*Originally Published by Multi-Housing News*

# How State and Local Initiatives Are Bridging the Affordable Housing Gap

By Gabriel Frank

May 14, 2025

These creative incentives and innovative policies are moving projects forward in a tough climate.

Willow Place, a $130 million affordable community in McDonough, Ga. Funding for Dominium Apartments' project was provided in part by the Georgia Housing and Finance Authority. *Photo courtesy of Weis Bulders*

Affordable housing presents a paradox. The National Low Income Housing Coalition estimates the nationwide shortage at 7.1 million affordable units, with the majority of states having 40 or fewer homes available per 100 extremely low-income renters.

Yet despite this high demand, new affordable product is increasingly difficult to build. Add up the potential impact of tariffs, high capital costs and an uncertain regulatory landscape, and affordable development becomes even hard to pencil out. But innovative state and local incentives, alongside nuanced advocacy, are getting hard-to-finance affordable developments off the ground.

### Scaling the capital stack

Half the battle of affordable development is often securing funding for a project's entire development cycle. While Low Income Housing Tax Credits remain a reliable avenue, they are often not enough to complete affordable housing's complex capital stacks. To bridge the gap, some states and cities have created housing trust funds. "They can help a project get off the ground when it might not have otherwise," said Patrick Hess, director of real estate development at Avesta Housing, a Maine-based developer. Decades-old examples are Maine and New Hampshire's Housing Trust Funds, while a more recent addition is Washington, D.C.'s fund, which enabled the construction of 9,000 affordable apartments from 2015 to 2022.

Porter Station, a 60-unit workforce housing development in Portland, Maine. The state has a longstanding affordable housing trust fund. *Photo courtesy of Avesta Housing*

Other financing incentives address the gaps more directly. Georgia's Housing and Finance Authority, provides tax-exempt bond financing for affordable projects built by private developers. These funds can be paired with federal LIHTC grants, thus reducing the amount of financing needed from agencies or private lenders.

Federal and agency grants will always be there, but "what works better (are) these programmatically available sources of funding that developers can plan for and build a business around," said Nick Andersen, president of development at Dominium Apartments. "The federal tax credit program brings in the bulk of that subsidy, and these gap fillers are the way to get those projects over the line," he told *Multi-Housing News*.

### What's old is new again

State and local tax incentives are strengthening the capital stack for adaptive reuse projects as well as for new ground-up developments. Massachusetts' Historic Rehabilitation Tax Credit program is a lifeline for developers seeking to convert old mills, office buildings and other properties to affordable housing. "Mills convert quite readily, as a lot of them are in that 60- to 75-foot width allowing for two double-loaded corridors," noted Gary Kane, a principal at The Architectural Team.

Kane's firm has worked on several conversions, including Stone Mill Lofts, an 86-unit community in Lawrence, Mass. Funded in part through federal and state historic tax credits, the community was built within a 179-year-old mill.

Another TAT-designed project, Apartments at Moran Square in Fitchburg, took shape within an old fire station and furniture store. "People are looking to convert downtown commercial buildings into housing because they are undervalued, and it's hard to get (other uses) going in some of these older properties," Kane said.

Stone Mill Lofts, a 86-unit affordable community in Lawrence, Mass., was built within a 179-year-old mill. The project was capitalized in part through State Historic Tax Credits. *Image Courtesy of WinnCompanies*

But old mills and factories are not the only candidates for these adaptive reuse projects. According to the tax credit's guidelines, a historic building can be anything 50 years and older,

Local governments are also providing financing tools to keep communities affordable long after a project is built. John Hoffer, vice president of project management at The NHP Foundation, cited the payment in lieu of taxes program in New Haven, Conn., as an example.

This PILOT program exempts a project from property taxes for two years after construction begins, then caps the taxes paid for affordable units at $450 per year for 15 years.

The program enabled development and preservation of affordability for Curtis Cofield II Estates, a 56-unit mixed-income project. The sponsors combined PILOT incentives with Connecticut's Tax Assessment Deferral program, which requires 10 percent of units to be affordable to residents earning 60 percent of the area median income for 20 years. NHP also secured affordability for a dozen units reserved for "missing middle" residents—those with household incomes at 100 percent of AMI.

### Cutting red tape

Forward-looking states and cities are also taking steps to lower other common hurdles to delivering affordable units at scale: requirements related to zoning, parking and unit density.

“Where production of new and substantially renovated affordable housing is most desperately needed, it is often impeded by the risks associated with long lead times and high costs of the entitlement, zoning and permitting process,” observed NHP Foundation’s Hoffer.


Legacy at Twin Rivers, a 150-unit affordable community in Columbia, Md., opened in March 2024. The state has enacted legislation aimed at boosting affordable housing production. *Photo courtesy of Enterprise Community Development*

Consequently, some developers are more encouraged by zoning reform than by additions to the capital stack. The City of Yes plan, which updates a 63-year-old New York City zoning provision, will help add 82,000 housing units over the next 15 years, its proponents estimate.

In another noteworthy example, last year Maryland’s Housing Expansion and Affordability Act took steps to modernize land use laws and approvals for transit-oriented development. “These kinds of approaches around ensuring (that) housing can’t be unduly blocked or delayed for any opposition because it is affordable, and streamlining processes of entitlement, are all really helpful,” said Zachary Marks, executive vice president & head of real estate development at Enterprise Community Development.