County requires owner occupancy in perpetuity through a Deceleration of Protective Covenant. Furthermore, a deed restriction on NGH homes sold under fair market value may recapture a portion of the difference between the initial sale price and the fair market value if the home is resold within the first five years after initial occupancy. These sort of deed restrictions require enforcement — while title companies and recorders of deeds will likely flag these sort of deed restrictions related to resale, a Declaration of Protective Covenants specifying owner occupancy is harder to enforce. Communities may wish to partner with existing nonprofit organizations, like Community Land Trusts, to act as stewards of these new homeownership-focused developments. Community Land Trusts — which own the land and lease it to homeowners for a nominal fee — often have the mechanisms and in-house expertise to monitor the condition and occupancy of the housing over the long term.

Finally, communities may consider public investments to increase the supply of entry-level homeownership opportunity with demand-side subsidies like downpayment assistance, such as Utah's requirement that developers provide prospective homebuyers with information regarding Utah's Homebuyer Assistance Program. Washington County, too, provides downpayment incentives through the Heart & Homestead Earned Down Payment Incentive. The Incentive offers qualifying individuals up to $20,000 in down payment incentive toward the purchase of an owner-occupied home purchased for under $420,000 anywhere in the County. Recipients of the program have 5 years after closing on their home to "earn" their incentive through volunteering with and donating to local nonprofit organizations participating in the program. Recipients, and anyone living in their household, can receive $25 in Incentive Earnings for every 1 hour volunteered and 70 cents in Incentive Earnings for every $1 donated. Given that homeownership occasionally comes with large, unexpected repair costs, communities could also consider implementing programs like the Rhode Island HomeSecure program, which provides a grant equal to three months of mortgage payments in the event of an emergency for the first three years after a homebuyer uses a mortgage from the Rhode Island Housing Finance Agency.

Benjamin Preis, Ph.D.*, is the Director of the National Housing Crisis Task Force, and a Senior Research Fellow at the Nowak Metro Finance Lab at Drexel University.*

NATIONAL HOUSING CRISIS TASK FORCE

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MIXED-INCOME PUBLIC DEVELOPMENT MODEL: LOCAL HOUSING FINANCE AGENCY INNOVATION

08 Mixed-Income Public Development Model: Local Housing Finance Agency Innovation

By Paul Williams, Ashwin Warrior, Chelsea Andrews, Ken Silverman, Lourdes Castro Ramírez, and Michael Saadine

Summary

As the national housing crisis grows in scope and severity, traditional affordable housing solutions are proving insufficient. The affordable housing market has grown reliant on the Low-Income Housing Tax Credit (LIHTC) and federal vouchers, along with the ecosystems that have developed around them. However, these resources do not stretch as far in the context of rising construction costs and rents and increasing uncertainty regarding federal support and the macro-economy.

To meet the crisis head-on, states and localities are deploying a new toolset. Housing Finance Authorities (HFA), state or local government, or quasi-governmental agencies focused on providing financing for affordable housing possess capabilities beyond the traditional toolkit of LIHTC and associated tax-exempt bonds. Certain creative state and local agencies have begun leveraging additional mechanisms to drive a **Mixed-Income Public Development Model**, filling gaps left by traditional programs and resources. State and local governments can deploy revolving loan funds, low-cost permanent financing, and in some cases property tax relief to enable public-led development of affordable and mixed-income housing.

The Challenge This Tool Solves

The affordable housing development ecosystem is largely built on powerful, but currently insufficient federally authorized and funded tools including LIHTC, associated tax-exempt Private Activity Bonds (PABs), and vouchers. LIHTC is often oversubscribed by nearly three times, while only one in four eligible households receives federal assistance (including vouchers).

Beyond shortfalls in existing programs targeting lowest-income residents, challenges hinder efficient affordable and mixed-income housing development. Market-rate private equity investors face high capital costs and typically avoid the complication of mixed-income projects, often lacking the capacity to properly manage the requirements accompanying affordable units, such as income verification. The development market also faces challenges across income levels in the current high-construction cost and high-interest rate environment. These factors combine to create a funding gap for mixed-income, public-led developments. Mixed-Income Public Development can create the conditions to fill this gap.

Types of Communities That Could Use This Tool

Affordability in the mixed-income development model comes from savings in financing costs and reduced operating costs through property tax relief. The model also relies on sufficient difference between market and affordable rents to permit a level of cross-subsidization. As such, this approach works best in areas with strong rental markets, and less effectively in rural or underinvested areas where private investment is not occurring. Generally, where private development successfully pencils, this model should operate successfully by bringing in public financing tools and in some cases property tax relief to reduce costs. In hot markets where rents are rising rapidly, this model can be a potent tool to secure affordability in high-opportunity areas.

This paper focuses largely on the success of the Montgomery County Housing Opportunities Commission (Montgomery County is a region in Maryland and suburban Washington DC). The entity (HOC) was established in 1974 and acts as the County's designated Public Housing Authority and Housing Finance Agency. More recently, the commission collaborated with Montgomery County Government to create the $100 million Housing Production Fund (HPF). We also highlight efforts in Chicago, Atlanta, and Chattanooga, demonstrating the breadth of community types that can benefit from the model.

Large jurisdictions with robust housing demand and well-staffed public agencies may want to begin by establishing revolving loans to achieve maximum benefit and scale from this model. However, many jurisdictions have existing housing trust funds or other low-cost loan or grant mechanisms often used to provide gap funding for LIHTC projects. Public Housing Authorities (PHAs), HFAs, or municipal housing departments could identify specific high-value development projects, develop partnerships with private developers, and use those existing authorities to issue low-cost construction loans. These projects could be based on government-owned land primed for redevelopment, with developers chosen through RFP, or could be done in partnership with private developers on stalled projects. A public entity could partner with the private developer, create a new publicly owned holding company to receive the loan, and proceed. This approach resembles "80/20" developments commonly undertaken with FHA Risk Share by private developers in New York City, but with the added benefits of public ownership. This allows municipalities to begin producing housing while figuring out the legal, financial, and political issues surrounding capitalizing a larger revolving loan fund or potentially creating a new public entity.

The involvement of the HFA that is part of the HUD-HFA Risk Share program can enhance the tool's impact for communities with a participating HFA. The Federal Housing Administration (FHA) partners with the HFA to enhance HFA credit, lowering the cost of capital. The Federal Financing Bank (FFB) can also step in and purchase Risk Share loans, further reducing the cost of capital. These Risk Share loans can be taxable or tax-exempt and represent an opportunity to recycle Volume Cap that cannot be used to generate new 4% tax credits but can provide tax-exemption for a Risk Share loan.

Expected Impacts of This Tool

HOC's $100 million fund is expected to have approximately 10-to-1 leverage over 10 years (more details in Case Studies section below), catalyzing $1 billion of mixed-income development capital. If the top 50 metros were generated production funds of similar per-capita scale, these funds of approximately $20 billion could catalyze $200 billion of mixed-income development over 10 years.

Background

The Mixed-Income Public Development Model provides new tools to address the housing crisis without drawing upon existing scarce resources. A well-executed mixed-income public development model can expand available housing resources beyond LIHTC, tax-exempt bonds, and vouchers to enable more production as those resources are often exhausted or inadequate to the increasingly complex tasks of the capital stack.

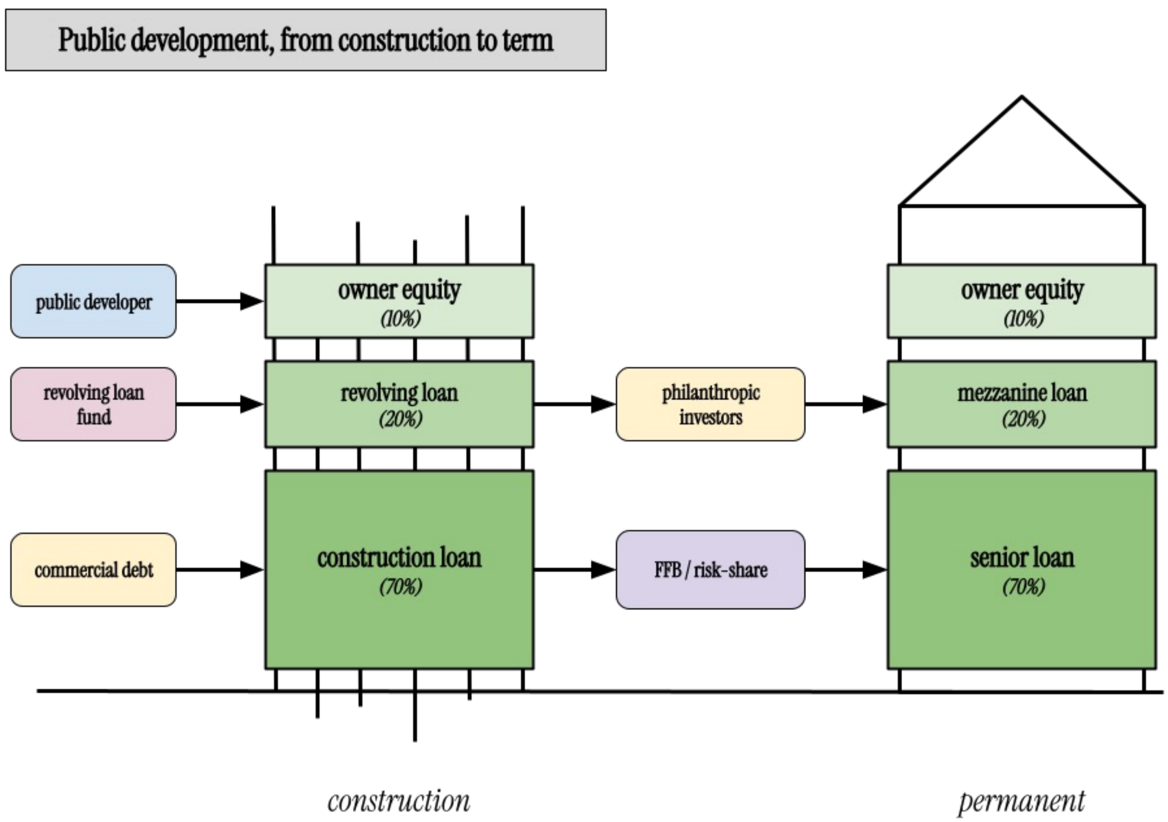
Almost all new affordable housing construction and rehabilitation across the country is currently built using the Low-Income Housing Tax Credit (LIHTC). By most standards, this tax credit program has been extremely successful, responsible for the construction or preservation of roughly 3.85 million affordable homes since its inception in 1986, but it remains oversubscribed.

Concurrently, states are increasingly reaching the limits of their tax-exempt Private Activity Bonds (PABs), with 31 states either oversubscribed or near their annual PAB cap. Each year, the federal government sets limits on the amount of PABs each state can issue on a per-capita basis, based on population. The advantage of a PAB is that the interest paid to any bondholder is exempt from federal income tax, meaning bondholders are willing to accept lower interest rates, in turn enabling reduced borrowing costs for loans made with bond proceeds. PABs regularly finance public facilities like schools and sewers, as well as student loans, but are also used for housing. Any project using 4 percent credits under the LIHTC program must have 50 percent of its costs financed through PABs, so having space under a state's PAB cap is important for a well-functioning LIHTC program. To the extent that mixed-income public development can be accomplished without tapping these scarce resources, state and local governments can better target those resources to the projects serving the deepest need.

Housing affordability is also routinely achieved through various voucher or rental subsidy programs. The largest program is the federal Housing Choice Voucher program, but many cities, such as Chicago and Washington D.C., also fund local rental subsidy programs. These programs typically ensure a household pays no more than 30 percent of their income toward rent, with the subsidy covering the difference between that amount and a payment standard tied to market rents. These programs are crucial to serving some of the lowest-income households in the country. While the mixed-income public development model does not deliver the same levels of affordability a voucher program provides, it also does not rely on the availability of vouchers for project feasibility. A key advantage of this model is that it can seamlessly layer on top of existing affordable housing production a particular community undertakes, ensuring affordable housing production continues stop when LIHTCs, tax-exempt bonds, or vouchers run out.

A mixed-income public development model should supplement existing affordable housing production, not compete for limited funds. In fact, this model can work well with a state's existing LIHTC pipeline by providing an alternative path for qualified projects that did not receive LIHTC awards and could be reworked as mixed-income deals.

Proposed Solution: Mixed-Income Public Development Model



The affordability achieved under the Mixed-Income Public Development Model is enabled by three key elements:

1. **A revolving loan fund** to provide a portion of construction financing;
2. **Low-cost permanent financing** enabled by existing HUD and Treasury programs; and
3. **Mission-aligned mezzanine financing** to bridge gaps between construction and permanent financing.

Additional considerations beyond the financing sources themselves include:

4. **Governance** in a majority public ownership structure; and
5. **Asset management** responsibilities for the public sector.

In this section, we describe each of these elements in detail and show how they fit together to deliver publicly owned, mixed-income housing.

A Revolving Loan for Construction Financing

Financing multifamily housing development typically occurs in two phases. The first, construction financing, involves equity and debt developers assembling to complete pre-development and construction activities. In a market-rate transaction, most costs are paid for by a short-term (12- to 18- month) construction loan from a bank covering the majority of pre-development and construction costs. The remaining costs would be covered by either the owner's equity or a private equity investment. Second, once projects are built and leased, projects convert to permanent financing, paying off and replacing construction loans with longer-term notes. Because there is less risk involved with a completed, occupied building, permanent financing carries lower interest and is typically paid for out of the net operating income of the building (i.e., rental income less expenses).

In the current high-interest-rate environment, construction loan sizes are decreasing. In lower-interest-rate environments, construction mortgages might cover two-thirds of a project's cost. In today's conditions, that loan-to-value ratio can be much lower, closer to just 50 percent, requiring developers to rely on private equity investments to cover gaps, which often come with expectations of double-digit returns, driving up overall construction costs.

The public mixed-income development model overcomes this hurdle by replacing private equity investment with funds from publicly funded revolving loan funds. Revolving loan funds provide roughly 20 percent of the construction costs and then are replaced when the project converts to permanent financing, allowing the fund to make further investments.

Active Revolving Loan Funds

Jurisdiction	Amount	Source
Chicago	135,000,000	Bond issuance
Montgomery County	100,000,000	Bond issuance
Atlanta	38,000,000	Bond issuance
Chattanooga	20,000,000	City Council appropriation
Total	**293,000,000**	

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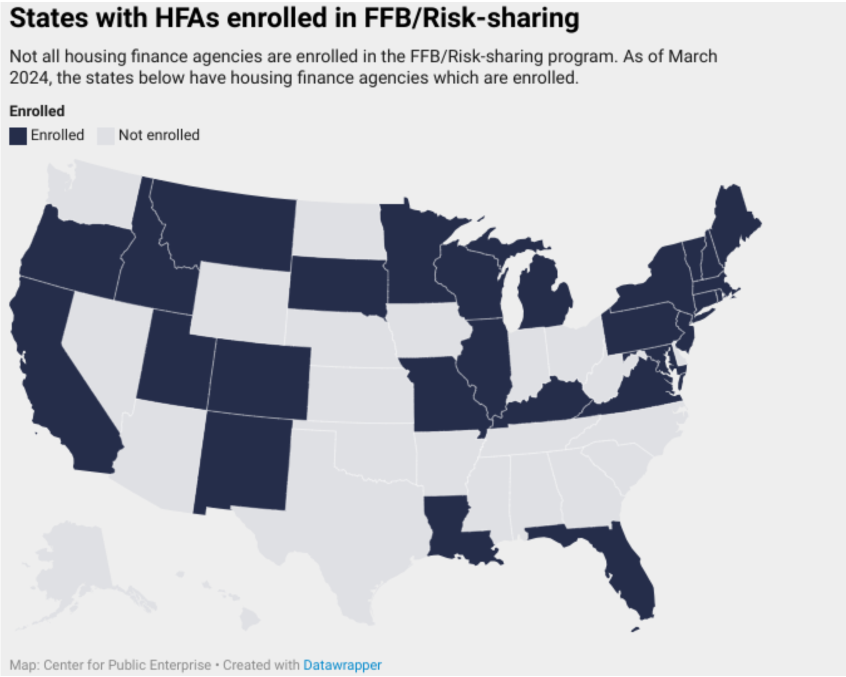
Low-Cost Permanent Financing

At stabilization (after the construction and lease-up of a property), senior debt is converted to a permanent mortgage. Here projects can leverage low-cost public financing through programs such as Section 542(c) Risk Share Program. Risk Share is a federal program allowing the Federal Housing Administration (FHA) to partner with qualified state Housing Finance Agencies (HFAs) to share the risk on mortgages issued by the HFA. The Risk Share program provides credit enhancement to HFA bond and debt issuances through FHA mortgage insurance, resulting in lower borrowing costs. HFAs are then able to pass on these savings to multifamily borrowers, resulting in lower financing costs that promote the development of affordable housing. Loans made under the program can finance up to 80 percent of the project's total cost with competitive interest rates due to reduced risk.

There is an add-on to the Section 542(c) Risk Share Program wherein Treasury's Federal Financing Bank (FFB) purchases Risk Share loans. This provides a major advantage to participating agencies; instead of having to source capital for loans from the market or their existing balance sheet, they can have those loans funded directly by FFB. The key advantage of Risk Share paired with FFB financing regards enabling sources of permanent financing that do not rely on tax-exempt bonds, which may be scarce depending on the state. Projects using FFB/Risk Share for permanent financing do not trigger prevailing wage requirements because the federal government is not assisting with the construction phase, but all Risk Share projects are required to provide either 20 percent of units at 50 percent AMI or 40 percent of units at 60 percent AMI and adhere to federal environmental requirements. Generally, the interest rate on FFB/Risk Share loans equals the 10-year Treasury rate plus 100 basis points. Over the last eight years, interest rates on FFB loans made for new construction and substantial rehabilitation have ranged from 1.89 percent to 6.32 percent.



Although the Risk Share program is described as a program for housing finance agencies, regulation defines a housing finance agency as any public body empowered to finance housing activities. This leaves open the possibility that other state-chartered entities, such as public housing authorities, could access Risk Share and FFB directly. The Center for Public Enterprise is currently working with several jurisdictions to explore different methods of accessing the program.

Recent changes to the Risk Share program have made it even more useful for new development. The Treasury recently announced it is instituting an interest rate "collar," to the program to mitigate the risk posed by interest rate variation between the construction and permanent financing periods. Between the start of construction and the acquisition of a permanent mortgage, interest rates can fluctuate—sometimes significantly. If a developer builds a project when rates are 5 percent, but completes it when rates are 8 percent, they might find themselves in a bind. With the new change, when a project is approved for FFB/Risk Share, it will lock in a so-called rate collar, providing certainty that the eventual rate on the permanent mortgage will be within a specified range, or collar.

While Risk Share and FFB bring significant benefits, it is possible to execute the mixed-income public development model with other permanent financing sources. For example, if a state has excess bond volume cap, permanent financing could be arranged via a tax-exempt bond issuance. Financing can also be provided through conventional private bank products, if the administrative and compliance requirements of using FHA Risk Share do not outweigh the value of lower interest expenses, particularly if the business cycle is in a stage in which interest costs are less of a cost driver.

There is a long history of using public financing for mixed-income projects. HFAs have successfully financed 80/20 deals (80% market and 20% affordable) as far back as the 1970s using tax-exempt bond financing. The challenge has always been that these projects pull from a finite source of tax-exempt bond volume, and states often, and rightly, prioritize 100 percent affordable deals with LIHTC over mixed-income projects. Using FFB/Risk Share allows projects to proceed even when tax-exempt bonds are oversubscribed.

Tax-exempt bond issuances can also be considered as a source of lower-cost permanent financing with fewer programmatic limitations. However, municipal bonds can come with challenges such as limited non-issuer ownership, and variability in costs due to the effects of the financial capacity and rating of the issuing municipality. Using tax-exempt bonds would also use bond volume cap, which may be better allocated to other financing activities such as single-family first-time buyer programs and various other multifamily projects.

Mission-Aligned Mezzanine Financing

At the conversion to permanent financing, projects are typically able to secure senior loans with more favorable loan-to-value ratios than the loan-to-cost they received on construction financing. In some cases, this allows permanent loans to pay off the revolving loans.

In projects where permanent loans are not large enough to completely pay off construction loans, the model typically relies on a source of mission-aligned capital—most often from community development financial institutions (CDFIs) or philanthropy—to pay down construction loans. The Montgomery County Housing Opportunities Commission typically underwrites its projects conservatively under a worst-case scenario in which projects receive a roughly 10-year mezzanine loan at 10 percent interest. In practice, when HOC goes to market for financing, it can typically secure lower interest rates because it has an attractive product to offer: moderate returns on investment backed by real estate with paying tenants in high-opportunity areas. HOC has historically been able to secure terms below their “worst-case” benchmarks.

Communities seeking to replicate this model could turn to local philanthropy as a potential lender for the mezzanine debt at conversion to permanent financing. There is natural alignment between public mixed-income housing projects and philanthropy seeking sensible investments that have immediate impact on their local communities. More broadly, a national source of consistent mezzanine financing to replace a revolving loan fund investment could help this model expand into areas that would otherwise struggle to attract such capital. If replacement mezzanine financing for stabilized assets is not available at a reasonable cost, jurisdictions could leave the low-cost construction loan in place for a longer period or replace it with another source of local financing. This would reduce the leverage on the production fund by slowing its revolution but would still generate valuable new affordable housing outside of what federal subsidy can support.

Certain entities have the capability to combine these financing mechanisms with property tax relief, further contributing to affordability and allowing the development costs to "pencil". The National Housing Crisis Task Force has published an additional tool on this subject, Right-Sizing Property Tax Incentives to Increase Housing Affordability.

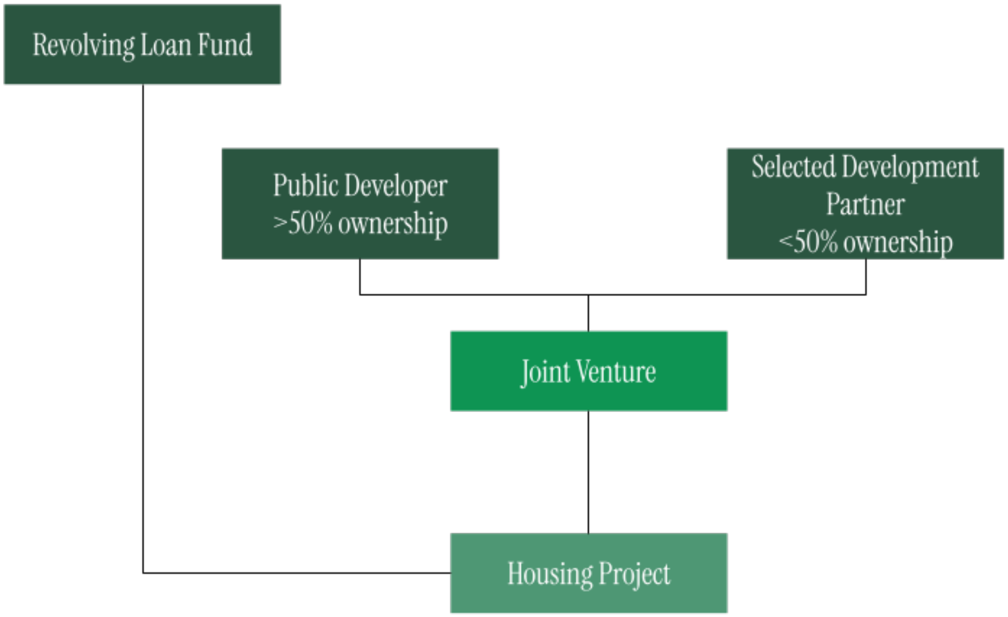
Governance Structure: Public Ownership

Majority public ownership, in contrast to other public-private arrangements, leaves control of the affordability of housing units in the public sector's hands and ensures that the public sector sets the policy regarding how units are developed and managed. It also allows public retention of value coming from these projects as they appreciate over time and reinvesting that value in additional affordable housing developments throughout the community.

In Montgomery County's case, the public ownership entity is HOC, which serves as both a PHA and local housing finance agency (HFA). HOC seeks to maximize affordability on all its projects. All market-rate units are voluntarily rent stabilized (rent increases are based on rental Consumer Price Index), and income-restricted units in the property are maximized against cash flow requirements. In structuring projects, HOC will add affordable units, or deepen their affordability, to the greatest extent possible while still maintaining a financially self-sufficient building.

Perhaps more importantly, the county can add additional affordable units at no cost in the future. When mixed-income properties are refinanced, for example, in 10 years, any reduction in annual debt service costs can pay for the addition of more income-restricted affordable units in properties. Without majority public ownership, this is significantly more difficult especially when it reduces the profitability of properties — a challenge for a private, for-profit entities with fiduciary responsibilities to maximize profit.

Under the mixed-income public development model, the public entities bring tremendous value to projects — and retain that value. In HOC's case, the county often brings low- or no-cost land, significantly reduced cost capital, and reduced or eliminated property taxes to projects. In exchange, HOC takes majority interest in the properties. And, despite early concerns that developers would balk at the proposition of not owning their properties outright, HOC has so far been inundated with requests from developers to partner on projects.



To initiate projects, public entities enter into joint venture agreements with private development partners, with the public entities taking majority stakes. Each property is set up as its own individual Limited Liability Company (LLC). This insulates the parent company or sponsor from lawsuits or liabilities stemming from individual projects.

Housing authorities or public entities would negotiate development agreements covering items including, but not limited to: ownership structure, land and site control, development responsibilities and fees, asset management and resident service agreements, cash flow distribution splits, and decision-making processes.

Public authorities and private developers would also negotiate options for the private partners' exit from the deal. This could take various forms, including developers being bought out after a specific amount of time or having an option to convert their upfront equity to debt.

Asset Management

Once a property is built and stabilized, agencies have the flexibility, as they do now, to provide their own property management or contract with an outside entity for property management services.

Moving toward this type of model could represent a change in the business operations for some PHAs, which for a long period of time were permitted to centralize accounting and property management, as opposed to adhering to project-based methods more common in the private sector.

It will also require stewardship of these assets as true mixed-income communities. While appearing simple on the surface, getting the asset and property management right for these projects requires thoughtful and attentive implementation that goes beyond simply the financial performance of buildings.

Case Studies

Mixed-Income Development Model: Montgomery County, Chicago, Atlanta, and Chattanooga

As of the time of publication, at least four communities are actively implementing the mixed-income public development model, with numerous other localities and states exploring similar implementations.

	Chicago, IL	Montgomery County, MD	Atlanta, GA	Chattanooga, TN
Name of Entity	Residential Investment Corporation	Housing Opportunities Commission	Atlanta Urban Development Corporation	Invest Chattanooga
Size of Revolving Loan Fund	$135 million	$100 million	$38 million	$20 million
Parent Organization	N/A; independent 501(c)3	Housing Opportunities Commission (PHA)	Atlanta Housing Authority	Chattanooga Housing Authority
Board Structure	5 members; 3 ex-officio, 2 mayorally appointed	7 members; appointed by County Exec, confirmed by County Council	7 members; 4 from existing PHA board, 3 mayorally recommended to PHA board for approval	5 members; 3 from existing PHA board, 2 mayorally appointed
Target Affordability	30% at 60% average AMI	20% at 50% AMI; 10% at 60-70% AMI	20% at 50% AMI; 10% at 80% AMI	30% at 50-80% AMI

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These four jurisdictions are all building out their development pipelines of potential projects through various methods: identifying stalled private market projects in need of financing, building out projects on public land, and creating off ramps for prospective LIHTC projects that do not receive allocations in a given year.

Montgomery County Housing Opportunities Commission’s award-winning Housing Production Fund launched in 2021 when the Montgomery County Council authorized a $50 million, 20-year taxable bond issuance by HOC, backed by an annual appropriation from the County budget. The taxable structure allows for more flexibility than tax-exempt bonds, though other jurisdictions may find tax-exempt structures more favorable.

HOC issues HPF loans to projects at five percent interest, ensuring sufficient return to help reduce the costs of the bond issuance that initially capitalized the fund. Due to the model's success, the County authorized a second bond offering in 2022, bringing the total size of the HPF to $100 million and increasing the number of units HOC expects to produce over the life of the bonds in the coming years up to 5,000-6,000. Because the HPF only provides roughly 20 percent of the construction cost in each project and is repaid at conversion to permanent financing (roughly every five years), a $100 million fund could theoretically support up to $1 billion of total development over 10 years. The fund is revolving because the repaid funds are subsequently used to assist with funding the next projects. All of this costs the County only about $2.7 million per year in net costs. Other cities around the country have taken note: Atlanta, Chicago, and Chattanooga have all authorized similar revolving loan funds, representing a total of $239 million in investment.

Acquisition Model: Los Angeles

The Housing Authority of the City of Los Angeles's (HACLA) acquisitions program focuses on preserving affordability and expanding housing supply by purchasing existing market-rate properties and converting them to affordable housing by adding long-term income and rent limit covenants. These restrictions vary by property, structured according to each property's unique profile, and take effect at unit turnover, avoiding displacement of existing residents – although existing residents who qualify are encouraged to certify and may benefit from rent reductions.

HACLA's competitive edge in the market includes access to tax-exempt debt financing that allows for favorable terms compared to typical market buyers. HACLA recently created its own Acquisition Equity Fund, which combines mortgage revenue bonds, philanthropic funds, and governmental grants and loans to finance property purchases.

Potential acquisitions are sourced through owner and broker referrals, with HACLA staff prioritizing properties based on factors such as unit mix, age, and location. HACLA places a high priority on newer properties with 200+ units in high resource areas designated by the State of California. Since 2020, HACLA has acquired over 2,000 housing units through its Acquisition Program. HACLA is actively exploring models to finance the construction of new mixed-income properties using governmental bonds and public equity funds.

Diffusion and Scaling Mixed-Income Public Development

The role of intermediaries is key in setting up and administering these complex structures. The nonprofit Center for Public Enterprise (CPE), focused on public sector economic development tools, has taken a leading role. The Local Initiatives Support Coalition (LISC) also works directly with localities on financial and operating structures. Here we highlight CPE's role and strategy for impact.

Center for Public Enterprise works with states, cities and counties to implement mixed-income public development models. CPE has been the leading nonprofit think tank providing technical assistance to public sector organizations exploring the mixed-income public development model, which consists of the following six stages:

1. Market Testing: Before launching a new program, it is important to test the market for the targeted location through a high-level financial model. This involves inputting various data points related to the local market, such as rental rates, construction costs, potential subsidies, and demand for mixed-income housing. CPE and similar entities can identify and define the initial assumptions that underpin the model. These assumptions are crucial, as they directly impact the model's output and the feasibility assessment.
The model tests different scenarios and helps determine the potential return on investment, the level of subsidies needed, and the types of projects that align with the mixed-income public development model.

2. Pipeline Development: The next stage of program launch is identifying potential development opportunities. This includes looking at stalled local developments to identify projects that have stalled due to financing, regulatory, or other issues and assessing if they can be revived as mixed-income projects, analyzing Publicly Owned Parcels, reviewing the Existing Pipeline of projects that are already in the local jurisdiction's pipeline or that have previously applied for funding to see if they fit the mixed-income program, and Socializing the Program by with developers, community organizations, and other stakeholders to explain the program and encourage participation.

The objective is to create a robust pipeline of potential mixed-income development projects. This ensures that the program has a steady flow of opportunities and increases the likelihood of successful implementation.

3. Institutional Framework and Governance Design: While there are similarities across existing programs that have established these tools, each jurisdiction should consider optimal ways to structure and manage the mixed-income program. This involves creating a Program Framework to decide where the program is best housed and how the benefits of the model can be maximized, designing the Project/Deal Flow process for how projects will be identified, reviewed, approved, and financed, and facilitating Stakeholder Meetings with staff, city officials, developers, and community groups to gather input and build consensus. Creating a clear and effective governance structure for the program ensures accountability, transparency, and efficient decision-making.

4. Financial Structure Design: Jurisdictions should explore various financing for mixed-income projects and develop a plan for a Revolving Construction Loan Fund that provides short-term loans for construction, including identifying different funding sources (senior debt, mezzanine debt, equity), how they can be combined to fit the Capital Stack Arrangements to finance projects, exploring Senior Debt Options like Section 542 Risk-share/FFB, recycled volume cap, and essential function bonds, working on Statewide Organization Coordination with statewide organizations to explore a potential "passthrough" senior debt pathway, and investigating Mezzanine/Subordinated Debt Options like partnerships with CDFIs (Community Development Financial Institutions), philanthropic organizations, and regional banks. Taken together, this would be a comprehensive and flexible financial strategy that can attract investment and maximize financial viability.

5. Project-Level Financial Modeling: Next, local jurisdiction create detailed financial models for specific projects, including: Project-Level Pro Formas for a particular project, including construction costs, operating expenses, rental income, and financing costs, creating Term Sheets that outline the key terms of a financing agreement, such as loan amount, interest rate, and repayment schedule, and working on Sample/Pilot Projects by creating pro-formas and term sheets for a few initial projects to test the program's feasibility and refine the process.

6. Capacity Development: As jurisdictions launch new programs, it is important for managing entities to build internal capacity to manage mixed-income programs. This includes identifying Staffing Needs for local jurisdictions, such as underwriters, project managers, and financial analysts, and sources of Training and Technical Assistance that can provide guidance and support to staff on financial modeling, project management, and other relevant skills. This ensures that jurisdictions have the necessary skills and resources to successfully implement and manage programs over the long term.

***Paul Williams** is the Founder and Executive Director of the Center for Public Enterprise, an organization focused on broadening the public sector's capacity to deliver economic development, and **Ashwin Warrior** is the Center's Deputy Director of Housing. **Chelsea Andrews** is the President and Executive Director of the Housing Opportunities Commission of Montgomery County, a Public Housing Authority, Housing Finance Agency, and public developer with the mission to provide people with low and moderate incomes the opportunity to live in high-quality, safe, and affordable housing in Montgomery County. **Ken Silverman** is the Vice President of Government Affairs of the Housing Opportunities Commission of Montgomery County. **Lourdes Castro Ramírez** (Former Secretary of the California Business, Consumer Services, and Housing Agency) is the President and CEO of the Housing Authority of the City of Los Angeles, the second largest housing authority in the nation delivering quality affordable housing and rental assistance to residents of the City of Los Angeles. **Michael Saadine** is a Senior Advisor to the Nowak Metro Finance Lab and Managing Partner at Invisible Group, an interdisciplinary real estate investment platform.*

NATIONAL HOUSING CRISIS TASK FORCE

STATE AND LOCAL HOUSING ACTION PLAN

CONSTRUCTION

Construction interventions seek to reduce the cost of building and renovating housing. As the housing crisis has worsened, the housing sector is being disrupted by technological innovations and advances in building techniques and modular construction. The housing industry is witnessing new ways to aggregate market demand, new forms of designing, financing and delivering off-site manufacturing solutions and new solutions to address associated supplier, workforce, and logistics issues.

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NATIONAL HOUSING CRISIS TASK FORCE

CONSTRUCTION >>>

PRE-PURCHASING TO INCREASE MODULAR CAPACITY

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09 Pre-Purchasing to Increase Modular Construction Capacity

By Lauren E. Leonard and A.J. Herrmann

Summary

Modular construction has the potential to reduce residential construction costs by 20–30% and accelerate construction timelines by 30–50%. While widely adopted throughout the developed world, however, modular construction represents less than 5 percent of new construction in the U.S. Its adoption has been limited by a patchwork regulatory environment, risk-averse financing and development practices, and high upfront costs for manufacturing facilities. Furthermore, the economic benefits of modular construction diminish when homes must be transported great distances, necessitating strategic placement of factories near areas of housing demand.

Pre-purchasing agreements or financial guarantees by local governments offer a promising approach to solving these challenges. When local governments, housing authorities, or cooperative arrangements among multiple localities commit to purchasing a base level of modular homes, they generate sufficient demand to justify investment in local construction facilities. This approach diffuses risks, reduces cost, and establishes the necessary pipeline to expand the modular industry across broader regions.

The Challenge This Tool Solves

Construction costs have increased at more than double the rate of overall inflation over the past decade across the spectrum of housing: for sale, for rent, market rate, and affordable. Contributing factors include national shortages of construction workers and skilled tradespeople, increased costs of raw materials including lumber, and regulatory requirements that make housing increasingly scarce and expensive. Modular construction addresses these challenges through economies of scale, improved efficiency in material usage, the ability to continue work independent of weather conditions, and accelerated construction timelines. Pre-purchasing agreements empower local jurisdictions to reduce modular manufacturers' risk, encouraging them to establish or expand production facilities in or near their jurisdiction, and making it more likely the potential cost savings from modular will translate into reduced production costs and greater housing affordability.

Types of Communities That Could Use This Tool

The establishment of offsite manufacturing requires sufficient regional demand for new housing units of a similar type — whether single family, townhouses, small apartments, or larger apartment buildings. There are numerous transportation, regulatory, and labor issues to consider when communities choose to invest in a modular factory. Communities experiencing housing shortages that have available land for production, and a regulatory environment conducive to inspections and building permitting of housing units constructed off site are prime candidates for this tool.

Expected Impacts of This Tool

In ideal conditions, estimates suggest that modular construction can reduce construction timelines by 30–50%, and overall construction costs by 20%. Investing in recruiting an offsite manufacturing facility can increase the pace of construction of housing in a region, while decreasing the per-unit costs over time.

Background

Modular construction bridges traditional site-built construction and manufacturing, leveraging the best practices of each for greater efficiency. "Modular" generally refers to volumetric, three-dimensional boxes (modules) fabricated off-site, but also can refer to other off-site construction methods, such as the manufacturing of panelized and other smaller building components. Modular construction can be applied to single-family, multifamily, commercial, and industrial buildings. Modular structures may be permanent or relocatable.

Work at the physical construction site—where the completed final structure will ultimately be occupied—includes preparation, foundation work, and running of utilities. Building components like walls, floors, and roofs are fabricated simultaneously in a factory in an assembly-line like process. These modules are then transported and delivered to a site and integrated into the foundations to create the final structure. The integration may include connecting all building components like a set of Legos or placing a stand-alone turn-key structure delivered with completed mechanical, electrical, plumbing systems as well as interior finishes and fixtures.

Modular construction utilizes the same materials as traditional site-built construction. Modules are standardized to streamline the process but can be customized and designed to be architecturally indistinguishable from adjacent site-built structures. While some nations (Canada) and several states—Montana, Utah, and Virginia—have adopted modular building codes, the U.S. does not have a singular national modular building code. While manufactured housing built with a permanent chassis is subject to a building code promulgated by the Department of Housing and Urban Development (the "HUD Code"), all other buildings are regulated at the state and local levels.

Key benefits to utilizing modular construction methods include:

- **Accelerated Construction Timelines:** Simultaneous factory production and site preparation can significantly reduce timelines, minimizing costs related to financing, permitting, and temporary housing for workers. Moreover, since modules are built indoors, costly weather-related delays are minimized.

- **Mass Production & Economies of Scale:** Since modules are built in a factory setting, materials can be bought in bulk at lower costs, and labor can be utilized more efficiently.
- **Reduced Labor Costs:** Factory-based construction can reduce the need for expensive onsite labor. It also allows for a more controlled environment where tasks are standardized, potentially reducing labor costs.
- **Less Material Waste:** Factories can optimize material usage and more easily repurpose excess materials for future projects compared to traditional construction methods, where excess materials must be transported away from the assembly site.
- **Lower Site Preparation and Logistics Costs:** Because a large portion of the work is completed off-site, the need for extensive site work, storage, and staging areas is reduced, cutting down expenses on logistics and site management.
- **Standardization & Design Efficiency:** Modular homes often follow standardized designs that streamline production. This lowers architectural and engineering costs compared to custom-built homes. It can also help reduce maintenance costs for building operators, since it is easier to determine how to fix or replace certain components.
- **Energy Efficiency & Sustainability:** Modular designs often incorporate energy-efficient materials and construction techniques, reducing long-term operational costs for heating, cooling, and maintenance.

Despite these benefits, modular construction faces several obstacles limiting its adoption and deployment:

- **Logistics:** Modular requires transportation from the manufacturing site to the assembly site, with costs increasing based on distance traveled. Some modular structures may also be too big to transport without special planning and permitting; others will require special permits and inspections to travel across state lines. Finally, smaller streets and density in some American cities may complicate the delivery and installation of modular.
- **Perception:** Given the structure of housing development, where decisions are made by owners, general contractors, and architects, multiple parties need to be enthusiastic in choosing modular as the means of construction for a particular project. For owners, general contractors, and architects unfamiliar with modular and concerned about minimizing risks, it can be challenging to introduce new techniques and materials into the construction process. Organized labor may also resist the adoption of modular construction because it can reduce the reliance of builders on certain skilled trades.
- **Regulations and Compliance:** Without a national building code, modular is subject to the regulations of different localities. Because modules for development are built in one geography and delivered in another, the lack of a uniform building code can increase compliance costs for developers who need to work with building inspectors in the

jurisdiction where the housing will be built. Even minor differences in code requirements can require additional customization of modular homes, further increasing costs.

- **Upfront Costs:** The cost to build a volumetric modular factory is estimated at $40-$50 million—depending on size, location, and equipment used. This is a significant investment that many private manufacturers will be unwilling to make unless they are confident in a long-term pipeline of demand in a region. Modular manufacturers will typically require a down payment of 30–40% from the ultimate purchaser, higher than traditional suppliers of building materials.

Proposed Solution: Pre-Purchasing to Increase Modular Construction Capacity

Pre-purchasing agreements represent a solution to these challenges by establishing a reliable pipeline of demand for modular housing in particular regions. These agreements aim to create a fly-wheel effect where initial investments to attract modular manufacturers to a region promote the broader adoption of modular construction methods by other developers, enhancing its overall impact on housing affordability.

While local governments traditionally do not procure housing (apart from Public Housing Authorities), they influence housing creation through public land disposition, developer incentives, and subsidies for specific populations. These mechanisms provide avenues for supporting modular construction, which in turn could reduce the need for other incentives by lowering overall development costs.

The City of Cleveland recently implemented this approach under the leadership of Mayor Justin Bibb. Cleveland's Site Readiness Fund for Good Jobs Fund (SRF) issued an RFP in December to attract an off-site construction manufacturer to help address the city's 15,000-unit housing shortage. The RFP seeks to identify and select a modular manufacturing partner who will site a new factory on a 20+ acre parcel of land. The RFP process consists of two rounds: the first will identify manufacturers who are the best fit for the initiative and city; the second will involve discussion, site visits, evaluation and negotiations, with the goal of selecting up to three developers who will construct a pilot to build 15 homes for direct purchase by SRF.

The city and its partners are providing a number of incentives and other forms of support to encourage manufacturers to respond to the RFP and increase the chances of long-term success. The city is securing base demand among nonprofit, governmental agencies, and for-profit developers, with a targeted commitment of 100-200 homes annually over ten years beginning in 2026. Prior to the release of the RFP, SRF partnered with the City of Cleveland, City Council, and the Cuyahoga Land Bank to identify 18,000 vacant lots ready for development (and on which modular homes could be deployed). Manufacturers will also be able to leverage the city's existing TIF and tax abatement tools, as well as state and local tax credits and incentives for projects that lead to 50+ new jobs. The city is also committed to streamlining zoning, permitting, and inspections processes to accelerate the production and deployment of these new homes.

The city is focused on deploying the homes in a concentrated way to catalyze neighborhood revitalization, with the target of deploying up to 100 homes in one neighborhood or district annually. Neighborhoods will be selected by a combination of elected officials, staff, and CDCs. Selection criteria including neighborhood interest, the presence of a high concentration of vacant lots conducive for development, recent or planned infrastructure investments, and the presence of other organizations interested in investing in affordable housing. This approach will also allow the city to better target focused infrastructure improvements through TIF and other tools. Ultimately, the city ultimately aims to develop a redevelopment playbook that can be applied annually to improve efficiency and streamline future projects.

Notably, a new modular factory in Cleveland is expected to not just serve the city, but also the 2.5 million people in the broader metro area, as well as the cities of Columbus, OH, Toledo, OH, Pittsburgh, PA, Detroit, MI, and Buffalo, NY, which are all within three hours and have easy interstate access.

The Minneapolis Public Housing Authority (MPHA) has similarly leveraged modular construction for its Family Housing Expansion Project (FHEP, creating 84 units of public housing across 16 developments. The project comprises 26 two-bedroom and 58 three-bedroom homes in fourplex and sixplex configurations, all serving households at or below 30% of Area Median Income (AMI). Minneapolis Public Housing Authority (MPHA)—the developer, owner and property manager of the project—estimates these 84 new homes can serve approximately 420 families over the next 30 years.

To reduce costs and speed the development time, MPHA issued an RFP for a developer to design and build these units, selecting a consortium including Rise Modular, an existing Minnesota based modular construction company, Frerichs Construction, a general contractor, and DJR architecture. This approach reduced neighborhood disruption and accelerated delivery by 30% compared to conventional processes.

MPHA was able to provide 84 project-based vouchers to fully subsidize the units to achieve the project's deep affordability and made a significant contribution with a $12.5 million dollar loan to the project. Additionally, the project benefited from a $1.4 million Local Housing Incentives Account (LHIA) award from the Metropolitan Council, a $500,000 award of Hennepin County's Affordable Housing Development Accelerator fund, and more than $500,000 in equity through solar tax credits. The project was one eighteen finalists for the Urban Land Institute's 2024 Americas Awards for Excellence.

Another mechanism for expanding modular construction is cooperative pre-purchasing agreements between neighboring jurisdictions. Cooperative pre-purchasing, or purchasing consortia, is already used in states, cities, and municipalities across the U.S. to get the best value, ensure favorable contractual terms, and encourage competition and innovation. For example, states including California, Illinois, Massachusetts, New Jersey, New York, Virginia, Ohio, Pennsylvania, Rhode Island have established "Community Choice Aggregators (CCAs)" to source cheaper electricity for local communities resulting in lower utility bills and more renewable energy sourcing. However, co-operative purchasing has rarely been used for housing.

The Department of Housing and Urban Development recently awarded the Boston-area Metropolitan Area Planning Council (MAPC) a $3 million Pathways to Removing Obstacles to Affordable Housing (PRO Housing) grant to explore innovative ways to build and install modular housing in the Greater Boston region. The grant application specifically noted "that the lack of a manufacturing facility within 50 miles of Boston is the most significant barrier to the use of offsite construction due to the transportation and logistical challenges of transporting modules across state and country boundaries."

Grant funding will help determine the best mechanism for the towns of Boston, Cambridge, Everett, and Newton to pool enough demand to locate a modular facility in the Greater Boston region, with the goal of producing 500 units annually by 2030. The initiative also engages labor representatives to ensure that off-site construction complements on-site work to strengthen the overall construction industry.

Diffusion and Scaling of Modular Pre-Purchasing

To scale and encourage the widespread adoption of modular construction methods through pre-purchasing agreements and regional consortia, local and state leaders should consider the following actions:

Assess the Current Modular Ecosystem in Your Community: Many communities have facilities where prefabricated elements including windows, doors, trusses, panelized wood framing, timber and steel framing, precast concrete systems, curtainwall, and structural insulated panels are regularly incorporated into traditional construction techniques. These existing operations could potentially expand to produce additional building systems at scale with sufficient demand. For example, in a city with a need for and policies to support six-story mid-rise residential infill construction, demand may be pooled to incentivize a steel, timber, or mass timber supplier to produce the structural core of the buildings. In some jurisdictions, dwelling components like bathrooms could be prefabricated and delivered to the site ready for integration, but suppliers may need active participation by local government leaders to organize the necessary commitments from local developers.

Create a Regulatory Environment which Facilitates Modular Construction: Local leaders should update zoning laws to accommodate modular construction in more areas, including mixed-use and infill sites. They will also need to standardize and clarify building codes specific to modular homes to prevent delays and inconsistencies. They could also potentially implement a fast-track permitting process for modular home projects. While the International Code Council's modular codes have created greater harmony in industry, broader structural reforms to building codes are necessary for modular to reach its full capacity and impact the housing crisis at scale.

Incentivize Suppliers to Site or Expand New Factories: The economic benefits of modular construction diminish with transportation distance, making local production facilities essential. Communities can offer incentives such as tax abatements or programs like Cleveland's SRF to attract manufacturers. Before pursuing this strategy, localities should confirm sufficient demand to justify the substantial capital investment ($40-$50 million) required for factory development.

Support Workforce Development and Engagement with Labor: Meet the housing demand using any means of construction will require significant investment in workforce development. Where modular factories exist and where new ones will be built, cities and municipalities can pool a new, modern workforce and work with labor representatives to find new ways of working with manufacturing partners.

***Lauren E. Leonard** is a graduate research analyst at the Nowak Metro Finance Lab at Drexel University where she is pursuing a Master of Science in Urban Strategy. **A.J. Herrmann** is the Director of Policy and Program Innovation at Accelerator for America and former Policy Director for Kansas City Mayor Quinton Lucas.*

NATIONAL HOUSING CRISIS TASK FORCE

CONSTRUCTION >>>

BUILDING FOR INSURABILITY, RESILIENCE, ENERGY EFFICIENCY, AND HOUSING AFFORDABILITY: ADDRESSING THE TRUE COST OF HOUSING

ACCELERATOR FOR AMERICA

DREXEL UNIVERSITY Nowak Metro Finance Lab
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10 Building for Insurability, Resilience, Energy Efficiency, & Housing Affordability: Addressing the True Cost of Housing

By Kate Wright, Laura Jay, Heather Clark, and Lotte Schlegel

Summary

Housing affordability and family economic security remain critically pressing issues nationwide. Too often, however, housing supply strategies overlook long-term costs including insurance, natural disaster exposure, maintenance, and utilities. These costs affect the long-term affordability of homes for families, and constrain new supply. As extreme weather increases in intensity and frequency across the U.S., and insurance and utility expenses demand a larger fraction of household costs, state and local governments have been implementing innovative solutions to holistically address affordability, resiliency, and insurability to both increase new housing supply and preserve existing housing. Cost-effective, common-sense construction methods that make buildings more energy efficient, stronger, and better able to withstand extreme weather often work in synergy, multiplying co-benefits. Such measures also improve insurability, prevent deaths in extreme heat, increase resiliency of the electric grid, extend housing durability, and lower emissions and energy costs.

This set of tools addresses the true cost of housing in a changing climate and how housing retrofits and resiliency upgrades, as well as codes and standards for new housing, can reduce long-term costs for residents and bolster insurance and mortgage markets to grow and preserve housing supply.

The Challenge This Tool Solves

Every year, the U.S. loses the equivalent of one month's worth of new homes to climate disasters and an additional 350,000 homes to disrepair. In 2024, property damage from climate disasters reached $182.7 billion, and in the past five years, home insurance premiums have increased by 61%. The insurance industry is increasingly unable to cover new risks, not just in disaster zones but across entire regions or states. In February 2025, Federal Reserve Chair Jerome Powell testified before the Senate that "if you fast-forward 10 or 15 years, there are going to be regions of the country where you can't get a mortgage, because of climate change." As Accelerator for America outlined in "Insuring the Future of Our Communities," Local and state leaders, in collaboration with the federal government and insurance industry, must take proactive steps to make sure places across the country do not become "insurance deserts," with no or limited affordable coverage options available to residents and businesses.

Types of Communities That Could Use This Tool

All communities could benefit from programs to improve the resilience and expected lifespan of their housing stock as extreme weather becomes more frequent across the country. In particular, coastal towns vulnerable to hurricanes and storm surges, wildfire-prone areas, and regions facing frequent flooding or heatwaves that may be exacerbated by climate change will benefit. Low-income and historically underserved neighborhoods can especially benefit, as such communities tend to be located in areas of greatest physical risk and residents often lack the resources to invest in protective measures or recover quickly after disasters, or may be unable to afford insurance premiums unless upfront investments in resilience are made. Furthermore, rural communities with limited access to emergency services also stand to gain significantly. Making homes more resilient protects lives and property and promotes the long-term stability of families and homes in those communities.

Expected Impacts of This Tool

Tens of thousands of homes have already been built and retrofitted to common-sense standards, because the economics of lower energy costs and resilience work over the long run. Estimates suggest that every $1 invested in meeting modern building codes provides $11 in savings by reducing storm damage. The following policies and programs are designed to create a long-term, affordable housing supply nationwide, even amidst growing challenges from extreme weather events and high insurance and utility costs. When effectively implemented, these tools can help reduce housing costs, extend the longevity of the housing supply, and strengthen resilience, ultimately minimizing the risk to lives and property.

Background

Disasters are increasing property insurance rates and compelling carriers to exit markets. Without insurance, prospective buyers of single and multifamily housing eventually cannot secure mortgages, and existing owners cannot finance repairs. When insurance markets fail, they affect entire states and regions beyond disaster zones, leading to property devaluation and mortgage market instability. Skyrocketing insurance rates are already slowing single and multifamily-housing construction and impacting existing housing and family economic security.

Compounding these challenges are high utility costs, further burdening families. The lowest income families spend upwards of 30% of their income on energy bills. One in four American households — and 50% of low-income households — struggle to pay their homes' energy bills to keep them warm in winter and cool in summer. Moreover, 63% indicate that paying utility bills adds to their financial stress. More Americans are forced to choose between paying for food or paying for energy.

Aging housing, insufficient insulation, inefficient equipment, and lack of access to in-home cooling exacerbate these issues as extreme heat and weather intensifies, thereby increasing costs. 20% of U.S. homes lack adequate insulation, and the median age of a home in America is 43 years. Alongside high energy bills and increased disasters is extreme heat where cities from Phoenix, Arizona, to Salem, Oregon, are experiencing longer and more deadly extreme heat events. Extreme heat is now the number one cause of weather-related deaths in the U.S., and the vast majority of deaths from extreme heat occur at home. Ensuring safe, livable and energy efficient housing as extreme heat intensifies is becoming more and more critical.

While this tool focuses on measures that can be implemented within individual buildings, land use strategies that can increase housing affordability are equally important. Where a home is built matters as much as how a home is built. Location, such as proximity to flood zones, directly affects vulnerability to extreme weather events, impacting insurance costs and availability. Zoning, land use planning, regulations, and density requirements have significant influence on everything from transportation costs to efficiencies in heating and cooling from housing density.

This tool shares key state and local levers to cost effectively support the growth of housing supply and housing security by increasing insurability, resiliency, disaster preparedness, and energy efficiency. Tens of thousands of homes have already been built and retrofitted to these common-sense standards, because the economics of lower energy costs and resiliency work over the long run. Energy efficient construction results in fewer mortgage delinquencies. Investing in disaster-prepared, energy-savings construction is not slowing new housing supply, but can instead bolster it.

Proposed Solutions: Key Policy Levers Available to States and Localities

No single solution can address these complex and critical challenges. State and local policymakers can deploy multiple tools and levers to support household affordability and resilience to boost long-term housing supply. By doing so, communities will have more housing and be less financially impacted by changing utility and insurance rates and extreme weather events. The proposed solutions require innovation and leadership at the local and state levels.

States and localities can increase housing supply that is insurable, resilient, energy efficient, and low emissions by:

- **Incentivizing Energy Efficient Resilient Housing Construction and Rehabilitation:** Incentivizing energy-efficient, resilient housing construction by promoting standards that exceed minimum building and energy codes, making buildings stronger, more disaster -resilient, and more energy-efficient. Incentives include density bonuses, tax abatements, expedited permitting, utility programs, low-cost surplus land access, streamlined approvals for proven high-performance designs, low-cost loans through revolving funds, and integration of resilience and energy cost saving measures into housing ballot initiatives.

- **Requiring Current Building and Energy Codes:** For new construction and major renovations, require current building and energy codes as a base and consider requiring stretch codes with higher performance requirements for stronger homes and deeper energy savings and emissions reductions.
- **Preventing New Construction in Risk-Prone Locations and Requiring Mitigation and Resiliency in Areas with Greatest Risk:** States and localities, for example, can adopt the former Federal Flood Risk Management Standard to reduce vulnerability to loss of life and property caused by flooding by avoiding construction in flood zones and building in a way to prevent future flood damage such as elevating the home above the flood zone. Local governments can co-invest in infrastructure to support broader neighborhood resilience, such as water management and flood mitigation strategies integrated between the development and surrounding infrastructure.
- **Incentivizing Building Hardening Programs:** This includes programs like the Insurance Institute for Business and Home Safety's FORTIFIED certification, which protects homes from hurricanes and hail, and the Wildfire Prepared Home to protect homes from wildfire.
- **Incentivizing Weatherization, Electrification, and Onsite and Community Solar:** Through expedited permitting and reviews, public land transfers, and programs funded locally through bonds, tax credits,tax abatements, rebates, or utility programs, this can cut existing home energy costs, act as a hedge against rising energy costs, improve grid reliability and resilience, and save lives during extreme heat.
- **Creating Housing Near Transit and Right-Sized Housing:** Upzoning, infill, mixed use as-of-right zoning, and lifting minimum building and lot size requirements can lower daily transportation costs for residents and make homes more affordable and easier to heat and cool. Cities like Cleveland have created transit oriented development standards and policy tools to enable this work.

Together, these levers lower families' annual housing costs nationwide, while protecting their home investment. Further, these solutions decrease the likelihood of catastrophic damage to new and existing homes, which changes the odds of insurance risk pools in ways that stabilize the market. State and local governments can be proactive by requiring and incentivizing building codes and standards that make new and existing homes stronger and better able to withstand climate disasters. For new construction and major retrofits, building codes are the number one recommendation of the insurance industry and FEMA to reduce loss from climate disasters and are seen by the current Treasury Department as critical for any future Federal insurance backstop. Yet most of the country doesn't require or incentivize them. Other standards, such as the Insurance Institute for Business and Home Safety's FORTIFIED certification can be applied on existing housing — a strategy that has worked in Alabama, which bolstered its insurance industry and made families safer by requiring building codes in high-risk counties and incentivizing FORTIFIED roofs to protect homes from hurricanes.

Energy-saving and emissions-cutting improvements including heat pumps, insulation, air sealing, rooftop solar, virtual power plants, and low embodied carbon construction materials quickly pay for themselves while making families more economically secure and healthier and improving grid reliability. Current energy codes make homes 40% more efficient than homes built 15 years ago, and other standards, like PHIUS Passive House, can double these savings. High-efficiency construction quickly pays for itself over time and can even be cost neutral. For example, when the Pennsylvania Housing Finance Agency Low-Income Housing Tax Credit program provided additional points for Passive House projects, there was a surge of Passive House affordable housing developments with no perceivable cost increases. Many states now consider energy efficiency as part of their Qualified Allocation Plans for Low Income Housing Tax Credits. Existing homes also benefit from energy efficiency retrofits that reduce costs and improve safety.

Energy improvements can also enhance insurability, disaster resilience, and safety. For example, Los Angeles homes built to the highly efficient Passive House standard survived the 2025 fires better than comparable homes. In Kansas City, Passive House multifamily homes enjoy lower insurance premiums and higher ROIs. Building to the newest energy codes are also proven to save lives in extreme heat. Analysis from the National Labs shows fewer heat-related deaths in homes with better insulation and air sealing that maintain cooler temperatures.

Addressing resilience, insurability, and energy-saving construction in housing supply strategies can avoid costly losses. In the Southeast, homes were destroyed by Hurricane Helene because common-sense building codes were not updated and limits were not placed on flood zone and steep slope construction. As a result, homes were built in vulnerable locations and were not strong enough to withstand the storm. Across the country, communities continue zoning high-risk land for new housing construction and only one third of the country has adopted modern building codes. Analysis from the National Zoning Atlas and Urban Institute shows that 20% of land zoned for new housing in Montgomery County, Alabama is located in areas of high flood risk, which if built out, could expose new homes and families to catastrophic risk. While climate change is already impacting the amount of land in the U.S. that is suitable for new housing construction, building codes and zoning and land use reform can make buildings stronger and encourage the growth of resilient and insurable housing supply growth.

Case Studies

These case studies illuminate how cities, states, and localities are implementing solutions using the key levers identified above. These approaches reduce costs, stabilize insurance markets, lower annual utility and maintenance expenses for families, and increase needed housing stock while improving existing housing quality.

Reducing Physical Risk and Bolstering the Insurance Market Through Codes and Standards: Hurricanes (Louisiana and Alabama) and Wildfires (California and Hawaii)

Building Codes and Energy Codes

Following Hurricane Katrina's destruction, Louisiana established a statewide uniform building code to address the fundamental question of: How do we build to be able to continue to live here? Local homebuilders on the Louisiana Code Council advocated for stronger building codes protecting against disaster damage, and energy codes that lower costs, save lives in extreme heat, and prevent mold in Louisiana's hot, humid climate. Louisiana homebuilders supported these codes because they saw them as key to preventing insurance market failure and keeping the home construction industry afloat in the face of extreme weather. A 2022 study from IBHS and CoreLogic (now Cotality) concluded that homes built to modern building codes are also less likely to go into delinquency following hurricanes, helping to ensure families stay in their homes. Louisiana now requires the most recent International Code Council (ICC) building code, the International Energy Conservation Code (IECC) 2021 energy code, and requires elevating buildings above base flood elevation to protect against disaster damage.

FORTIFIED and Building Codes

Alabama bolstered its insurance industry and improved family safety by reducing extreme wind and hurricane risks through better coastal building codes and FORTIFIED roof incentives. FORTIFIED is an Insurance for Business and Home Safety (IBHS) program for new and existing homes that is proven to prevent damage from hurricanes, high winds, hail, and severe thunderstorms by making homes stronger and stopping water intrusion at the roof. Data from the Alabama Department of Insurance is showing this approach works – of the 40,000 claims from coastal communities hit by Hurricane Sally (2020), FORTIFIED and building codes dramatically reduced losses and claims severity. In Alabama, homeowners of new and existing homes with FORTIFIED roofs may be eligible for insurance discounts of 20-55% off the wind portion of their property insurance. Strengthen Alabama Homes provides $10,000 in grants for Mobile or Baldwin Counties for FORTIFIED roofs or for performing other updates. Alabama also provides households a tax deduction of up to $3,000 or 50% of the cost of the work (whichever is less) when retrofitting their homes or businesses to reduce wind or flood damage. Households can also deduct deposits into catastrophe savings accounts. Public investment has catalyzed the private sector—almost 85% of FORTIFIED roofs today receive no public support in Alabama. Incentives for FORTIFIED and building codes are available in other states, too. For example, the Federal Reserve Bank of Dallas provides grants through CDFIs for FORTIFIED for up to $15,000 per existing home and up to $7,500 per newly constructed home. Because they serve states with severe weather (LA, MS, NM, TX), the Federal Reserve Bank of Dallas has seen homes in its portfolio get hit by disasters again and again. They now prioritize housing survivability and insurability as core mission elements.

Wildfire

In wildfire-prone areas, strategies that reduce home combustibility include metal roofing, air sealing, and removing combustible material within five feet of a home. After the 2023 Lahaina fire in Hawaii one home was left standing while neighboring ones burned. This century-old home survived because it had a metal roof less susceptible to combustion when sparks flew, cleared debris and vegetation, and 3-4 feet of gravel around the home. After the LA fires, several homes also remained standing. These homes had metal roofs, and one home had a noncombustible perimeter wall and cleared vegetation. Equally important, the homes were built to the highly energy-efficient Passive House standard. Air sealing intended to cut heating and cooling costs also prevents sparks from entering the home. Several wildfire standards exist to support better new construction and retrofits. KB Homes's 64-unit Dixon Trail neighborhood in southern CA is built to IBHS Wildfire Preparedness Plus.

How Developers Build for Both Climate and Affordability: Project Specific Examples and the Government Actions That Enable Them

Come Dream Come Build

Come Dream Come Build (CDCB) is a 50-year-old community development corporation and CDFI serving low-income communities in the Rio Grande Valley of Texas through rental assistance, housing counseling, new single family and multifamily development, rehabilitation of existing housing, disaster clean up and financing. After 40 years of stick-built single-family construction, rising costs prompted CDCB's transition to modular construction to cut 20-25% from the cost of a house in order for someone making $35K a year to buy. In 2021, CDCB launched its first volumetric modular housing factory in a rural community outside of Brownsville, TX with support from Wells Fargo and Chase. Now employing 40 people, CDCB provides quality rural jobs and is currently building 15 homes for workers with a vision to expand.

CDCB homes distinguish themselves through affordability, construction speed, energy efficiency, and resilience. Built to the Enterprise Green Communities and FORTIFIED standards, these homes are low maintenance, highly energy efficient, and built to withstand winds of 145 miles per hour and flooding. The additional cost of more insulation and higher efficiency appliances and equipment is minimal — $3,000 to $4,000 per home — and quickly pays for itself from energy savings and incentives and grants through partners like Chase. CDCB works with partners such as the Federal Home Loan Bank of Dallas to provide funding for FORTIFED roofs. CDCB believes efficiency and resiliency is key to low-income families affording their house payments and utility payments in a region where air conditioning is a necessity seven months of the year and strong storms are increasingly common.

Actions state and local governments can take to accelerate similar housing projects include:

1. Requiring building and energy codes;
2. Requiring minimum flood elevation;
3. Incentivizing developers and operators to achieve FORTIFIED or Enterprise Green Communities certifications; and
4. Incentivizing new modular home factories.

Greater Cleveland Habitat for Humanity

Greater Cleveland Habitat for Humanity adopted high-speed modular construction to build 400 homes to meet an American Rescue Plan Act (ARPA) funding deadline. These homes are energy efficient, built to ENERGY STAR certification, and achieve Enterprise Green Communities certification, making them eligible for Cleveland's 15-year tax abatement program that requires the certification. New homeowners are well positioned for success with low utility bills, zero-percent loans from Habitat for Humanity, and no taxes for 15 years. Such programs could be launched or expanded nationwide through modular pre-purchasing agreements.

Actions state and local governments can take to accelerate similar housing projects include:

1. Providing zero percent loans for low income households; and
2. Introducing tax abatements for homes achieving Enterprise Green Communities Certification.

Wheeler District

Wheeler District in Oklahoma City is a mixed-use infill neighborhood at a former airport that is walkable and bikeable, and includes a range of diverse price points and housing types from small studio apartments to large single-family homes. With 250 single-family and multifamily units completed and 199 apartments under construction, Wheeler District will eventually grow to 800 single-family and 2,000 multifamily homes on 130 acres. Homes are highly energy efficient with a HERS rating in the mid-30s, meaning the homes are 70% more energy efficient than standard new homes. The 250 homes built to date meet ENERGY STAR certification, and all future homes will achieve Zero Energy Ready Homes certification. All-electric geothermal heat pumps manufactured in Oklahoma provide heating, cooling, and hot water. Over 20% of the homes are powered by solar today, and all homes have the capacity to install solar. Energy efficiency improvements are cost-neutral. Geothermal receives a 30% federal tax credit, local utility rebates, and bulk purchasing savings. Further, geothermal increases appraisal values because of lower energy costs and enhanced comfort. All homes are built one foot above the Oklahoma City flood requirements and hail-resistant metal roofs reduce insurance premiums 20%. To achieve Wheeler District's density, the developers went through an extensive Planned Unit Development (PUD) zoning process, which allowed for mixed uses, right-sized housing units, and narrower, more walkable and bikeable tree-covered roads. TIF and the city's fast commercial permitting review process reduced development costs. The locational efficiency of the development means that residents drive significantly less than the average resident in Oklahoma.

Actions state and local governments can take to accelerate similar housing projects include:

1. Establishing a state or local heat pump challenge with clear targets and contractor training;
2. Requiring high energy efficiency standards and electrification targets that exceed energy codes in state housing programs;
3. Providing rebates and TIF for developments which utilize high energy efficiency construction; and
4. Implementing zoning reform to allow for multifamily housing to be built with minimal parking requirements by right.

Preservation of Affordable Housing

Preservation of Affordable Housing (POAH) is a nonprofit organization that develops, owns, and manages affordable housing in across 13 states and D.C., building highly efficient large, affordable multifamily housing at costs equal to or slightly above buildings that meet code and back up power during power outages for critical devices and refrigeration. For example, the Kenzi at Bartlett station, affordable housing for older adults, is Passive House Institute of the U.S. (PHIUS) certified and all electric which provides backup emergency power through battery storage and solar power. Total project costs only exceeded costs of standard code buildings by 1%. Often, the first time a team builds to the PHIUS standard, the costs can be higher, as it takes more time for the project team to learn the techniques needed for performance, but costs go down with more experience. Internal data is consistent with reports that costs are regularly brought down to 0-2% of the total project cost, as materials like efficient windows that help make the outside of the building more efficient are more widely available. Better insulation can also reduce the size and cost of the mechanical systems needed for heating, cooling, and ventilation. Benefits include lower bills and enhanced safety— better insulation ensures homes remain livable and comfortable even during extended power outages in extreme weather. Some markets provide incentives for achieving Passive House and allow owners to capture utility or grid operator payments for demand response services using on-site batteries.

Actions state and local governments can take to accelerate similar housing projects include:

1. Provide a utility program incentive for multifamily Passive House developments;
2. Provide utility or grid operator payments for battery storage and demand response services; and
3. Prioritize the allocation of low income housing tax credits (LIHTC) to projects which incorporate energy and building efficiency.

Lewiston, ME

In Lewiston, ME, a 220-unit Lewiston Choice Neighborhood Development is under construction to serve the much needed missing middle housing. Because Lewiston already underwent zoning reform, several of the project's mixed-used multifamily buildings were permitted as-of-right with minimal parking requirements. The homes adhere to building codes and exceed the energy code by achieving Enterprise Green Communities certification and near Passive House levels with high insulation levels, air sealing, and heat pumps. Because Maine Housing requires highly energy efficient construction, the local workforce is experienced with efficiency targets. In 2019, Maine also established a Heat Pump Challenge to install 100,000 heat pumps by 2025 and has invested in efforts to increase demand alongside contractor training. This project reaped the benefits of trained HVAC contractors with lower heat pump installation costs. Kaplan Thompson Architects and Avesta Housing, the lead on the project, notes that the energy efficient construction does not drive construction costs. Avesta Housing tracks utility bills and says high efficiency construction pays for itself over time. High performance materials and equipment such as heat pumps, energy recovery ventilation, and double and triple pane windows are affordable and getting cheaper with no upcharge or a wash in the budget. State heat pump rebates and TIF further reduced project costs.

Actions state and local governments can take to accelerate similar housing projects include:

1. Establish state or local heat pump challenge with clear targets and contractor training;
2. Require high energy efficiency standards and electrification targets that exceed the energy code in state and local housing programs;
3. Provide rebates and TIF for energy efficient construction projects; and
4. Implement zoning reform to allow as-of-right multifamily housing with minimal parking requirements.

Upgrading Existing Homes for Long-Term Affordability and Resilience

Philadelphia Built to Last

Built to Last provides comprehensive home repair services for Philadelphia homeowners who are low income. Created in 2021 by the Philadelphia Energy Authority (PEA), the program simplifies access to a wide range of existing home improvement programs that are complicated to navigate for homeowners, and difficult to stack. Built to Last has helped facilitate major home improvements for participants, including roof and furnace replacements, pest control, mold remediation, solar installation, HVAC improvements (including heat pump installations), weatherization, insulation, and more. The need for this program arose from the unique characteristics of Philadelphia's home ownership landscape. The city's high home ownership rate (49%) coupled with its high poverty rate (25%) means many low-income homeowners in Philadelphia cannot afford to maintain their properties, which are often passed down between family members for generations. Older houses that have foregone necessary maintenance and repairs are less energy-efficient, causing homeowners to spend more money on energy. Nearly a quarter of low-income households in the Philadelphia metro area spend more than 19% of their income on energy costs alone.

Dozens of low-income family repair programs exist in Philadelphia, but each requires an individual application and typically only addresses one component of home repair, creating significant administrative burdens for families. Built to Last serves as a central platform for home repair service providers to offer their services collaboratively and leverage funding and financing from multiple sources. This allows homeowners to fill out a single application rather than applying for each program individually. PEA then screens the application for eligibility for all benefits and services offered through the Built to Last platform. PEA then conducts a holistic property assessment, identifying home needs to match homeowners with appropriate service providers and applicable funding sources. Finally, PEA coordinates and manages all home improvement work with program partners. Built to Last also helps homeowners find external funding to fill in the gaps of costs not covered by existing home improvement programs, resulting in low- to no-cost implementation.

During the initial 50-home pilot, 50% of the participants reported lower utility costs. One home observed an 86% reduction in their annual energy costs, saving $1,000 a year for the homeowner. Three years after the program's launch, an impact assessment found that homeowners who participated in Built to Last were able to conduct 50% more work on their homes in a six-month span than homeowners who did not participate. Respondents to the impact survey also reported a 19% increase in overall home comfort, which includes people having better thermal comfort in their homes and not being too hot or too cold based on outdoor temperature. As Built to Last continues its operations, it seeks to help residents avoid displacement, build community wealth, and improve the long-term quality of Philadelphia's housing.

Phoenix Housing Repairs and Rehabilitation Program

Housing affordability remains a top concern for Phoenix residents. To help support the high percentage of homeowners, the City of Phoenix's Housing Repairs and Rehabilitation Programs help low-income homeowners repair vital home systems and structures. City residents complete a household assessment form to determine whether they qualify for one of the programs, which includes the Housing Repairs Program, the Weatherization Assistance Program, Lead Safe Phoenix, and the Rental Rehabilitation program.

The Weatherization Assistance Program focuses on energy-efficient upgrades, improving affordability and energy resilience, helping homeowners reduce utility costs and increase efficiency through health and safety repairs and improvements. The program conducts inspections and assessments to judge the condition of a home, identifies needed upgrades, and supports the stacking of programs to help homeowners pay for the improvements. Eligible homeowners receive repair, replacement, or installation of air sealing, efficient lighting, high-efficiency appliances, carbon monoxide detectors, attic insulation and ventilation, energy efficiency assessments, and heating and cooling equipment. These improvements effectively reduce the cost of heating and cooling homes, helping homeowners spend less on their energy bills and save money. This program helped one resident on a fixed income in an aging home reduce her monthly energy bills from $175 to $75.

Critical to this program and Philadelphia's Built to Last, is the ability for a local government to act as a conduit between the homeowners and the programs offered at the local, state, utility and federal level, while supporting the stacking of programs to ensure holistic upgrades extend the life of the home while lowering monthly costs.

Utility Programs Provide a Source of Funding for Energy Improvements in Housing

In many regions of the country, utility programs provide financial support for the incremental cost of energy improvements. For example, Oklahoma's local utility, OG&E, offered a rebate for geothermal systems at the Wheeler District. In Massachusetts, Mass Save, the utilities' energy efficiency program, provides incentives for housing that achieves Passive House certification and electrification standards. In New York State, a small Systems Benefit Charge on utility bills funds the New York State Energy Research Development Authority (NYSERDA)'s rebates, grants, low interest loans, and other incentives for energy efficiency, electrification, and clean energy. In recent years, NYSERDA has partnered with the State's housing finance agency, New York State Homes and Community Renewal (HCR), to ensure NYSERDA funding flows seamlessly to affordable housing without a separate NYSERDA application. Through this partnership, HCR's Clean Energy Initiative Program now funds highly efficient all-electric retrofits via a one stop shop application alongside HCR's low income housing tax credit and financing applications. Similarly, the Maryland Department of Housing and Community Development's (DHCD) Multifamily Energy Efficiency and Housing Affordability (MEEHA) program provides energy efficiency incentives alongside affordable housing programs.

Diffusion and Scaling Resilient Housing Retrofit Programs

Communities developing resilient housing programs should consider the following actions:

Understand Funding Landscape: Federal, state, and utility funding can be key to these programs. Understanding the available federal and state funds for your program as well as any philanthropic opportunities is an important first step.

Take Stock of Housing Age and Retrofit Needs: Understanding the landscape of local housing will help shape the type of program needed. Determining the age, common retrofit needs, mix of multi-family and single-family housing, as well as rental stock will help identify relevant case studies and develop program focus.

Build Coalitions Between Housing and Sustainability Professionals: Local leaders play critical roles in breaking down silos across climate, housing and economic development sectors to help implement solutions outlined in this policy guide. This can also help identify where there are gaps in skills needed to implement solutions and build the demand and programs to meet those needs.

Catalog Region-Specific Solutions: Leaning on the specific weather and risks in your region will be important to creating an effective program. Reaching out to community organizations to understand challenges and looking at past city programs can help identify the suite of solutions needed.

Identify Partners: Many of the case studies highlighted work with community organizations as well as developers, contractors, and others to improve effectiveness. Leveraging community expertise will help build a successful program that can seamlessly integrate with ongoing work.

Serve as a Hub for Your Residents: Programs supporting existing housing are only as useful as people's ability to use them effectively. It's critical that local governments create, or support the creation of, programs that provide support for stacking existing home upgrade programs available within your city through state, federal, utility, and city incentives and programs.

Invest in Workforce Development: Finding contractors capable of installing upgrades like EV chargers and heat pumps can be challenging. Growing the workforce through certifications, community college programs, and other workforce development programs can create jobs and increase overall economic benefits of a retrofit program.

Pursue Opportunities for Scalability to Reduce Cost: As cities work to meet their new housing and retrofit goals, implementing resilience and energy efficiency requirements and upgrades at scale will reduce per-unit costs.

Kate Wright *and* ***Laura Jay*** *serve as the Executive Director and Deputy Director of Climate Mayors, a bipartisan network of 350 mayors across the U.S. who are demonstrating climate leadership through meaningful actions in their communities.* ***Heather Clark*** *oversaw building sector climate policy for the Biden-Harris White House. Heather comes from a background in affordable housing where as a developer she pioneered some of the most ambitious decarbonization and clean energy projects in the country to benefit underserved communities* ***Lotte Schlegel*** *is an independent consultant working at the intersection of climate, housing, finance, and community. She has worked on building and energy policy in the nonprofit, government, and business sectors for 20 years.*

NATIONAL HOUSING CRISIS TASK FORCE

STATE AND LOCAL HOUSING ACTION PLAN

REGULATION AND POLICY

Regulation and Policy interventions reduce obstacles in the way of housing production through efforts such as land use, permitting, and building code reform as well as protect renters through practices like rental registries. Cities and counties are recognizing that too many local regulations drive up the cost and slow down the construction of housing while also acknowledging that their regulatory powers can ensure a fairer housing market.

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NATIONAL HOUSING CRISIS TASK FORCE

REGULATION & POLICY >>>

LAND USE, PERMITTING, & BUILDING CODE REFORM: A PATH FORWARD

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11 Land Use, Permitting, & Building Code Reform: A Path Forward

By Benjamin Preis and Emily Desmond

Developed with contributions from
Research Advisory Committee members [Emily Hamilton] and [Alex Horowitz]

Summary

Land use, permitting, and building code reform have made tremendous strides in the last decade. Many successes have emerged from a groundswell of local activism, combined with a sustained chorus of experts and advocacy organizations proposing specific solutions. However, many of the solutions thus far have been ad hoc and reactive — solving individual bottlenecks, obstacles, or barriers — rather than holistic or structural in nature.

This tool outlines the policy action for land use, permitting, and building code reform, while providing an overview of federal, state, and local efforts.

The Challenge This Tool Solves

Land use regimes, permitting processes, and building codes have grown increasingly restrictive, preventing housing supply from effectively responding to increases in housing demand. That means that, today, it is harder to build a wide variety of home types in a wide variety of places. This results in fewer homes, fewer choices, less affordability, and less availability of housing across communities nationwide.

Types of Communities That Could Use This Tool

Nearly every community in the U.S. limits the type of housing that can be built in their community through planning and zoning laws and processes. These local regulations constrain housing options through use restrictions, density limitations, setback requirements, minimum lot sizes, and even explicit prohibitions on housing types such as duplexes, triplexes, townhomes, and small apartment buildings, forms that often exist in neighborhoods developed before zoning became widespread. Further, many local governments operate their own permitting offices. Building codes are often codified in state law and/or regulation and implemented through a partnership between state and local governments. Since land use, permitting, and building codes are purely the province of state and local government, reform-minded policymakers at these levels of government have significant opportunity to increase housing production by adjusting regulatory frameworks.

Expected Impacts of This Tool

Land use, permitting, and building code reform can substantially reduce new development costs. On upzoned parcels that previously only supported the development of expansive single-family homes, homebuilders could instead develop small apartment buildings affordable to teachers, firefighters, and service workers. By expanding home choices in a given community, reducing the time it takes to get a building permit, and requiring common-sense building safety codes, cities can reduce regulatory barriers and allow for more housing.

Background

Modern building codes and land use regulations in the U.S. emerged during the Progressive Era of the late 19th and early 20th century. These regulations' complex histories involve competing narratives of health and safety on the one hand, and exclusion and regulatory capture on the other.

In recent years, it has become widely acknowledged that land use regulations increase the cost of homes and decrease the supply of homes, with deleterious effects on the environment, cities, and residents. Building codes, too, can be associated with increased housing costs, yet there is a necessary cost-benefit analysis between safer, more energy efficient buildings and increasing the cost of new construction that makes housing out of reach for households.

In the U.S., local governments typically control land use regulation through zoning, operating under the direction of state statute. This has been the case since the early 20th century, when the Standard State Zoning Enabling Act was distributed by the Department of Commerce in 1924. This model legislation was adopted by all 50 states, and, as of 1988, was still in force (albeit in modified form), in 47. The Supreme Court of the United States cemented the legality of zoning in its decision *Village of Euclid v. Ambler Realty Co.*, (272 U.S. 365 1926). A century later, this has resulted in the U.S. having 50 legal regimes governing the adoption, modification, and enforcement of approximately 30,000 distinct zoning codes.

Building codes have evolved along a parallel path. In the 21st century, houses with only one or two units are generally governed by the International Residential Code (IRC), while multifamily buildings are governed by the International Building Code (IBC), both of which are model codes promulgated on a triannual cycle by the International Code Council (ICC), a non-governmental organization, that are then adopted, with or without modifications, by states or localities.

Building codes are distinct from zoning codes as building code adoption and implementation need not be carried out by the same entity — state building codes may be enforced by cities or counties, the so-called "Authorities Having Jurisdiction." According to the U.S. Census Bureau, more than 20,000 such authorities exist nationwide. The promulgation of building codes also varies significantly state-to-state. Eight states have statewide building codes, 16 states have predominantly local building codes, and 26 employ a combination of state and local building codes, wherein there is a statewide building code, with some localities permitted to amend or replace the state building code.

Both zoning and building codes present complexity and barriers to necessary housing production in their current forms. The process to acquire building permits — which requires developers to comply with zoning, building, environmental review, stormwater management, traffic mitigation, and a host of other rules — also slows down and increases the cost of production. Modifying only building or zoning codes presents a missed opportunity. Additionally, both present complementary challenges related to local government process and permitting.

In the past decade, an increasing awareness of the history, cost, and exclusionary nature of zoning spawned an extensive campaign to reform zoning at both the state and local levels. While predominantly Democratic states like California and Oregon were among the first to implement statewide zoning reform, state-level efforts to reform zoning are notably bipartisan in nature, with Republican strongholds including Utah, Montana, and Florida passing both comprehensive and targeted zoning reforms. Like land use and building code reform, permitting reform has also taken place at both the state and local level. As state law grants local "authorities having jurisdiction" the power to oversee the permitting process, some states have compelled these jurisdictions to streamline and issue permits more quickly.

Local governments have also independently passed zoning reforms. Minneapolis notably eliminated parking minimums and single-family exclusive zoning through its comprehensive planning process that took effect in 2020. Cities like Alexandria, VA, and Austin, TX, have enacted similar reforms. However, eliminating single-family exclusive zoning — without changing requirements related to setbacks, floor area ratios, parking, or other rules — can lead to paper-only changes, where, though more homes are technically allowed on a given lot, there are no tangible impacts on the number of homes that can be built.

Proposed Solution: Reforming Land Use, Permitting, & Building Codes Processes

Land Use Reform — A Summary

Land use reform is a broad category, encompassing more than simply increasing unit density on a given lot. Indeed, cities, counties and states have enacted or contemplated numerous changes to land use regulation. Learning from the early movers, comprehensive zoning reform that allows for more homes of all shapes and sizes, and lifts local restrictions preventing affordable home choices, should include some version of all the following:

Reform	Leading Examples
Allowing up to six homes or apartments by-right on every parcel that currently allows for a single-family home	Washington State (near transit stops) Portland, Oregon (citywide)
Allowing for up to two **Accessory Dwelling Units** (ADUs) of 1,000 square feet by-right	California, Arizona, Colorado, Hawaii, Maine, Montana, Rhode Island, Washington, among others Numerous cities have also passed ADU reform.
Decreasing **minimum lot size** requirements to 1,400 square feet, to legalize townhouses	Houston's reforms to reduce the minimum lot size from 5,000 square feet to 1,400 square feet
Reducing or eliminating **parking minimums** to decrease the cost of new construction	Minneapolis Montana SB 245 California SB 1069 (2016)
Allowing **apartment buildings by-right** on commercial or industrial land	Montana Maryland
Making it easier for homeowners and developers to utilize **lot splits** to increase density, in combination with changing minimum lot sizes	California SB 9 (2021)
Eliminating explicit unit counts or maximum dwelling units from the zoning code, allowing for building code requirements to set density on a given lot	Cambridge, MA
Legalizing **co-living** with shared facilities and smaller units	Seattle, WA and Minneapolis, MN have both legalized co-living in their zoning codes Austin, TX removed limits on the number of unrelated individuals living together

Land use reform can also be targeted in particular ways, including:

Reform	Leading Examples
Requiring increases in density around transit stops, in pursuit of **Transit-Oriented Development**	Utah's Station Area Plans Massachusetts MBTA Communities Law
Granting affordable housing greater density allowances than market-rate housing	Florida's Live Local Act Cambridge, MA's Affordable Housing Overlay
Changing the rules governing zoning changes	Wisconsin Limited Protest Petitions Massachusetts reduced the voting threshold for zoning changes in city councils
Allowing **manufactured housing** by-right in zones that otherwise allow for single-family homes	Maryland HB 538 (2024) Maine LD 337 (2024)

Many states have also passed more comprehensive housing supply bills potentially impacting land use. For instance, Montana, Colorado, and California all have laws requiring localities to estimate and plan for growth, changing their land use regulations in line with those growth projections.

Many best practices have been identified and codified by existing national organizations. The Mercatus Center at George Mason University tracks land use reform efforts at the state level every year, Pew Charitable Trusts has similarly produced research showing the variety of reform efforts, while the American Enterprise Institute has produced an entire set of policy briefs devoted to "light-touch density," or what many others call "missing middle" housing of duplexes, triplexes, fourplexes, ADUs, townhouses and small apartment buildings.

Similarly, the National League of Cities, through their Housing Supply Accelerator Playbook, includes 14 land use reform strategies that local governments can implement. The National Association of Counties Housing Task Force had land use reform as one of five focus areas, with five actionable steps county governments can take. The National Governors Association's Center for Best Practices has convened a state Housing Policy Advisors Institute to identify best practices at the state level.

It is also important to note that land use reform is not new, though its success certainly is. National studies, including the Douglas Commission on Urban Problems in 1968, the 1982 President's Commission on Housing, and the Advisory Commission on Regulatory Barriers to Affordable Housing in 1991 all examined, at least in part, the effects of land use and zoning regulations on limiting the production of housing. Indeed, many of the contemporary changes date back to those proposals; for example, President Reagan's Commission on Housing recommended eliminating minimum lot sizes, allowing manufactured housing in all residentially zoned areas, and removing density requirements except for where there is "a vital and pressing governmental interest."

Permitting and Building Code Reform — A Summary

While zoning and land use reforms have garnered headlines, housing advocates have identified permitting and building codes as distinct but equally important regulatory barriers requiring coordinated reform.

Though zoning regulations bear a resemblance across jurisdictions, permitting processes are less uniform, leading to difficulties in generalizing permitting changes that can take place nationwide. Permitting reform can include:

- Exempting certain housing types from environmental review;
- Increasing the speed at which jurisdictions must issue permit decisions;
- Providing "concierge" service and/or "fast track" service for affordable housing developments;
- Authorizing third-party reviewers; and
- Limiting impact/development fees that municipalities can charge.

Building code reform in the U.S. has recently focused predominantly on "single stair" reform. Under the International Building Code, buildings over three stories typically require two means of egress. With exceptions in Seattle, New York City, and Honolulu, most U.S. jurisdictions mandate two stairs in all apartment buildings, reducing financial feasibility for small parcels and increasing per-unit rent due to unleasable space. This differs from many international peer countries, which allow single-stair designs with additional fire protection measures in buildings over ten stories.

The Center for Building in North America tracks single-stair reform in the U.S. In 2024, Tennessee passed a law allowing municipalities to adopt a building code that allows for a single stair for up to six stories, and Knoxville passed such an amendment in November 2024, with Jackson following in December 2024. Connecticut passed a law in 2024 instructing executive branch officials to update the state building code to allow single-stair construction. Other jurisdictions, including California, Oregon, and Virginia have passed "study bills" directing statewide agencies to study the safety and feasibility of single-stair buildings.

Both permitting and building code reforms face implementation challenges in part due to the heterogeneity in state-level building and permitting regimes. While land use regulation primarily occurs locally, building codes are often enacted at the state level, with local jurisdictions given the option to enact amendments to the state building code. However, many states having no statewide building code, leading to each municipality adopting their own. Montana's recently enacted SB 406 prohibits local building codes from being stricter than the state building code.

Building code reform also presents a challenge of expertise and messaging. While advocates and experts have coalesced around the harms of the current zoning landscape, fire marshals and the general public have proven resistant to building code reform. Thus, building code reform requires careful consideration of messaging and the research necessary to assuage fears of compromising life safety or environmental quality in pursuit of lower-cost housing. For instance, recent research from The Pew Charitable Trusts demonstrates that small, single-stair buildings are incredibly safe.

Building code reform is also taking shape as it relates to modular and other offsite construction. Virginia, Colorado, and Utah have all passed ICC standards to allow for state inspections of offsite housing manufacturing facilities that supersede local inspections, allowing for decreased regulatory costs for modular housing manufacturers.

Principles Behind Land Use, Permitting, & Building Code Reform

Land use reform at the state level offers the broadest, most immediate impact. Further, land use and zoning are important to local governments in the U.S., and localities should retain their ability to create land use and zoning plans. While local governments can and should enact land use reform on their own, and indeed, many localities across the U.S. are doing so, the inclusion of state-level leadership provides some advantages.

First, cities and counties derive their ability to regulate land use from states, allowing for a certain uniformity in land use reform. This Task Force believes that states should amend their laws to require or incentivize localities to reform their land use to allow for a greater variety of housing types; states should provide funding, technical assistance, and support to ensure that all localities are able to meet these new requirements. Housing markets are regional, and housing solutions must also be regional. State-level reforms should address the needs of large cities, small towns and predominantly rural areas. Since local governments get their authority to regulate land use from the state, their land use regulations must factor in the welfare of residents across the state, not just in that locality. State-led land use reform ensures a baseline uniformity, recognition of differences across regions, and predictability for homebuilders and residents. States have taken different approaches to land use reform. Some opt for outright preemption regarding certain practices like requiring ADUs or planning for transit-oriented development. Others, like Montana's SB 382, require large municipalities to enact a set of pro-growth strategies from a list of 14 potential policies. A third group has sought to encourage pro-housing zoning reforms through incentive programs. For example, New York's Pro-Housing Community Program, California's Prohousing Designation, and New Hampshire's Housing Champion Designation all evaluate local governments on the extent to which they have enacted pro-housing reforms and then provide additional incentives or grants to those cities over those that have not done so. States should identify the reforms that they wish to ensure are in place state-wide — such as eliminating parking minimums, allowing for ADUs statewide, and eliminating bans on manufactured housing — and allow localities to implement those reforms with the support and technical assistance that they need. Recent experience also suggests that, once states have moved the needle on zoning reform, many municipalities will go farther than the state-level requirements.

Second, land use, permitting, and building code reform invites strange coalitions. Land use regulations ultimately limit the private property rights of landholders, while building codes and permitting are government regulations that increase the cost of construction. On the other hand, the origin of zoning in the U.S. can be traced back to segregationist policies that sought to prevent integration in neighborhoods, through either explicitly racial zoning, or economic zoning with large lot sizes and bans on apartment buildings. Land use regulations minimize change, block development, and allow for the privatization of public space. Conversely, land use regulations encourage sprawl, reduce housing options, and increase carbon emissions. With a larger geographic footprint and a more diffuse constituency, state legislators may be able to pass land use reform that would otherwise be impossible at the local level by working with these broad coalitions.

States across the political spectrum, including Oregon, Montana, California, Connecticut, Utah, Washington, Arizona, Vermont, Colorado, Hawaii, Massachusetts, Maine, Florida, New Hampshire, Maryland, and Minnesota, have implemented statewide zoning reforms. Although content and process vary considerably, these experiences offer valuable principles for effective state-level reform:

- **Leadership Matters:** In Montana, the Governor made clear that land use reform was going to happen, and then he brought in leaders from across the state into a Housing Task Force to identify needed reforms with a quick turnaround of only five months to produce a report. Governors in Colorado, Maryland, and Utah have similarly made housing reform centerpieces in their legislative agendas.

- **Coalitions Matter:** Successful land use reform requires government leaders engaging diverse stakeholders, including homebuilders, homeowners, tenant advocates, homelessness advocates, developers, environmental groups, transportation advocates, and local officials to identify common areas of interest. The executive branch needs the legislative branch, and state-level policy reforms work best when multiple groups can see their priorities reflected in them.
- **Omnibus Bills Rarely Work but do Set the Stage:** In the past few years, policymakers in several states have introduced wide-ranging omnibus bills that attempt to address all angles of the housing crisis. In general, these bills have failed. However, in the following legislative session, these omnibus bills often set the stage for numerous smaller bills that can get passed. This approach allows different legislators to support specific elements of what amounts to broader reform packages.
- **Local Leaders Need a Voice at the Table:** Rather than treating local leaders as obstacles, successful reform efforts engage them as essential implementation partners. Working with local governments and state municipal leagues can help ensure that state-level reforms can be implemented as intended, so long as local governments have the support that they need.
- **Land Use Reform is Not a One-Shot Deal:** Given the current regime of land use, permitting, and building code enforcement, changes are often iterative. While California first allowed Accessory Dwelling Units in the 1980s, there was little construction until state-wide reform in 2016 that reduced parking requirements and streamlined permitting. However, as localities found ways to circumvent the intention of the reforms, additional laws were passed in 2017, 2019, 2021, and 2022 — with more expected in 2025 — to allow for widespread ADU construction. The end result has been a striking increase in ADU permitting and construction, from fewer than 1,000 ADUs permitted annually before 2016, to over 20,000 permitted in 2021 alone.

Many of these best practices at the state level also apply to local level zoning reform:

- **The Messenger Matters:** Reform leadership should come from trusted community figures, whether the mayor, county executive, or council members. Communicating to the residents about the need for land use reform should come from trusted community leaders and needs to meet the community where they are.
- **The Message Matters:** Recent research from the Sightline Institute and Welcoming Neighbors Network emphasizes effective messaging strategies, including connecting

housing shortages to competition and rising prices, highlighting how current community members are affected by the housing shortage, and clearly specifying the types of changes that would be introduced by land use reform.

- **Coalition Building is Important:** To enact land use reform at the local level may mean overcoming significant pushback from those who say, "Not in My Backyard" (NIMBYs). Successful campaigns to reform zoning codes have built coalitions of faith-based leaders, tenant advocates, homeowners, developers, homeless service providers, and more, who recognize that addressing the housing shortage means creating more homes in the community for those who already live there. Working with local grassroots coalitions to get to Yes in My Backyard (YIMBY) can mean that city councils, planning commissions, and mayors can point to clear, broad-based, public support — which we already know exists. Broadening the land use reforms city-wide, rather than focusing on only a specific set of neighborhoods, can make it clear that these reforms impact, and benefit, everyone in the community.
- **Comprehensive Changes are Often Needed:** Local zoning codes contains multiple, interconnected requirements affecting development and cost. In addition to limits on the number of units per parcel, cities must consider changes to a whole host of other requirements, including setbacks, minimum lot sizes, parking, lot splits, height requirements, floor area ratios, and more. Changing only the unit limits without these complementary changes can mean that, although more density is allowed by-right, these types of projects are still financially or technically infeasible.
- **Land Use Reform Takes Time:** Zoning establishes development parameters in a community. Development, however, takes time: homebuilders and developers need to internalize the changes to think differently about what they want to build; creating plans, securing financing, and building buildings also take time. While cities like Minneapolis show that zoning reforms can lead to decreased housing costs, it will take time for zoning changes to permeate through the housing development ecosystem, and is not indicative of zoning reform failure.

Local leaders across the U.S. have shown that zoning reform can succeed locally. The Othering and Belonging Institute has tracked over 150 local ordinances, general plan updates, and zoning code rewrites that promote more housing of all shapes and sizes in communities across the U.S.

Diffusing and Scaling Land Use, Permitting, & Building Code Reform

Thus far, zoning and land use reform successes have largely emerged from robust, grassroots mobilization advocating for increasing housing supply. This activism largely falls under the YIMBY (Yes in My Backyard) umbrella, with YIMBY organizations such as California YIMBY actively lobbying policymakers in state capitals and city halls. National organizations, such as YIMBY Action and the Welcoming Neighbors Network, have emerged to support state and local chapters of "Abundant Housing" organizations. Nonprofits, such as the Mercatus Center, the Pew Charitable Trusts and The Center for Building in North America, have provided expertise and research to local and state policymakers in favor of zoning, building, and permitting reform.

The federal government has also taken steps to encourage zoning reform, with programs like HUD's Pathways to Removing Obstacles to Housing (PRO Housing) program. Many jurisdictions that won PRO Housing grants did so with proposals that sought to modify zoning codes to allow for more housing. HUD also recently released a guidebook, *Eliminating Zoning Barriers to Affordable Housing*, which outlines eight land use reform types, and eight additional strategies, that municipalities can enact to encourage more housing development.

In Congress, many bills have been proposed to encourage zoning reform, such as the bipartisan YIMBY Act, which would require recipients of CDBG Block Grants to report on implementation of land use reforms, and the Reducing Regulatory Barriers to Housing Act, which would direct HUD to develop model ordinances and zoning codes, and provide technical assistance to cities to reform their land use regulations. The newly created YIMBY Caucus in the House of Representatives signals a new, standing, coalition of pro-housing lawmakers.

In late 2024, a new organization, the Metropolitan Abundance Project, was launched by California YIMBY. Metropolitan Abundance aims to "provide a proven policy framework and work with leaders at the state and local levels to reverse" exclusionary policies and put cities on an abundance trajectory. In launching, Metropolitan Abundance provided six model state bills relating to: third party review, ADUs, housing on faith-based institution land, minimum lot sizes, off-street parking, and residential in commercial zones. These model bills are meant to be taken by state legislators across the country and proposed and enacted nationwide.

The National League of Cities, National Association of Counties, National Council of State Legislatures, and National Governors Association are all working with their members to promote best practices, case studies, and resources to promote land use, permitting, and building code reform. The National League of Cities recently launched its *America's Housing Comeback* Advisory Group. These national membership organizations provide an important source of guidance and expertise to their members, the elected officials who ultimately must lead on the development and implementation of land use, permitting, and building code reform.

Land use, permitting, and building code reform have already begun successfully diffusing and scaling. To continue to amplify the diffusion and scaling of these initiatives would require the expanded and sustained support of organizations like Welcoming Neighbors Network — which currently counts 40 organizations across 24 states as their members. Welcoming Neighbors Network has spearheaded research on the language we use to talk about land use and zoning reform, to be used by policymakers and advocates through the country. As the housing crisis has grown from high-cost coastal regions to rural areas, the rust belt, and the heartland, more and more communities have recognized that land use, permitting processes, and building codes are often the first piece of the puzzle that needs to be solved by communities trying to build new housing to address their housing shortage and build more homes of all types.

Benjamin Preis, Ph.D.*, is the Director of the National Housing Crisis Task Force, and a Senior Research Fellow at the Nowak Metro Finance Lab at Drexel University.* ***Emily Desmond*** *is a Special Projects Manager at the Nowak Metro Finance Lab.*

NATIONAL HOUSING CRISIS TASK FORCE

REGULATION & POLICY >>>

INDUSTRIALIZED HOUSING DELIVERY IN THE U.S.: RECOMMENDATIONS FOR STATE AND LOCAL GOVERNMENTS

ACCELERATOR FOR AMERICA

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12 Industrialized Housing Delivery in the U.S.: Recommendations for State and Local Governments

By Ivan Rupnik, Ryan E. Smith, and Tyler Schmetterer, MODX
Benjamin Preis and Lauren Leonard, National Housing Crisis Task Force

Summary

In the U.S. today, almost all housing — single-family homes, townhouses, small apartment buildings, and large apartment complexes — are built through traditional, onsite construction, where workers assemble the materials and construct a building on the ground on which it will be occupied. Offsite construction, where a portion of the material assembly is done off-site in a factory before being transported to its destination for final assembly, can accelerate home development and increase housing supply at scale. The most advanced form of offsite construction, "industrialized housing delivery," utilizes practices and methods associated with other fields of manufacturing to engage all parties from project inception and maintain this collaboration throughout delivery to increase efficiency and improve outcomes. However, the varied and layered building and land use requirements of states and local governments currently favor conventional design-bid-build site-built construction, limiting adoption of offsite construction methods in the U.S. even as other developed countries continue to lead in using these approaches. State and local governments can implement targeted reforms and actions to modernize and harmonize building codes to propel the offsite construction industry forward and effectively address the housing affordability crisis.

International examples like Japan, Sweden, and parts of the UK and the European Union demonstrate that governments leading through regulatory reform and demand aggregation actions can successfully accelerate and scale offsite construction. Regulatory reform includes aligning building codes across jurisdictions to eliminate arbitrary differences and streamline the process of permitting buildings for construction, which would decrease cost and increase efficiency for all types of housing, including offsite. In the U.S., regulatory reform would be achieved by migrating from the current "prescriptive" building code framework — which dictates the types of building materials and techniques given the size and use of a building — to performance-based building codes that focus on how building materials and construction techniques should perform. Demand aggregation is also often seen in successful modular construction efforts, as it creates the consistent project pipeline that offsite construction entities need to justify upfront factory investments and align with local, state, and federal governments on incentives and award criteria.

States and localities can accelerate the adoption of industrialized housing delivery by changing regulations and incentives, and procuring housing in ways that encourage greater speed, reliability, and consistency — areas where offsite construction excels. This includes different forms of demand aggregation, such as changing award criteria from housing authorities, city housing departments, and housing finance agencies for private-sector developers to focus on the total project cost, project delivery timing, and product consistency — areas where industrialized

housing delivery can excel. In Virginia and Minnesota, state and local leaders have been taking steps towards these changes, as highlighted by the case studies in this tool. Additionally, states and localities can pursue building code and land use reform, including the adoption of new standards from the International Code Council and Modular Building Institute, toward a long-term shift focused on performance-based building codes, as has been done in Utah, Montana, and Virginia. In partnership with MOD X — a research-based advisory group focused on advancing the industrialization of construction to achieve broader societal goals— HUD and the National Institute for Building Sciences (NIBS) are also developing educational programming, strategic action plans, and implementation roadmaps to support state and local adoption of these regulatory solutions, and accelerate industrialized housing delivery.

The Challenge This Tool Solves

Construction costs have doubled over the last decade across the housing type spectrum, including for-sale, for-rent, market-rate, and affordable housing, driven largely by a national construction workforce labor shortage, increased material costs, and regulatory requirements that result in more time-consuming and expensive housing developments. Offsite construction can reduce costs by implementing manufacturing principles thereby optimizing labor, leveraging economies of scale, and improving material efficiency. Fostering a high-technology housing sector can address the current crisis and serve as a framework for the future of housing production across the U.S.

Types of Communities That Could Use This Tool

This tool may be used by states and localities that oversee building codes and directly or indirectly procure housing through the disbursement of grants, loans, and awards. Partners in advancing knowledge and research may include code councils, institutional housing, economic development think tanks, labs, and related nonprofits. Adopters may consist of state and city governments, metropolitan planning councils, public housing authorities, community and neighborhood housing organizations and consortia, offsite and industrialized housing companies, and developers.

Expected Impacts of This Tool

Our current regulatory framework, contracts, financing, insurance, and modes of project delivery are currently oriented around onsite construction. This tool aims to amend that framework placing conventional construction and innovative modes like offsite construction on a more level playing field to better utilize both delivery methods to achieve societal goals. By creating a framework more supportive of onsite and offsite industrialization and innovation can we properly address the nation's increasing housing affordability and supply crisis. Implementing these institutional reforms at the state and local level provides the long-awaited possibility of accelerating innovative forms of construction that will in turn help increase housing supply, affordability, quality, durability, and performance. While tools like these have been proposed in the U.S. for more than half a century, they have never been fully applied and realized, but have proved demonstrably successful in other countries that share economic and political similarities.

Background

Offsite construction is categorized by the scale of the key structural elements transported from factories to construction sites for assembly. These include so-called "one-dimensional" structural elements (usually referred to as a "kit of parts"), two-dimensional elements (often referred to as "panelized"), and three-dimensional volumetric (usually referred to as modular) elements. Offsite construction is further distinguished based on the degree of enhancement of an element in a factory setting, from purely open structural components to enclosed elements that may include utilities, insulation, and interior/exterior finishes. While three-dimensional modular housing is often the focus in policymaking circles, it is but one form of offsite construction techniques.

Industrialized housing delivery (IHD) goes beyond offsite construction — integrating design and planning, offsite manufacturing, and onsite assembly into a coordinated set of value-added activities. Unlike the fragmented design-bid-build approach dominating U.S. construction, IHD engages all parties from project inception and maintains this collaboration throughout delivery to increase efficiency and improve outcomes. Achieving maximum impact requires long-term planning and investment. The IHD approach balances standardization and customization, resulting in a turnkey housing product developed by a vertically integrated company that can achieve efficiencies in scale and continuous learning. Teams consisting of design and engineering professionals, offsite manufacturers, and onsite builders from unique companies can practice IHD through early coordination on a per-project basis and preferably extending relationships over multiple projects. An IHD team requires a third-party system integrator, a lead stakeholder in project delivery, who can manage and monitor the entire process—this level of integration is necessary to achieve the cost savings and construction time efficiencies available through this method.

Current regulations, contracts, financing, insurance, and training infrastructures are geared toward piecemeal site-built construction rather than a manufacturing-oriented production innovation system, creating challenges for IHD despite its potential. This tool seeks to eliminate these barriers to the application of IHD.

Proposed Solution: Accelerate IHD to Increase U.S. Housing Supply

With support from the U.S. Department of Housing and Urban Development (HUD), the National Institute of Building Sciences (NIBS), and others, MOD X has developed a model for effectively accelerating IHD for housing at any scale based on lessons from internationally evolved offsite construction contexts. The model can serve as a tool for increasing housing supply and making a positive contribution to the U.S. housing crisis with two primary actions: (1) regulatory reform, and (2) demand aggregation. Combining regulatory reform with demand aggregation has proven effective at accelerating IHD in more evolved industries abroad including Japan, Sweden, and the UK. Harmonizing regulations across as large a market area as possible and shifting away from prescriptive codes towards performance-based specifications has proven to be an impactful strategy.

Over the past 50 years, Japan and Sweden have employed both regulatory reform and demand aggregation to accelerate and scale IHD. Over time, the growth of this sector has encouraged increasing technological capacity, allowing the sector to expand and contract its supply of new housing in-line with demand. This sort of flexibility is already common in mature automotive, aerospace, IT, and food production sectors, but need to be further adapted and adopted by the housing sector in the U.S. to truly treat housing as an industry.

Regulatory reform without demand aggregation has eliminated many of the barriers to the acceleration and scaling of IHD. However, increased supply often materializes slowly to address a housing crisis. Demand aggregation without regulatory reform can provide an immediate increase in housing supply but can also create an IHD industry sensitive to fluctuations in demand and highly dependent on government programs and subsidies. Demand aggregation without regulatory reform can also lead to a lower-quality product to meet a short-term goal from the public sector, leading to long-term market stigmatization of offsite construction. As such, regulatory reform and demand aggregation go hand-in-hand.

Regulatory Reform Action

The frameworks regulating housing development and construction in the U.S. evolved over more than a century and will likely take many decades to further evolve with strong state and local action. These historical frameworks unintentionally prescribe the conventions of onsite construction, inform other institutional frameworks regarding labor, contracts, financing, and insurance, and, in turn, require offsite construction to conform with practices and standards developed for a different kind of construction method. Like conventional construction, these regulatory frameworks are highly localized and varied, presenting barriers to IHD. Without institutional and structural transformation, offsite construction and IHD will continue to be regulated by logics based on onsite construction methods and will continue to struggle to outperform conventional construction.

In contexts where IHD has successfully accelerated and scaled, direct government action has been essential for implementing and refining effective long-term policy reforms. Sweden and Japan have completed this process with a regulatory framework placing offsite and onsite construction on equal footing. In the UK, Australia, New Zealand, the European Union (EU), and several other countries, this regulatory transition is underway. In the U.S., various regulatory reforms, directly initiated by HUD or other governmental and non-governmental entities, have significantly improved the situation. One of the first successful attempts to reform the U.S. regulatory environment was the introduction of state industrialized building programs, starting with California in 1968. These programs ensure that a regulatory framework appropriate for offsite construction exists in more than 30 states. The most impactful national-scale regulatory reform was HUD's revision of mobile home industry standards into a federal standard that supported the creation of the higher-quality but equally affordable manufactured housing sector in 1976. The shift in the regulatory framework from a multiple regional model code to two in 2000, managed by the International Code Council, also had a harmonizing impact on all construction. Most recently, following recommendations made by MOD X to the Modular Building Institute (MBI), MBI teamed up with the ICC to develop procedural standards for the inspection and permitting of volumetric modular construction. However, additional reforms are required to continue moving the industry forward and addressing the current housing crisis.

Based on international precedents from forthcoming MOD X research, effective regulatory reform occurs via three, often related policy initiatives:

> **Harmonization of Building Code and Land Use Regulations Over a Substantial Market Area:** Current U.S. land use codes are fragmented across thousands of local governments, and often restrict housing size, shape, and density such that standardized IHD products are unsuitable. Additionally, prescriptive-based building codes are often implemented differently across jurisdictions, which may have their own amendments to national model codes. Locally-based inspection and building permit processes require developers to navigate complex regulatory environments. Harmonization of building codes and land use regulations over a large market area eliminates arbitrary differences in specifications and can improve the efficacy of both conventional and offsite/IHD construction methods. Harmonization can occur through the preemption of a national regulation over local regulations (e.g., Japan in 1950, Sweden in 1960, and the US in 1976 via the HUD Code) or through the introduction of model regulation incentivized for adoption by local governments (e.g., Eurocode in the European Union since 2010, International Residential Code (IRC) and International Building Code (IBC) developed by the International Code Council since 2000). In Sweden and Japan, comparable harmonization of land use codes nationally during the early postwar period positively

impacted offsite construction housing quality and housing supply more broadly. At the state level, the Commonwealth of Virginia has attained a high regulatory harmonization level by essentially requiring all authorities having jurisdiction to adopt the state versions of model codes and industrialized buildings model code with no revisions.

Complete Transition From Prescriptive-Based to Performance-Based Specifications: In addition to the harmonization of regulations, shifting from a prescriptive- to performance-based building code specifications has proven highly effective in accelerating both IHD and improving onsite construction outcomes. Today, the U.S. largely uses a prescriptive building code framework — which dictates the types of building materials and techniques given the size and use of a building — rather than a performance-based building code that focus on how building materials and construction techniques should perform. However, the complete transition from prescriptive- to performance-based building codes takes time to achieve. The ICC is developing a major update to their current performance-based building code for the 2027 update.

Housing System Certification: An intermediate step towards performance-based specifications. The transition from a prescriptive to a performance-based code environment occurs over a period of time. For example, the 27-member state European Union is still in the process of fully transitioning to this regulatory framework, although some member states like Sweden have already fully transitioned. For this reason, several countries have implemented a housing system certification approach to create an alternate means of code compliance for innovative homebuilders. These companies are rewarded for requisite upfront investment in personnel, equipment, R&D, and resultant intellectual property through a fast-track code compliance process more attuned to a product than a project approach to delivery. HUD, working in close collaboration with the National Institute of Standards and Technology (NIST), pioneered system certification more than 50 years ago. Since that time, Japan has progressed furthest in scaling this approach with 1 in 3 homes moving through this streamlined path of code compliance. While Sweden and other European countries have not currently implemented full housing system certification processes, similar streamlined code compliance routes exist for new materials and prefabricated building components. In the U.S., ICC's Evaluation Services (ICC-ES) could also serve in a similar capacity.

Demand Aggregation Action

Comparable to other capital-intensive manufacturing sectors, offsite construction and IHD require a steady pipeline to amortize requisite investments. Housing demand is highly varied in specifications and oscillates with macroeconomic variables. Demand aggregation in IHD acceleration can be defined as some form of government support including incentives, subsidies, and/or project contracts to create a more consolidated and stable production pipeline for the offsite manufacturing sector. Demand aggregation programs are particularly important in keeping factories in business during downturns. In Sweden, manufacturers often turn to public housing authorities (PHAs), which tend to build during economic downturns. In the U.S., Dynamic Homes, a Minnesota-based volumetric modular manufacturer, maintains a close relationship with various Native American tribes, who in turn benefit from specific subsidies.

Demand aggregation for IHD can be direct or indirect and typically occurs via three distinct forms:

1. Direct demand created by the procurement of IHD for government-financed projects. Example: State Emergency Management Agencies (SEMAs) procurement of offsite manufactured housing to support emergency response efforts.
2. Indirect demand created by the government-coordinated procurement of IHD by other entities. Example: Encouraging PHAs to prioritize innovative construction methods that include IHD approaches.
3. Indirect demand created by coordinated award criteria for government-financed projects and subsidies. Example: Japan Housing Finance Agency (JHF) mortgage rate reduction program closely tied to the national housing system certification.

This sort of demand aggregation works best when the public sector procurement and coordinated award criteria focus on the areas where IHD can perform best: bringing down costs, decreasing time to completion, and increasing consistency across housing developments. To the extent that the public sector can create standard design criteria, this too brings down cost as the offsite manufacturers are able to streamline unit development and achieve economies of scale. Demand aggregation can further drive down costs when paired with pre-approvals and other expediting permitting.

Demand aggregation creates substantial impacts on IHD. First, it allows for the effective cost amortization to support capital-intensive innovation investments in R&D including technology, intellectual property, automation, etc., and critical labor resources. Second, it creates consistent and predictable product specifications, smoothing demand for new units over time and limiting customization at the unit level that typically exists in a highly fragmented housing market sensitive to long-term financial variables. Third, it signals to the private sector and to the general public that IHD is at least as high quality as conventional construction, if not more so, to consumers, end-users, financial and insurance sectors.

Case Studies

The conceptual model of regulatory reform and demand aggregation has been actively demonstrated through case studies in the U.S. Two case studies from Minnesota and Virginia illustrate these principles.

Minnesota – Acceleration through Education and Standard Award Criteria

As Commissioner of Minnesota Housing from 2011-2019, Mary Tingerthal realized the potential benefits of the greater adoption of industrialized construction techniques and identified the regulatory barriers impeding adoption. As such, after completing her tenure as Commissioner, Tingerthal established Construction Revolution as a non-governmental entity focused on accelerating offsite construction for housing in Minnesota. In 2019, Tingerthal convened the Construction Revolution Summit, a cross-sector collaboration aimed at reducing the cost of housing by creating an innovation hub for offsite construction. This event brought together international, national, and regional thought leaders to share best offsite practices, with over 100 key stakeholders representing all segments of Minnesota's housing sector. Through a series of workshops at the summit, followed by months of refinement, Construction Revolution developed a Summit Report and Action Plan for Minnesota, published in June 2020, which includes: (1) launching multi-sector innovation cohorts, (2) developing and promoting learning opportunities, (3) fostering local collaboration, (4) incentivizing a series of pilot projects, and (5) attracting modular manufacturers and investors.

This effort encouraged the establishment of Rise Modular, a new volumetric modular factory in the Twin Cities region. After establishing a clear and concise action plan, Construction Revolution partnered with the Family Housing Fund and MOD X to develop an interactive Offsite Accelerator program. In addition to a series of educational sessions, Construction Revolution and MOD X worked with accelerator participants to conceptualize real-world applications of these principles to current project initiatives. A key outcome of this course was the development of an innovative pilot project by the Minneapolis Public Housing Authority (MPHA) to utilize offsite construction for housing, delivering 84 units of deeply affordable housing across 16 scattered sites in Minneapolis. **To encourage IHD, the standard award criteria of the project RFP encouraged an integrated form of team-based project delivery for offsite construction where design and engineering, manufacturing, and site work were developed in tandem by an interdisciplinary team from inception.** The project was funded through a creative use of HUD's tenant-based voucher program and leveraged recent zoning reforms to gently densify existing neighborhoods while avoiding any displacement. This highly effective project identified and overcame a major barrier to offsite construction by eliminating a lack of early coordination and clear scope delineation among stakeholders.

Virginia – Acceleration Through Regulatory Harmonization

The Commonwealth of Virginia is one of 35 states with an established industrialized building program responsible for administering and enforcing statewide standards for enclosed factory-based construction. Unique to Virginia, the industrialized building program operates within the Department of Housing and Community Development (DHCD). This integration of offices is fortuitous as offsite construction has become an integral strategy to addressing the rapid supply of housing across the state. While there is often a conflicting relationship between housing development and building code, in Virginia there is collaboration, proffering an accelerated approach to offsite constructed housing over the last decade through a key ingredient to code modernization — people. Integrating the industrialized building program with a statewide Department of Housing enables faster and better-integrated statewide reforms, and other states should follow suit as they consider statewide governance reforms to meet the housing moment.

Virginia became the first state to adopt new standards developed jointly by the International Code Council and Modular Building Institute (ICC/MBI 1200 and 1205 standards) that set the precedent for best practices in offsite construction policies and procedures that other states and regions can follow to navigate regulatory barriers and create regulatory pathways. Virginia's offsite construction regulations have been harmonized with state economic and development goals to include ADUs like several other states and missing middle housing types that include single-family detached and townhouses. Under Virginia's standards, a housing plan needs to be built only 10 times to take advantage of pre-approvals, considerably reducing housing delivery cycles. Together with MOD X, Virginia continues to explore increasingly expedited regulatory models for housing delivery through the continuous improvement of their processes and standards.

Diffusion and Scaling IHD

Focusing on the goal of increasing housing supply, MOD X, NIBS, and HUD have partnered to accelerate the adoption of innovative and effective IHD practices and policies around the country. Working closely with several U.S. regions, the group is developing Regional Action Plans and Pilot Programs to:

1. Identify regulatory and demand aggregation barriers to IHD in each region; and
2. Develop strategic plans to support regional IHD growth.

The findings will inform the development of a HUD Breakthrough Pilot Handbook, a technical assistance resource to support states, regions, counties, and cities nationwide to enhance their IHD adoption and capacity.

Over several years, MOD X has collaborated with key partners in multiple regions across the U.S., including the Northeast, Mid-Atlantic, Midwest, Intermountain West, West, and Pacific Northwest (Fig.1). As part of this effort, each of these regions will participate in virtual workshops to develop tailored Regional Action Plans to increase housing supply through IHD.

HUD Region	Regional Pilot Partners
II. Northeast	Metropolitan Area Planning Council; City of Boston, Mayor's Office of Housing, Neighborhood Housing Development & Housing Innovation Lab
III. Mid-Atlantic	Virginia Department of Housing and Community Development (DHCD)
V. Midwest	Construction Revolution in collaboration with the Family Housing Fund
VIII. Intermountain West	Ivory Innovations
IX. West	Terner Labs I Terner Center for Housing Innovation, UC Berkeley
X. Pacific Northwest	Housing Development Consortium (HDC) of King County and Seattle

Building on insights from these regional collaborations, MOD X is planning to organize two Regional Offsite Construction for Housing Summits. These in-person events will provide a platform for participating regions to present their Regional Action Plans thereby fostering knowledge-sharing among regions pursuing similar efforts. Summit participants will include state housing finance agencies, state code building offices, state economic development agencies, industrialized building program offices, industry representatives, and nonprofit representatives. The summits provide a key opportunity for federal and local leadership to contribute to a national framework to accelerate housing production, strengthen local economies, and expand affordable housing options. Expect more information about these events in the near future.

In addition to Pilot Partners from the regions, the project includes Strategic Partners that provide fundamental knowledge, advocacy, and relational networking value. These partners include the International Code Council (ICC), ICC-NTA, Harvard Joint Centers for Housing Studies (JCHS), and Ivory Innovations. Ivory Innovations, a Utah-based nonprofit dedicated to catalyzing innovative solutions in housing affordability, has also partnered with MOD X to develop and launch a national Offsite Accelerator industrialized construction educational program designed to inform and assist regions to overcome knowledge barriers associated with offsite construction for housing. The Offsite Accelerator was developed to address the needs of a broad audience including finance and insurance professionals, AEC professionals. Developers, suppliers, building code officials, government officials, etc. The program includes the delivery of a 4-session interactive course supported by content illustrating offsite housing context, domestic and international case studies, technology, and delivery. Participants will benefit from a worldwide network of offsite industry, academic, government, and related nonprofit thought leaders. Sessions are a mix of core theory, practical application, and case study examples of projects and companies in the offsite housing industry from the U.S. and around the world.

__Ivan Rupnik, Ph.D.__, Founding Partner of MOD X, is an architect, scholar, advisor, and Associate Professor of Architecture at Northeastern University. __Ryan E. Smith, Ph.D__., Founding Partner of MOD X, is an architect, scholar, advisor, and Professor and Director of the School of Architecture at the University of Arizona. __Tyler Schmetterer__, Managing Partner of MOD X, is an international offsite construction advocate and strategy advisor, industry integrator, and award-winning designer/producer of high-performance prefab residential housing. __Benjamin Preis, Ph.D.__, is the Director of the National Housing Crisis Task Force, and a Senior Research Fellow at the Nowak Metro Finance Lab at Drexel University. __Lauren E. Leonard__ is a graduate research analyst at the Nowak Metro Finance Lab at Drexel University where she is pursuing a Master of Science in Urban Strategy.

NATIONAL HOUSING CRISIS TASK FORCE

STATE AND LOCAL HOUSING ACTION PLAN

GOVERNANCE

Governance interventions seek to build capacity for affordable housing at scale by forging greater collaboration across sectors and jurisdictions at the local and regional level. Innovations include new mayor-led organizing efforts as well as the creation of nonprofit intermediaries.

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NATIONAL HOUSING CRISIS TASK FORCE

GOVERNANCE >>>

HOUSING COMMAND CENTERS: AN EMERGENCY RESPONSE TO HOMELESSNESS

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Housing Command Centers: An Emergency Response to Homelessness

By Emily Desmond

Developed with contributions from
Emily Collins, Liam Haggerty, and Cole Chandler

Summary

Homelessness is a solvable problem when approached with sustained commitment and investment. In many communities, myriad organizations and departments are addressing various aspects of this complex, multi-faceted challenge. Insufficient coordination and inadequate resources to meet the scale and depth of the challenge have created a broken system. As a result, the re-housing process often moves too slowly or stalls completely, leaving over 274,000 people across the U.S. sleeping outside on any given night. Cities and local leaders are on the frontlines of this crisis, and they possess the capacity to bring people inside and provide them with tailored support to break the cycle of homelessness.

A Housing Command Center (HCC) is a model used by some localities to tackle this challenge; it applies many of the same disaster response and emergency management practices typically used to support large groups of people abruptly in need of housing. The HCC model enhances coordination between the key players – outreach workers, local government, private landlords, law enforcement, and social service providers – to address people's specific needs and provide housing as quickly as possible. This tool outlines the steps to build an effective HCC that brings together disparate pieces of the housing and social services ecosystems, leverages existing resources, and organizes a focused emergency response to quickly re-house individuals experiencing homelessness and connect them with needed supportive services.

The Challenge This Tool Solves

In most communities, the process of accessing permanent housing once homeless is slow, difficult, and disjointed. Individuals and families experiencing homelessness may need to navigate numerous systems and organizations, all of which may have differing eligibility requirements. This can force those experiencing homelessness to waste valuable time navigating complex processes to qualify for aid, and they are still likely to end up on wait lists, especially when housing units may already be in short supply. A "Housing Command Center" or "Housing Central Command" enables people to be re-housed quickly in either transitional or permanent supportive housing through a defined workflow and intentional coordination. The process empowers outreach workers with the resources, in partnership with the city and housing providers, to match individuals or families with housing units that meet their bespoke needs. HCCs utilize a "Housing First" approach, prioritizing getting people into housing to enable a base level of stability before addressing other issues related to behavioral health, substance abuse, employment, or other challenges. By examining the homelessness response system comprehensively, HCC leadership can identify bottlenecks and roadblocks and map a smoother, more successful process that keeps all the interested parties around the table.

Types of Communities That Could Use This Tool

The core elements of this tool could benefit any community when appropriately tailored to local circumstances. An HCC can be most immediately impactful in places with large encampments as ideal implementation starts with concentrating resources, building trust with those experiencing homelessness, testing the system across a wide spectrum of needs, and quickly adjusting and iterating. In Denver and Cleveland, it was critical that the cities had “unit teams” able to find existing vacant units – whether in the private market or in temporary non-congregate shelter options such as hotels or micro communities – so that outreach works could provide housing options as part of their initial engagement with people living in encampments. Nearly every community, small or large, has a dedicated system of government and nonprofit organizations in their “Continuum of Care” for homelessness services; a Housing Command Center can work in all of these places by taking a more urgent, systems level approach to how a community organizes around and adapts to its homelessness needs.

Expected Impacts of This Tool

Through this model, communities can achieve “equilibrium” or “functional zero” homelessness, where the number of people exiting homelessness consistently exceeds the number entering homelessness. When people do experience homelessness it is short-term, making homelessness *rare*, *brief*, and *nonrecurring*.

Background

Homelessness affects communities across the country, from urban to suburban to rural areas, and has worsened as the affordable housing supply has grown increasingly constrained. The number of individuals experiencing homelessness reached a record high in 2024, with an 18% increase over the previous record set in 2023. Continuum of Care representatives, who are part of the designated local or regional organization funded through HUD to lead the community-wide response to homelessness, cite the expiration of eviction moratoria and pandemic rental assistance, increased migration, and natural disasters (such as the Maui wildfires and Hurricane Helene) as significant contributing factors. HUD’s 2024 Annual Homelessness Assessment Report revealed that one in three individuals experiencing homelessness meets HUD’s definition of chronically homeless, reaching an all-time high in the chronically homeless population since data collection began.

The inflow of people entering homelessness shows little sign of slowing. The re-housing process is facing bottlenecks, with shelter systems unable to provide enough support despite continued increases in the number of shelter beds available. According to HUD's System Performance Measures, the national average length of time homeless ranged from 156 days to 193 days between 2019 and 2023. In 2023, 18.7% of individuals or families who exited to permanent housing experienced subsequent returns to homelessness. The shortage of affordable rental housing continues to compound the homelessness crisis, and with shelter spaces in short supply or with eligibility restrictions that make them inaccessible for some, many people are forced into unsheltered homelessness or unsafe accommodations. Furthermore, funding remains a major challenge for local communities addressing homelessness. Only one in four eligible households receives a Housing Choice Voucher, while rising rental and construction costs have outpaced available resources, meaning that funding streams remain insufficient to address the entirety of the challenge. Furthermore, increasing the affordable housing supply alone would not solve homelessness, as many who experience homelessness require supportive services.

The recent Supreme Court case *City of Grants Pass v. Gloria Johnson*, which ruled that the City of Grants Pass had the authority to pass laws making it illegal to sleep outside, has elevated the challenges associated with unsheltered homelessness. In the wake of this decision, over 100 cities have criminalized people sleeping outside, even when they have nowhere else to go. These laws span rural, suburban, and urban areas across states from California to West Virginia. Criminalization of homelessness is increasing despite ample evidence that punitive approaches often cost more and prove less effective than providing housing and services to those experiencing homelessness.

As the nonprofit Community Solutions emphasizes, a major problem with current homelessness response strategies in many communities is that accountability is dispersed across numerous agencies and organizations—no single actor is fully accountable for solving homelessness. While Continuums of Care (CoC) have the formal responsibility of coordination and strategic planning for communities, organizations within a CoC often maintain siloes focused on their specific programs. This siloed ecosystem often lacks a clear objective — such as achieving functional zero homelessness. Additionally, the yearly Point-In-Time (PIT) count of people experiencing homelessness is not specific enough to enable targeted action given that the people experiencing homelessness differs each night. These challenges with organization, accountability, and data have led to a broken re-housing system that fails to outpace the inflow of people into homelessness.

Though federal government funding and HUD systems undergird the homelessness response, localities must take responsibility for implementing solutions within that federal system and their local context; this takes on heightened importance as of the writing of this tool there are threats to those federal funding sources. In recent years, mayors in Denver and Cleveland, among others, have campaigned on this issue, bringing necessary attention and prioritization to developing solutions, and have found success with the Housing Command Center model.

Proposed Solution: Housing Command Centers

The solution to homelessness seems simple: match people in need of support and shelter with services and available housing units. However, simple does not mean easy, and HCC implementation requires committed leadership and both initial funding for structural and systemic changes as well as sustained funding to maintain the new system. In terms of leadership, communities must identify the center of gravity for decision-making to drive a different type of response and organize resources differently to address homelessness. This center of gravity could be the mayor, the city manager, the business community, an outspoken advocate, a faith leader, or really anyone who has strong influence and reach in their community and the power to enact change in the response system. Prior to implementation, successful communities must also have homeless assistance providers with enough capacity to provide case management and re-housing, given that an HCC relies on outreach workers. It is also critical that there be a centralized team responsible for acquiring units under the HCC, rather than having this function distributed across multiple entities, as pairing housing options with outreach is critical to expediting the re-housing process.

Communities have used various funding methods for HCC responses to homelessness. Houston's model relied on federal funding for specific challenges or disasters and leverages Housing Choice Vouchers. Recent examples have been able to rely less on federal funding. Cleveland primarily uses general operating budget funds combined with emergency vouchers allocated through the American Rescue Plan Act that needed to be used, while Denver funds its program through a retail sales tax increase specifically designated for funding homelessness services and housing. In both Cleveland and Denver, the average annual cost to house an individual and provide necessary supportive services ranges from $24,000 to $30,000.

Housing Command Centers represent a fundamental shift in how communities respond to homelessness by treating it as an urgent crisis and implementing a unified approach to accelerating housing placement. By leveraging its authority to establish shared goals and coordinate efforts among service providers and landlords, a city can lead a more streamlined, efficient re-housing process and connect unhoused people with individualized services they need. Modeling the urgency displayed in responding to natural disasters, HCC teams rapidly assess needs, match individuals to available housing and services, and remove barriers to placement, drastically reducing the time required to house individuals. By prioritizing collaboration, flexibility, and speed, HCCs ensure that people experiencing homelessness receive timely support. While specific funding sources and intervention points may vary by locality, the core principle remains the same: homelessness is an emergency and warrants the same level of urgency as any other disaster.

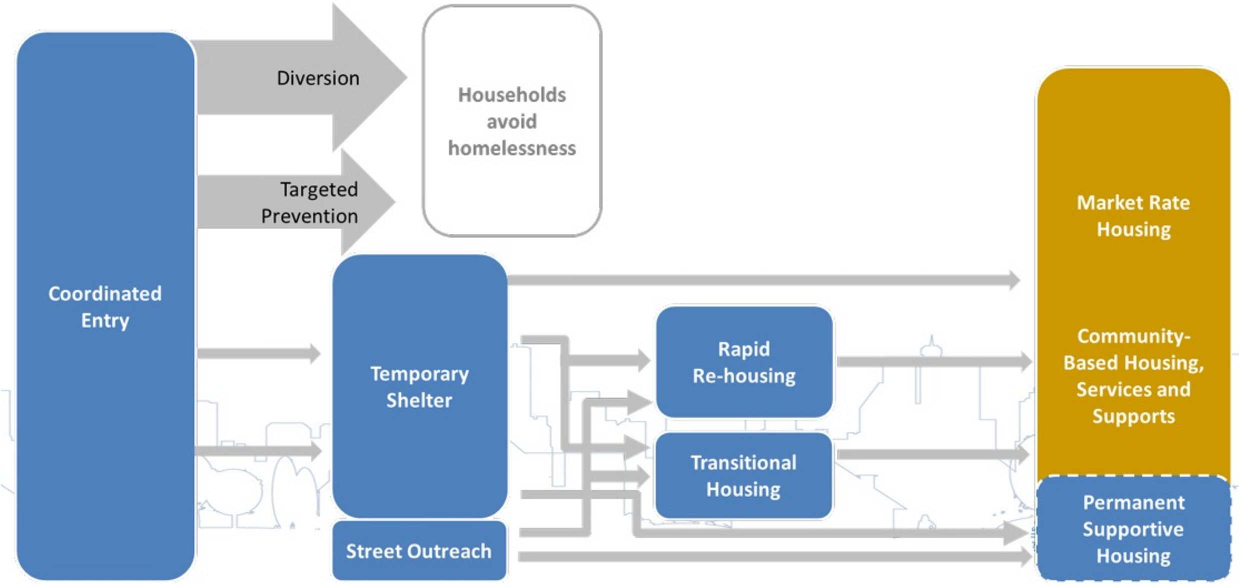
The Housing Command Center model began taking shape in response to the historic 2016 Louisiana flood and subsequent, compounding emergencies resulting from Hurricanes Harvey, Irma, and Maria in 2017. The magnitude of these disasters created a need to rethink the local emergency housing response, with FEMA supporting the development and implementation of a new approach. When flooding struck Baton Rouge in 2016, there happened to be one person serving as the Executive Director of the Housing Authority, embedded within the Housing Finance Agency, and overseeing the Emergency Solutions Grant (ESG) program. This individual was therefore able to take more of a systems level approach to combine and streamline funding to better and more quickly meet housing needs. The overlap in roles enabled the state to respond to the floods using HOME Tenant Based Rental Assistance, ESG, and Housing Choice Vouchers so that people in disaster shelters could exit to permanent housing.

This streamlined approach to natural disaster response informed Houston's recovery from Hurricane Harvey the following year, leveraging Category B of FEMA's Public Assistance Program to implement a Command Center for housing. The Command Center adapted the flatter hierarchy of emergency response to homelessness policy and interventions, enabling quick decision-making to house and serve people in need. Houston's first Special Assistant to the Mayor for Homeless Initiatives, appointed in 2013, brought targeted focus to this issue and successfully led design and implementation of the HCC response. As of 2022, Houston was able to reduce the wait time for housing to 32 days, a remarkable reduction from the average of 720 days in 2012.

Today, Houston is widely regarded as a national leader in implementing a coordinated response to homelessness. The city's first targeted response began prior to the hurricanes, with participation in the Mayors Challenge to End Veteran Homelessness in 2012. This challenge created the impetus and federal resources for then-Mayor Annise Parker to convene all relevant parties and figure out how to match HUD-VASH vouchers with veterans experiencing homelessness, resulting in "functional-zero" for veteran homelessness. The city then moved to partner with Harris County to combine the mental health services of the county and the housing funding services of the city to tackle broader homelessness using the same streamlined model. Since 2012, according to the Coalition for the Homeless of Houston / Harris County, over 33,000 people have been housed with a 90% success rate for local housing programs. This collaboration went a step further in the aftermath of the hurricanes in 2017, when Houston Mayor Sylvester Turner declared that no one would leave the disaster shelters homeless. This disaster brought additional federal resources, allowing Houston to treat broader homelessness with the urgency of an emergency response.

The COVID-19 pandemic further crystallized and expanded this "unified command group" response, especially given that providing non-congregate shelter options at this time became essential. Los Angeles launched Project Roomkey to provide hotel and motel rooms to individuals experiencing homelessness who were particularly vulnerable to COVID-19, and the State of California launched the Homekey program to provide funds to acquire and/or develop hotels and motels for conversion into permanent supportive housing. Through collaboration between the federal, state, and county governments as well as the Los Angeles Homeless Services Authority (LAHSA), 4,000 units in 37 hotels and motels were secured for temporary housing. The expedient response catalyzed by the COVID-19 emergency made leaders start to work through how this type of re-housing process could be extrapolated and sustained. On her first day in office in 2022, Mayor Karen Bass declared a State of Emergency on homelessness and launched Inside Safe, which has brought over 4,000 people inside and over 900 of them into permanent housing through a Command Center approach.

The following case studies examine two cities, Denver and Cleveland, that have achieved great success with the Housing Command Center approach, using it to accelerate the housing process at different intervention points. In Cleveland, a right-to-shelter city, the A Home for Every Neighbor initiative focuses on the chronically homeless unsheltered population and works to provide options that allow them to remain stably housed. In Denver, the HCC component of the All In Mile High initiative identified a need for more non-congregate shelter beds to effectively re-house people living in large encampments. Figure 2 below depicts the typical process from Coordinated Entry to a permanent housing solution. Denver condenses the steps between temporary shelter and a permanent housing option through their HCC. Cleveland similarly condenses this process but starts with street outreach. In both cities, the HCCs help speed up the outlined pathway to housing, that may have alternatively been determined through Coordinated Entry, by guiding individuals through the process while prioritizing getting housing or shelter as quickly as possible. HCCs expedite the re-housing process, visibly and tangibly reducing the number of people sleeping outside and supporting these individuals in getting stabilized.



Source: HUD Training on "Notice Establishing Additional Requirements for Coordinated Entry" (March 2017).

Case Studies

Denver, CO

Denver has made remarkable progress toward ending street homelessness in recent years. Current Mayor Mike Johnston, who assumed office in July 2023, campaigned on this issue and on his second day in office declared a State of Emergency on Homelessness, setting a goal to house 1,000 people by the end of 2023, and end street homelessness by the end of his first term in 2027. A key element of this plan includes building 10-20 micro-communities on nonprofit or publicly owned land to create more units of dignified alternate sheltering, which the Colorado Village Collaborative was founded to produce. This type of shelter provides an alternative to traditional congregate shelter beds and typically includes individual units to enhance safety and accessibility for those that feel or are unwelcome in traditional shelters. The city successfully met their House1000 goal, housing 1,034 individuals by the end of 2023 by providing them with supportive services and non-congregate shelter options in hotels, motels, or micro-communities. By providing shelter options that offered safety, privacy, and dignity, the city was able to close 10 encampments in this process. House1000 was the first time in Denver's history that the city was able to permanently resolve encampments by providing an array of bespoke support services including mental health care, substance misuse treatment, and workforce training in addition to housing.

In early 2024, House1000 rolled into the All In Mile High initiative and Mayor Johnston set a new goal of bringing another 1,000 people indoors during that year. By October, they had met this goal, housing a total of 2,064 people since Mayor Johnston took office. In line with the proven "Housing First" strategy, the first priority was bringing people inside to shelter. In the first six months of Mayor Johnston's tenure, independent service providers worked to find permanent housing for sheltered individuals. The city, however, quickly realized that the disparate parts of the homelessness response system needed to be better coordinated to more rapidly place people in permanent housing options that met their specific needs. Under the ongoing State of Emergency on Homelessness, the city deployed an HCC, led by the Mayor's Senior Advisor for Homelessness Resolution, to coordinate across service providers, government departments, and private landlords, matching permanent housing resources with those in need with a sense of urgency. Critically, the leader of the HCC has been empowered by the Mayor and positioned within city government to enable expedient coordination across city departments to maneuver around any re-housing roadblocks within the purview of the city.

The Denver HCC includes housing navigators, a stabilization team, a data analyst, complex case staff, and site-based staff. The HCC coordinates moving people from temporary shelters into permanent supportive housing or other permanent housing options within 30-60 days. Site-based staff conduct outreach at shelter sites to assess each resident's needs to remain permanently housed. The housing navigators simultaneously work to find empty units in the open market and work with private landlords to enable re-housing at fair market value, sometimes offering incentives or guarantees for damages; this team is tasked with finding 100 units every month, and sheltered residents can apply for any of the units using Housing Choice Vouchers to pay full rent for up to 12 months. Through this model, Denver has served over 2,000 people at an annual cost of $25-30,000 per person, inclusive of staff, rent, and services.

Funding for this initiative comes from sales tax and the city's general operating fund. In 2020, Denver voters approved a 0.25% retail sales tax to fund the Homelessness Resolution Program and other services for people experiencing homelessness—proof that ballot funding measures can be used to address a range of housing issues. This new tax generates about $40 million a year. The city was also able to use American Rescue Plan Act dollars to purchase some hotels to convert into non-congregate shelters and permanent housing options.

With the Mayor's focused attention on homelessness, Denver has made immense progress in drastically reducing unsheltered homelessness through both the "Housing First" approach and the Housing Central Command system working to match residents with permanent housing. By empowering the Mayor's Senior Advisor for Homelessness Resolution to lead and coordinate closely with service providers as well as with private landlords, the city has been able to enact the necessary systems-level approach to impact this crisis with urgency. Denver's 2024 Point-In-Time Count showed an 83% reduction in unsheltered family homelessness and an 11% decline in the total unsheltered homeless population. Additionally, by the end of 2024, Denver had only 10 veterans experiencing unsheltered homelessness, effectively achieving "functional zero" while continuing to work with these individuals.

Cleveland, OH

Cleveland has also made significant progress in ending unsheltered homelessness using a Housing Command Center approach. After observing a concerning increase in people sleeping outside during the winter of 2023-2024, Mayor Justin Bibb recognized that addressing the issue required a greater sense of urgency and new approach. This led to the A Home for Every Neighbor initiative, launched in early 2024 with the city driving the process of more rapidly bringing people experiencing unsheltered homelessness inside. Cleveland and Cuyahoga County have long-established policies guaranteeing a right-to-shelter, with assured access to shelter for those who are homeless. Nonetheless, this guaranteed access to shelter does not ensure that shelters adequately meet the needs of unhoused individuals. The city based its approach on the HCC models deployed in Houston and Denver, acknowledging that tackling homelessness requires a system-level approach and coordination across sectors and organizations.

The city, in partnership with the County and its Office of Homeless Services, committed to bringing people inside into permanent housing as quickly as possible through its Housing

Command Center, led by a Senior Advisor to the Mayor and supported by a Housing and Outreach Project Manager. As in Denver, having someone with direct access to the Mayor leading the initiative enabled the team to cut through some of the bureaucracy and anticipate political disagreements related to site prioritization to enable an accelerated re-housing process. The city identified 150 people experiencing chronic unsheltered homelessness and set a goal to house them within the first 18 months. Since July 2024, they have successfully housed 155 people, a majority of whom self-report as chronically homeless, meeting their initial goal in just eight months. Cleveland created five teams reporting to the Housing Command Center: outreach, case management, unit acquisition, subsidy, and clean-up.

The **outreach** team begins the process by engaging directly with people experiencing street homelessness, prioritizing the largest encampments and those who are most vulnerable, typically measured by risk of violence or number of 911 calls at that location, age or ability, or risk of being displaced by an external entity. The city contracted with existing, trained outreach teams who observed regular residents of a specific site over 3-5 days before approaching those people to learn whether they were interested in housing. Cleveland's approach differs from other cities in that outreach workers directly engage with individuals to assess their needs and secure appropriate housing before asking them to relocate, rather than using a punitive approach and threatening site clearing. The **clean-up** team clears the site only after residents of that encampment have been housed, and the City prevents camping on that site moving forward to ensure that the intervention remains effective. This approach helps build trust between outreach workers and people experiencing homelessness while addressing community concerns about encampments.

These residents are then matched with a **case manager**. In Cleveland, there is one case manager for every 20 participants, a remarkable level of support for a homelessness response initiative. Simultaneously, the **unit team** secures units in the private market by working with landlords willing to make units available for re-housing. City employees advocating for people experiencing homelessness has proven more successful than individuals negotiating on their own, as the city's involvement instills greater trust with landlords and enables greater flexibility. Previously, individuals would complete an assessment to be put on a waitlist for funding for housing. They would then have to find an apartment themselves, which is extraordinarily difficult, as any criminal history can be automatically prohibitive. To signal their commitment to re-housing, the city also provides landlords with incentives such as sign-on bonuses, double security deposits, a one-time payment of $500-1,000, and the option for mutual lease termination. The team offers these incentives in recognition that the applicants often have greater needs or risks than typical tenants, and to work in good faith with the landlord to waive application fees and certain documentation requirements to expedite the placement process. The team has primarily identified available units in two-family homes and townhomes that are often close to transportation and other resources, though not necessarily close to the former camp sites. The HCC has found that if the unit meets the individual's needs, they are open to different neighborhoods. The unit team has certified building inspectors on-staff, expediting the inspection process. Approved units are added to an inventory for the case manager and participant to select from, with case managers helping with the application process.

Once the participant's application is accepted and the lease signed, the team provides a welcome kit and furniture for the unit ahead of the move-in date. The case manager continues to provide support services after the move-in date, and the City contracts with a local Community Development Corporation (CDC) to manage rental subsidy payments for up to 12 months. The typical wait time for a shelter resident to move to permanent supportive housing is 5-7 months. In contrast, the entire HCC process from outreach workers visiting the site to camp residents being housed takes approximately 2-3 weeks and is referred to as the "Surge." The average length of time between case worker intake and move-in is only 11.5 days.

To maintain the emergency response as a top priority, the HCC meets daily to address complex cases and ensure that people with complicated needs are supported in obtaining stable housing. This type of case conferencing is only made possible through reliable by-name, real-time data that enables record-keeping of each person experiencing homelessness, their specific needs, and where they are in the process. Data are inputted by organizations across the community in this more detailed format and typically housed in that community's existing Homeless Management Information System (HMIS). Daily case conferencing ensures accountability for entering and updating information in this system, and it enables communities to understand trends and progress over time. Community Solutions helps cities set up the systems to collect and utilize this information, as they do in Cleveland, rather than needing to rely on yearly Point-In-Time (PIT) counts to track progress.

Cleveland also allocated $600,000 to a flex fund to address miscellaneous needs that prevent people from remaining stably housed. Needs addressed through this fund included things like paying a fee for a certification to pursue employment or clearing a criminal record to pass a background check. Awards from this fund were capped at $1500 per person, though most needs were under $500. Cleveland's flex fund made up a small portion of the $4.7 million in total funding for this initiative, with $2.7 million being spent on rental assistance and an average of $24,000 being spent per person per year on housing and support services. Having a flex fund to make small investments can be crucial to unlocking a person's ability to remain stably housed, and this has emerged as a best practice for communities implementing HCCs. In places where city funding is less flexible, philanthropic partners often step up to create this type of fund.

Now that Cleveland has reached its near-term goal of "functional zero" unsheltered homelessness, the potential next step involves working with the county CoC to apply the HCC model to reduce the time taken for individuals to move from shelters to permanent supportive housing, similar to how the HCC is used in Denver. The city is also exploring using the HCC model to rapidly relocate people living in distressed housing that no longer meets code or that is hazardous due to lead paint.

Diffusion and Scaling of Housing Command Centers

Housing Command Centers can be successful in any community that has solid funding, ideally including a flex fund, a centralized unit acquisition team, a robust base of homeless assistance providers with strong case management capacity, and an identified decision-maker with influence over existing systems and an appetite for thinking differently. With these pieces in place, it is also crucial to maintain a reliable database of people and their needs to be able to understand progress toward re-housing in real time. Organizations such as Community Solutions have created a blueprint for using data to drive action toward ending homelessness through Housing Command Centers. Their Built for Zero initiative includes nearly 150 participant cities committed to the goal of reaching functional zero. A key component of Community Solutions' methodology is "assembling an accountable, community-wide team," or a Command Center, to ensure that each agency or organization feels the necessary level of accountability and is able to leverage quality data for impact. With several jurisdictions implementing this approach, it has become evident that a successful Housing Command Centers include three core components:

Focus and Prioritization From Senior Leadership: As national homelessness rates continue to rise, systemic improvements are needed to remove bottlenecks and accelerate the re-housing process. This type of system redesign requires significant focus from leadership combined with resources, as was the case in Denver and Cleveland. Mayors Johnston and Bibb announced comprehensive initiatives focused on homelessness, holding themselves accountable to numeric goals. Cities taking a more active role signals their acceptance of responsibility for the issue and provides greater credibility to the response. Disaster response efforts prioritize rapid, coordinated action to secure housing for those affected, and the homelessness crisis demands a similarly structured, housing-first approach. If communities can swiftly re-house individuals after disasters, they should apply the same urgency and methodology to homelessness, without waiting on solutions for the larger affordable housing crisis.

Collaboration to Wield Collective Power: Homelessness is a multi-faceted issue and requires collaboration across numerous entities including, but not limited to, government agencies, service providers, and private landlords. As is typical in emergency management and disaster response, however, some hierarchy is needed to expedite decision-making, meaning that there needs to be a person in charge of building trust and relationships and ensuring coordination across service providers, landlords, and the public sector. Clutch Consulting, a group born out of Houston's success, helps communities designate roles for different teams and establishes workflows for successfully and expediently re-housing individuals. By-name data is also crucial for effective coordination and response so that disparate entities can keep track of each individual and their specific needs.

Flexibility to Iterate and Adjust: Each community faces unique challenges, and an effective Housing Command Center must adapt and refine its approach through small-scale trial and error. Cleveland, for example, spent a month piloting its program before launching its HCC and started with people experiencing chronic unsheltered homelessness, while Denver set an initial six-month re-housing goal, which they then built upon with a second year-long target. Houston's response started with veterans' homelessness and broadened from there. Best practices suggest beginning with larger encampments to concentrate resources and address the broadest range of needs, ensuring the system has been tested to scale effectively. It is also best practice to have a local team negotiate with landlords to assess a fair price for the units and to have a flex fund when possible to address smaller miscellaneous needs that enable successful permanent re-housing.

The Path Forward

With these three core components, and an influx of one-time funding for system redesign followed by sustained funding, a Housing Command Center can serve as a powerful tool to effectively reduce homelessness. Though a robust HCC approach requires significant investment, it is important to consider that cities are already paying the cost of homelessness, not only by having people living outside, but through hospitalization, medical and emergency room treatment, incarceration, emergency shelter, and mental health service costs. As a recent study in Dallas and Collin counties found, these costs amount to roughly $43,000/year per person compared to the estimated $26,000/year per person it takes to permanently house someone through the Housing Forward HCC. Keeping the cost of inaction in mind along with successful re-housing numbers can help make the case for sustained funding for Housing Command Centers. Treating homelessness as an emergency brings necessary focus and urgency to accelerate the outflow of people from homelessness into stable housing, eventually outpacing the inflow of people into homelessness.

***Emily Desmond** is a Special Projects Manager at the Nowak Metro Finance Lab. **Emily Collins** is the Former Senior Advisor to Mayor Justin Bibb in the City of Cleveland, and the Environmental Services Manager, City of Akron Department of Public Service. **Liam Haggerty** is the Housing & Outreach Project Manager, City of Cleveland, and **Cole Chandler** is the Senior Advisor for Homelessness, City of Denver.*

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RESPONDING TO A CRISIS: LESSONS FROM ATLANTA'S HOUSING STRIKE FORCE

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14 Responding to a Crisis: Lessons from Atlanta's Housing Strike Force

By Josh Humphries and Bruce Katz

Summary

Local governments across the country have recognized the need to use their own tools and powers to address the housing crisis in their communities. This is true in major coastal cities, small towns, rural communities, and even in cities that have, traditionally, been considered affordable. Convening local public agencies, quasi-public entities, and civic sector partners is a necessary step to delivering a comprehensive approach to the housing supply and affordability crisis.

Atlanta's **Housing Strike Force** is the city's housing crisis response team and provides a model for how localities can organize for success. Led by Mayor Andre Dickens, it includes the senior executives from every major public agency that touches housing or manages public land that could support development. Together, this group has reformed lethargic systems, deployed innovative housing solutions, and begun reshaping how affordable housing is delivered at the municipal level.

Governments at all levels have developed effective models for responding to crises, whether pandemics or natural disasters: establishing centralized command structures, setting clear mandates, and empowering interdisciplinary teams of officials. Atlanta's innovation lies in applying this crisis response model to the housing sector at the local level.

The Challenge This Tool Solves

Cities, counties, and states are at the forefront of addressing the current housing crisis in innovative ways. Many of these innovations, however, fall outside the purview of the Mayor's Office, often originating from public housing authorities, economic development agencies, and the civic and private sectors. Advancing these innovations requires the engagement and coordination of a wide range of public agencies, including transit authorities and local school districts. Bringing together public agencies in monthly meetings focused on housing goals provide a mechanism for overcoming siloed decision-making and fragmentation at the local level.

Types of Communities That Could Use This Tool

Atlanta's Strike Force model can be adapted by dozens, if not hundreds, of localities in the U.S. and provide a new, common platform for addressing housing challenges. Given the regional nature of housing markets, Atlanta's efforts could also inform the creation of multi-jurisdictional, county or regional strike forces that enable collaboration on this critical issue.

Expected Impacts of This Tool

By providing an organizing blueprint for localities across the country, the Strike Force model can accelerate the production and preservation of affordable housing. In Atlanta, it has already resulted in considerable progress towards the City's goal of producing 20,000 affordable housing units.

Background

When Mayor Andre Dickens assumed office in 2022, Atlanta's housing crisis was reaching a critical point. Rapid population growth continued to outpace housing production. A growing number of residents were facing a housing market that was increasingly out of reach. Mayor Dickens campaigned on creating 20,000 affordable housing units over eight years, but his team projected that even under optimistic assumptions, only 15,000 would be delivered.

Like many cities, the housing ecosystem in Atlanta in 2022 was highly fragmented. Permitting, operating subsidies, entitlements, gap funding, resident emergency resources, and land ownership were all managed across numerous public agencies. More than a dozen public entities controlled land holdings. This fragmentation resulted in lengthy delays, conflicting requirements, a general lack of coordination, and increased development costs.

Atlantans were becoming the victims of this broken housing ecosystem, and the Dickens Administration concluded that meeting its housing goal required a coordinated crisis response. The Housing Strike Force emerged as the city's organizing solution.

Proposed Solution: Housing Strike Force

Launched in early 2022, Atlanta's Housing Strike Force is led by the mayor and consists of 13 members, including the senior executives of all local public entities that impact the housing ecosystem. Some members have direct responsibility for preserving or expanding housing supply, including the leadership of the public housing authority and the planning department. Some have indirect impacts on the housing system, including the leadership of the school system and the transit authority. A list of members can be found in the Appendix. The full Strike Force meets quarterly to review progress toward the 20,000-unit goal, discuss upcoming projects that will require deeper coordination, and address challenges agencies are facing. Additionally, staff participate in biweekly project pipeline meetings, working together to assess and advance new projects, as well as monthly strike force check-in meetings. The Strike Force's true value stems from day-to-day collaboration between agencies that now work together to troubleshoot and move projects forward. The strike force has cultivated a collaborative environment where the relevant agencies work hand in hand, often on calls or meetings multiple times a day, problem solving and coordinating resources to move projects forward. Just three years into the mayor's eight-year affordable housing goal, Atlanta has delivered or begun construction on over 11,000 of the 20,000 targeted units.

In addition to the Housing Strike Force, the Mayor's Office established a new housing team reporting directly to the mayor. While the city's Housing Department is focused on existing programs and policies, this new team is focused entirely on the 20,000-unit goal, and operates across agencies, designs new initiatives, and leads implementation. Its members include urban planners, architects, and policy experts, all empowered to move quickly and test new approaches. Together, the Strike Force and central housing team form the organizational backbone of Atlanta's crisis response, this new team is focused on this goal.

The Housing Strike Force places a high premium on goal setting and continuous measurement. The housing team built an interactive tracker, publicly available and sourced from every agency delivering affordable housing. Each strike force meeting starts with a status of the path to 20,000 units.

Diffusing and Scaling the Housing Task Force

With the strike force in operation for several years, Atlanta's leadership has identified eight key lessons that can guide other cities considering to bring a unified, crisis response approach to housing policy and implementation.

Set the North Star

Establishing a clear and measurable goal helps guide policy decisions and coordinate action. For Atlanta, that north star was creating or preserving 20,000 affordable housing units in eight years, a figure grounded in recent needs assessments and articulated during the mayoral campaign. Initial analysis revealed that maximizing current programs like the Low-Income Housing Tax Credit program and the city's Inclusionary Zoning Ordinance would still fall short of the established goal by 4,000-5,000 units. Recognizing that gap allowed the city to rethink its approach and pursue systemic change to reach its goal.

Unleash the Coalition and Move Fast

Atlanta's housing coalition, which includes public, private, and philanthropic partners, had been building for years, and proved critical to the early successes of the housing crisis response. Groups like HouseATL and previous administrations, including that of former Mayor Keisha Lance Bottoms, had already laid important groundwork.

Instead of spending the first year developing a new plan, the Dickens Administration chose to move quickly by implementing the most actionable elements of previous plans. Even though the crisis response would eventually require the city government to go above and beyond those plans, delivering on the good ideas that already had broad support helped to quickly unite the coalition and get things moving right away.

Leverage Public Land

With the coalition engaged and a new structure in place, the strike force got started on its biggest opportunity: unlocking public land. Building affordable housing on public land has been included in every affordable housing plan released in Atlanta for the last 20 years. The problem was that, prior to 2022, very little new housing development on public land was actually underway. The city government had little granular understanding of what the public sector owned. The Strike Force started by categorizing actionable real estate assets as either “Ready-to-build" or “Catalytic” opportunities. The catalytic opportunities tended to be larger and more complex, so the city team got to work on those in the background while easy those that were site-ready were advanced right away.

The city team also began feverishly looking into how the best cities in the world manage their public land assets. Housing staff talked to cities all over the globe and centered in on the century-old successes found in many European cities and one inspiring story of the recent revitalization of the port in Copenhagen. It became clear that Atlanta needed to level-up its public land game to accomplish the Mayor’s housing goals. To do this, the Mayor’s team partnered with the housing authority to build a public development corporation to lead development of key publicly owned assets with mixed-income housing. The new corporation was given a small portfolio of land, the power to provide tax exemptions, and access to a $38 million construction financing fund. Less than a year after launch, the new corporation is one of the leading edges of innovation in Atlanta, with initial projects including one of the first office-to-residential conversions in the city and a fire station and mixed-income housing project in Midtown Atlanta.

Reset the Toolbox, Borrow Successful Models

The Strike Force conducted a full review of the tools available across the city agencies to identify what was working, what wasn’t, and where gaps remained. The evaluation led to the refinement of existing programs and the development of new ones. When the team encountered gaps, it looked outward to other communities for successful solutions.

One such gap was construction financing. Many of the projects stalling out in the pipeline were not able to get the secondary (mezzanine) construction loans they needed to close on their deals. It turned out that the Housing Opportunities Commission in Montgomery County, Maryland had faced the same issue and had recently created a successful mezzanine construction loan product. Atlanta adapted the model to local conditions, establishing its own construction loan fund to support housing projects. By borrowing successful ideas and applying them strategically, the city avoided unnecessary reinvention, and accelerated implementation.

Leverage Overlooked Powers

Many cities possess legal authorities that have fallen into disuse yet remain highly relevant to today's housing challenges. In Atlanta's case, the Georgia Housing Authorities Law of 1937, last amended it in 1951, offers untapped tools such as the power to provide tax exemptions for affordable housing and the ability to innovate with building code regulations that have been largely unused for 70 years. The Strike Force revisited this statute, and identified ways to put it to work in modern contexts. The first modern usage of these powers was used by the new public development corporation to unlock the first post-COVID office-to-residential conversion in Atlanta. Leveraging long-standing but underutilized powers helped the city cut through regulatory barriers and unlock pathways for development.

Secure Early Wins

Quick, visible successes build momentum and demonstrate credibility. Early in the administration, for example, the city faced rising rates of unsheltered homelessness, a visceral and tragic symptom of the national housing crisis. The new Administration knew that traditional construction timelines were too slow to meet urgent needs. The Strike Force identified modular construction as a faster alternative and deployed it on city-owned land. The resulting 40-unit project was completed in four months, the fastest multifamily delivery in Georgia history. Securing this win helped solidify support among partners and Atlantans alike, while proving that government can move swiftly and effectively under the right structure. The Melody showed that the city agencies can move faster and cheaper while maintaining quality. The city government paid for full project costs on a bet that the coalition would engage if the project could prove the model worked. The response has been overwhelming, and the Dickens Administration is now moving forward with an effort to deliver several similar projects by the end of 2025.

Increase Public Sector Risk Tolerance

While cities like Atlanta traditionally acted along the periphery when addressing the housing crisis, solving complex challenges such as large-scale affordable housing production often requires the public sector to lead by example. Atlanta's new tools and early wins were made possible, in large part, because of a deliberate decision to take risks. The public sector needed to raise its risk profile, better utilize its ability to be more patient, and consider other public benefits than pure profit when making a real estate investment.

The city demonstrated this by acquiring 2 Peachtree, a 41-story vacant office building downtown. The scale and location of the project made redevelopment risky, and the city stepped in where the private market would not. The current state of downtown and the sheer size of the building made it risky to redevelop. The private market needed to see that the new administration was serious about turning things around downtown before they were willing to invest. So, the Dickens Administration, in partnership with Invest Atlanta, the city's economic development authority, bought the building. The project is now set to deliver over 600 units of housing. Moreover, the move catalyzed more than half a dozen other office conversions nearby, signaling that Atlanta was serious about addressing the challenge. Public investment, used strategically, can de-risk pioneering efforts and encourage follow-on capital.

Build Long-Term Solutions While Addressing Immediate Needs

Crisis response requires attending to immediate needs while also building new solutions that make future responses more effective. When rising interest rates threatened to derail dozens of affordable housing projects in 2023, Atlanta acted quickly. Through a public-philanthropic partnership, the city helped raise $300 million of public and philanthropic funds to close deals on more than 2,000 units.

But this effort wasn't just about emergency triage. It also seeded new tools, including a mezzanine loan fund, infrastructure financing, and a common application and expedited permitting processes to shorten timelines. These systems now form the backbone of a more resilient housing finance ecosystem. By pairing emergency action with strategic system-building, Atlanta transformed short-term crisis response into a catalyst for long-term housing stability and innovation.

Building a Strike Force

Atlanta's Housing Strike Force was initially built using existing staff and leadership across multiple agencies and city departments. Mayor Dickens committed much of his own time, as did his senior team, and asked for a commitment of time and existing resources (i.e., land, tools, staff availability) from strike force participants. Building the 12-person housing team in the mayor's office allowed the work to get started while the Dickens Administration made the case for the funding needed to move projects forward.

Since the launch of the Strike Force, the city government in Atlanta has generated substantial new resources to the crisis response: it has issued $150 million in city-backed bond funding, allocated $37 million from housing trust funds, partnered on a $200 million philanthropic raise, allocated over $75 million in tax increment financing to affordable housing, and supported multiple tax incentives to help with operating subsidy to enable long-term affordability. Each of these new commitments, as well as the use of other sources, are deployed in tight coordination through the collaboration of the Strike Force. Without first putting the strike force in place, it would have been difficult to build adequate political support or effectively deploy new resources.

Meeting Atlanta's north star of 20,000 affordable units by 2030 will require continued effort, but with a high-functioning Strike Force, strong leadership, and aligned partners, Atlanta is well on its way.

Josh Humphries *is Senior Advisor to Atlanta Mayor Andre Dickens.* ***Bruce Katz*** *is the Founding Director of the Nowak Metro Finance Lab at Drexel University.*

Appendix: List of Positions and Agencies Involved in the Housing Strike Force

1. Mayor of Atlanta
2. City of Atlanta COO
3. City of Atlanta Chief Policy Officer
4. City of Atlanta Senior Housing Policy Advisor
5. City of Atlanta Planning Commissioner
6. MARTA General Manager & CEO
7. Atlanta Fulton County Recreation Authority Executive Director
8. Atlanta Public Schools Superintendent
9. Atlanta BeltLine President & CEO
10. Atlanta Housing President & CEO
11. Invest Atlanta President & CEO
12. Metro Atlanta Land Bank Executive Director
13. Atlanta Land Trust Executive Director

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ORGANIZING TAX-ADVANTAGED CAPITAL FOR HOUSING AND COMMUNITY DEVELOPMENT: LESSONS FROM OPPORTUNITY ALABAMA

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15 Organizing Tax-Advantaged Capital for Housing & Community Development: Lessons from Opportunity Alabama

By Alex Flachsbart, Bruce Katz, and Ross Baird

Summary

As the contours of the new administration's federal housing policy emerge, Opportunity Zones (OZ) are receiving significant attention as a core pillar of what might come next in housing and economic development.

Given the likelihood that OZs could be extended and expanded in the 2025 tax bill, there is substantial interest in lessons learned from places that were able to take full advantage of the tax incentive in purposeful ways, by smartly leveraging public, private and philanthropic investments since its inception in 2017.

Opportunity Alabama (OPAL) is a best-in-class model demonstrating how states and communities can mobilize local corporations, high-net-worth individuals, universities, hospitals, foundations, and government agencies to coordinate efforts, invest at scale, and attract outside capital. OPAL serves as the critical intermediary making it all possible.

The results are impressive: Alabama ranks in the top ten nationally in the aggregate (not just per capita) in the level of OZ investment; a dramatic change from where Alabama typically finds itself on national ranking lists and a testament to the state getting ahead of this incentive early and aggressively.

As in other communities, housing production represents a major focus of OPAL. In Birmingham's downtown, for example, Market Lofts is bringing 192 units of workforce housing without other forms of subsidy to serve residents who make too much income to qualify for subsidized housing but too little to afford much of the available residential housing in the city center. The project has revitalized a 140,000 square foot historic building vacant since the American Red Cross left in 1998.

Alabama's success offers a blueprint for what's possible when innovative thinking meets strategic execution. As OZs stand on the brink of legislative extension and enhancement, lessons from Opportunity Alabama provide relevant guidance for states seeking to leverage this program to bring in unprecedented capital while creating the infrastructure for sustained inclusive growth.

The Challenge This Tool Solves

Private capital that utilizes public incentives, such as those with OZs, may not provide what the public needs or wants. Additionally, private capital is often siloed, with investors, financial institutions, and philanthropy operating with their own set of criteria, timelines, and objectives. By creating an intermediary to organize and pool private capital, while at the same time preparing and strengthening projects for that capital to invest in, Opportunity Alabama brings together investors and those who need investment toward a better coordinated and higher impact approach.

Types of Communities That Could Use This Tool

States and localities of all sizes and capacity levels can utilize an intermediary and governance model like Opportunity Alabama. However, its effectiveness requires understanding and plugging current capacity gaps in the ecosystem while strengthening existing organizations toward the goal of better coordinated capital. In some communities a new intermediary may be the answer, and in others, empowering and restructuring an existing group may be more expeditious.

Expected Impacts of This Tool

Organizing capital, providing technical assistance to entities to receive investment, and strengthening the CDFI and investment ecosystem in a community can create a flywheel effect for positive impact. While the OZs program was the catalyst to OPAL's creation, communities can use other catalysts, such as the creation of a new housing trust fund or investment program, to organize the community towards coordinated impact.

Background

After bipartisan standalone legislation introduced the concept of OZs, they were codified for the first time as a short and nearly obscure provision of the Tax Cuts and Jobs Act of 2017. Focused on attracting private investment to economically distressed communities, the incentive allows people or corporations to defer taxes on capital gains by investing those gains in Qualified Opportunity Funds ("QOFs") that target their investments to state-designated OZs. If investors stay in a Fund for ten years, any additional gains from Fund investments are also exempt from taxes on capital appreciation.

The new tax incentive differs from other federal tax incentives in several ways. First, it is more market driven, relying on individual investor and QOF manager decisions rather than a federal or state agency to distribute the incentives. Second, it can be used for a wide variety of projects (e.g., residential, commercial, industrial, infrastructure) rather than narrow purposes like low-income housing or historic preservation. Third, there are no requirements for investors to ensure certain outcomes such as job creation or local financial matches. Finally, there is no cap on the amount of the benefit if the regulations are followed.

OZs differ markedly from traditional federal community redevelopment efforts by relying on equity investments rather than traditional debt, tax credit, and subsidy instruments. OZs, if purposefully implemented, can integrate disparate public, private and civic institutions, investments, and initiatives rather than dispensing compartmentalized resources via traditional government programs. By catalyzing patient capital through tying the most substantial incentives to a longer time horizon, OZs provide enormous incentives for investors, intermediaries, states and localities to work together to make sure there's a significant benefit for all involved.

Unlike programs such as Low-Income Housing Tax Credits or New Market Tax Credits, which allocate tax credits through highly competitive, government-controlled processes, OZs enable local leaders to organize capital voluntarily, without caps, quotas, or predetermined outcomes. This flexibility creates significant potential but also requires a much stronger local ecosystem to be effective.

The authorizing federal law provided one explicit role for sub-national actors: it directed governors to select OZs from an eligible group of economically distressed census tracts. As of April 2018, Governors in all 50 states, the District of Columbia and Puerto Rico had designated more than 8,700 OZs nationwide.

Seven years on, the real-world impact of OZs is beginning to be understood. Since their inception in 2017, OZs have attracted nearly $100 billion in private capital, according to the Economic Innovation Group (EIG). These investments have catalyzed the creation of more than 500,000 jobs, demonstrating their efficacy as a tool for economic development. Notably, multifamily housing developments account for substantial portions of OZ funded projects, addressing the nation's 7-million-unit housing shortage. As the Economic Innovation Group (EIG) reported earlier this year, "Opportunity Zones are home to about 10 percent of the country's population but now account for 20 percent of all new market-rate multifamily apartment units being developed in the country, up from 8 percent prior to legislation passing." By bridging financing gaps, OZs have enabled construction of thousands of units that might not have been built otherwise.

OZs are getting renewed attention for other reasons. The Tax Cuts and Jobs Act of 2017 was a signature achievement of the first Trump Administration, and tax reform is an early focus of the new Administration since key provisions of the 2017 Act are set to expire on December 31, 2025. Senator Tim Scott (R-S.C.), now the Chair of the Senate Banking Committee and a senior member of the Senate Finance Committee, was an original co-sponsor of the OZs legislation (with Senator Cory Booker (D-N.J.)). And Scott Turner, the new Secretary of Housing and Urban Development, ran the White House Opportunity and Revitalization Council during Trump's first term (which sought to coordinate federal investments in OZs).

Proposed Solution: Opportunity Alabama

Opportunity Alabama was formed in the summer of 2018 as Alabama's Opportunity Zone designations were finalized. The story, however, stretches back significantly further. For decades, Alabama faced chronic capital access issues for real estate development and business investment in its low-income communities. The Community Development Financial Institution (CDFI) movement that helped close that gap in many other states over the last 20-30 years never took off in Alabama. At the time of OZ designation, the state had only three certified non-bank CDFIs headquartered in AL, with none focusing on real estate. Consequently, Alabama ranked 50th of the 52 states and territories for per-capita CDFI Fund financial assistance awards. And the number of private foundations making grants and program-related investments (PRIs) to solve the access to capital problem in Alabama was similarly limited; from 2011 to 2015, Alabama received only $30 per resident in grantmaking activity from national and local sources (compared to $194/pp in New York or $107/pp on average nationally). This represents the lowest figure even within the chronically underinvested South.

Against this backdrop, Alabama's corporate and philanthropic communities understood the need to mobilize private capital to help close these gaps. They realized that the OZs incentive could work for anyone with a capital gain — from tech investors exiting seed investments to rural landowners who cut and sold timber. Given Governor Kay Ivey's designated zones (at least one in every county), there were openings to start conversations about "local capital for local deals" throughout the state. Beyond that, OZs offered potential to attract net new capital to Alabama if the right infrastructure was established to identify national Opportunity Funds interested in investing in the state.

Led by Alex Flachsbart, one of our coauthors, the state's largest utility (Alabama Power), largest bank (Regions), and several other corporate and philanthropic partners coalesced around the creation of a new nonprofit organization serving as a "one stop shop" for capital access through the OZs incentive. The objectives of this new nonprofit were to help originate investment opportunities, identify capital sources, and train project sponsors and capital allocators alike on leveraging OZs while combining that incentive with dozens of others at the state and federal level that could drive investment. With OZs as the catalyst for discussion, Alabama could potentially turn the tide on accessing grant capital, PRIs, CDFI Fund dollars, and other community development sources previously lacking.

Proposed Solution: Lessons from Opportunity Alabama

With Opportunity Alabama operational for several years, a broad leadership network of leaders has identified five signature lessons that can guide other states and cities choosing an organized approach to OZs capital or a similar ecosystem level approach:

Get the Word Out: For Opportunity Alabama's first two years of existence, staff spent enormous amounts of time on the road, meeting with the community, deal sponsors, and investor representatives who would form the basis of the state ecosystem. The goal was to put boots on the ground in every county by hosting educational events, listening sessions, and deal talks across Alabama over two years. Opportunity Alabama had large ambitions: positioning Alabama at the forefront of national conversations around OZs investing and, over time, using the same infrastructure that delivered OZs capital to channel non-OZs dollars into the same low-income geographies.

Build the Network: As noted above, Alabama now ranks in the top ten nationally in OZs capital deployed. More importantly, however, is the network that has been painstakingly built over the last six years. Alabama now operates a functioning capital access ecosystem that includes hundreds of banks, family offices, high-net-worth individuals, corporations, foundations, and many others. Some have capital gains and are interested in OZs; some are tax-exempt and like the idea of their corpus dollars being reinvested in the communities they are chartered to support; some are only interested in tax credits, some want market rate returns, and some are willing to be concessionary—but collectively, they form the foundation for a capital allocation infrastructure that totally transcends the OZs incentive that brought them all together initially. OZs were the catalyst, but now many ties bind them together

This evolution from having almost no capacity around capital deployment in underserved communities to having a fully-functioning, integrated capital access infrastructure statewide in just six years represents a remarkable and replicable accomplishment. The results can be observed in a series of memorable projects. Opportunity Alabama has enabled a $36 million naturally occurring affordable housing development in a blighted, 20+ year vacant property and a $500,000 redevelopment of a neighborhood theater into a new home for a nonprofit and a music venue. It also facilitated investments in woman-owned, Black-owned, Hispanic-owned, and veteran-owned businesses, helping close deals from Birmingham (194,000) to Heflin (population 3,500).

Controlling Capital Allows Control of Destiny: Opportunity Alabama evolved over time from an intermediary model to a capital allocator model. The benefits of the initial phase were a key part of the evolution: networks were built, projects were identified. But the organization realized early on the limitations of the "connector" model: you can lead capital allocators to opportunities, but you cannot make them invest. The organization ultimately decided that it would rather pool capital within an infrastructure it controlled and could allocate, spending the next twelve months partnering with Blueprint Local to build out a whole new investment shop. Opportunity Alabama launched the endeavor in 2021, began deploying capital in 2022, and has invested in over $500 million of deals through that infrastructure over the last three years—the majority of which are deals creating "missing middle" (80-120% AMI) housing across the state.

Transitioning from an intermediary to capital allocator model (while retaining nonprofit ownership of the corporate infrastructure) enabled the organization to: (A) focus on deals mixing the desired returns and impact; and (B) create a sustainable organizational model. With capital under management, Opportunity Alabama could charge management fees, with the cash flow from the deals paying those management fees, which covers overhead and obviates the need for general operating subsidies from government and philanthropy. OZs have proven to be the door-opener and enabler to much larger capacity and impact. Opportunity Alabama receives many calls from individuals who have a capital gain and are interested in OZs investing. Once these individuals hear about the totality of the pipeline and investment infrastructure (which includes everything from tax credit investment and bridge fund products to a debt fund run by the organization's own emerging CDFI), they may ultimately place OZs capital and additional investment in a mezzanine debt offering, a bridge-to-perm financing loan, or a Historic Tax Credit purchase.

Technical Assistance, Not Capital, Unlocks Catalytic Deals: Opportunity Alabama has learned that it cannot close deals without capital access, but capital allocators will not invest in real estate deals without a clear pathway to viability. Establishing that pathway to viability requires building out a comprehensive redevelopment plan (design, architecture, engineering, etc.), the right tenant mix (how many apartments at 80% AMI, who occupies the retail storefronts, etc.), and an ideal capital stack. The typical property owner or local organization looking to tackle a major placemaking project on their own might have the capacity to handle one, maybe two, of these big categories. But local resident developers or property owners handling all three, and then executing on all three, without third party help is extraordinarily rare because of required costs and expertise.

To address this gap, Opportunity Alabama reverse-engineered a technical assistance program to help local residents and community-centric developers execute on catalytic projects, providing comprehensive development assistance work—from pro forma creation and capital stack modeling to design and tenant recruitment. Opportunity Alabama offered this wraparound TA support (called Property Development Assistance Program (PDAP)) through a competitive application process running 2-3 times annually and has far more demand than available slots; during the last round, the organization could only accept 30% of applicants. Because the organization spent the time, energy, and effort to ensure that a deal is ready for capital when it goes to market, the deals that successfully complete PDAP have (thus far) been able to attract capital more consistently. Notably, there is no cost to participate in PDAP, but OPAL does reimburse its own time and expenses if the deal closes as part of the flow of funds at closing. There are no charges up front and no charge to a community if a project does not close.

Getting High Impact Deals Done — Particularly in Rural Areas — Is Possible but Extraordinarily Hard: Every capital allocator has their particular set of return requirements and risk thresholds that will not move. Rather, successful high-impact projects must find enough risk-mitigating elements to unlock the capital. Candidly, that's why Opportunity Alabama invented PDAP; going through the "de-risking" process is long and laborious, and almost always involves pulling in multiple subsidy sources at the local, state, and federal levels. But the nature of high-impact rural deals makes them, given experience, more challenging to complete than their urban counterparts. Negative population growth dynamics, generational disinvestment, and private market rents that are nearly always far below what could be achieved even in underserved urban neighborhoods all meld together to make deals exceptionally tricky to structure. Deals are smaller, both because they can't support more costs and because the square footage needs are not as great. And, local capacity gaps are even more exaggerated in rural areas, where there may not be capital, labor, or talent within a 2-hour drive to fill in each element of the team needed to get a high- impact deal done.

To consistently support deals in rural underserved places, PDAP is almost a base-level requirement, rather than a complete solution, as even with the perfect plan, the deal may still be too small, too risky, or not attractive enough for private capital allocators to take notice. Having a thriving local-vesting ecosystem is part of the solution here, but we'd encourage anyone looking at what federal and state tax/incentive policy looks like 2025 to think carefully about how their proposals will ultimately impact our ability to solve the rural challenge.

Diffusion and Scaling Opportunity Alabama

States and localities seeking to adapt the Opportunity Alabama model should focus on three major pieces of guidance:

Pick a Lane and Hire or Contract Around It: The skills needed to support consumer-centric small businesses are completely different from those needed to back great high-growth biosciences or tech startups. And, any of these skills are totally different from those needed to effectively underwrite or help "scale" real estate deals (where knowing how to build single-family housing is entirely different from supporting mixed-use historic revitalization projects). Trying to be a connector across all capital needs in low-income places all at once was, in Opportunity Alabama's experience, excessive. This guidance involves working with community stakeholders to identify the largest ecosystem gap that can be paired most readily with potentially available capital and focus there for building out your internal team talent. Alabama has multiple organizations providing technical assistance and access to capital for small businesses, and an emerging venture ecosystem to support our growth companies. What the state had absolutely lacked was catalytic real estate support—so over the last few years (and thanks to the revenue stream provided by their fund vehicles), Opportunity Alabama built out an in-house team of real estate experts who can both help scale deals and deploy capital.

Focus on Aggregating Local Capital: Opportunity Alabama initially expected that much of its capital (both operating foundation support and private investment) would come from national investors and philanthropy. While the entity had some success with both (thanks to entities like Woodforest, Arctaris, Lumina Foundation and EFA), it was a drop in the bucket compared to what Opportunity Alabama was able to achieve locally. Only after Opportunity Alabama fully built an investment infrastructure, hired a strong management team, deployed millions in capital, and received consistent local buy-in could it attract the kind of non-OZs-motivated national capital it hoped would "crowd in" from the start. The lessons learned are to find or create an incentive powerful enough to make every single local capital allocator listen to your pitch, get as many of them as possible into your infrastructure, and THEN go big with it. If local legislative advocacy is present in your state, consider what incentive at the state level might motivate collaboration, and push your state house, or your local/regional government, to create it.

Have a "Hook" to Build Your Ecosystem: Opportunity Alabama would not exist without OZs. Over the last 20 years, various efforts to start CDFIs, leverage the State Small Business Credit Initiative, create local-vesting venture funds, etc. all ran into the same problem: they didn't provide a big enough "tent" to draw in all the possible capital allocators, communities, and project sponsors, and/or they didn't offer a compelling enough incentive to make them stay to listen. In Alabama, OZs acted as the center tentpole, but that's not to say that a special "local-vesting" oriented state tax credit could not do the same thing in other communities. And with what we think will be a favorable setup for OZs renewal in 2025, there may be a second opportunities for leveraging a "revamped" OZs 2.0 to build a new Opportunity Alabama anywhere.

Expand the New Ecosystem's Focus and Impact: Today, Alabama has achieved outsized results in the OZs space, and the broader ecosystem is developing as well. As of the writing of this piece, Alabama now has double the certified CDFI loan funds compared to 2018 (supported by the first CDFI Fund TA awards made to Alabama in years) and multiple local philanthropies, and increasingly, multiple national philanthropies have developed program-related investment strategies around attracting capital to place, and are deploying them for millions in game-changing, loss-leading investments across the state.

The ecosystem that began as an idea now generates investors in Historic Tax Credits that are preserving the fabric of rural communities, philanthropic lending to nonprofits that are scaling solutions to social ills, blended capital investment in new housing production, and whole new small business support ecosystems to generate the next round of commercial district revitalization in urban centers and small towns alike. Jamie Dimon – the CEO of the world's biggest bank – even mentioned Alabama as a top target on a recent earnings call.

OZs are not cure-alls, but when paired with local leadership, technical capacity, and intentional alignment of capital, they can be the foundation for a new era of housing and place-based development.

Alex Flachsbart *is the President & CEO of Opportunity Alabama.* ***Bruce Katz*** *is the Founding Director of the Nowak Metro Finance Lab at Drexel University.* ***Ross Baird*** *founded Blueprint Local, which has invested $250M in Opportunity Zone capital in projects that now have an estimated ~$2B in value across the country.*

STATE AND LOCAL HOUSING ACTION PLAN

A REPORT BY THE NATIONAL HOUSING CRISIS TASK FORCE

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