



Yardi Matrix

National Affordable Housing Report

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Taking Measure of Affordable Housing Programs

As the cost of housing rises faster than income, government entities on all levels are addressing the need for affordable housing through a panoply of programs aimed at increasing the stock of apartments affordable to low- and moderate-income households. A review of Yardi Matrix's database of 27,000 fully affordable multifamily properties (those in which the owner agrees to limit rents on at least 90% of units in exchange for a subsidy) found more than 300 federal, state and local programs in the capital stack.

Programs used to develop and manage affordable housing operate at all levels of government. The analysis of the Matrix database, which encompasses 3.6 million units, found roughly 22,000 completed fully affordable properties that use some form of federal government incentive, 2,170 that use state government incentives and 583 that use county or municipal incentives.

Subsidy programs are designed to work in a variety of ways, including tax credits, tax deferrals, low-cost financing, grants, density bonuses, direct renter subsidies and more. Programs are targeted at a wide range of renters, including low-income households, farm workers, the elderly, the disabled, the rural poor, the urban poor, transit-oriented development and more.

The federal Low-Income Housing Tax Credit (LIHTC) program is the most widely used tool for financing affordable housing and is frequently paired with tax-exempt private activity bonds (PABs). Yardi Matrix tracks nearly 15,000 fully affordable apartment properties that leverage LIHTC financing and 3,300 that use PABs.

The depth of the programs used by the industry demonstrates broad government support for affordable housing. Analysts estimate the nation has a shortage of 2 million to 5 million homes, resulting in rent increases that force households to dedicate an increasing amount of their income to housing. A recent report by the Harvard Joint Center for Housing Studies found that



the number of renters spending more than 30% of their income on housing reached an all-time high of 22.6 million in 2023, with 12.1 million of those paying more than 50% on housing. The average Renter-by-Necessity household paid 31.4% of income on rent at market-rate properties as of May, up from 29.6% five years ago, per Matrix.

While government support alone is inadequate to the task of restoring full balance, it is a piece of the puzzle to aid the poorest households. Meanwhile, the diversity of the programs at all levels of government will help to refine efforts going forward, providing a laboratory to study what works and what doesn't.

Tax Credits the Top Federal Tool

The federal government is the most active funding source of affordable housing. For many projects, federal loans and grants provide much-needed capital to make affordable housing developments viable. The leading federal programs to fund affordable housing are LIHTC, used in 14,793 prop-

erties tracked by Matrix, and tax-exempt PABs, used in 3,288 properties.

There are two types of LIHTC. A 9% credit is used to finance 70% of the costs of new construction. The "9%" term refers to the approximate percentage of a project's eligi-

Leading Federal Initiatives Used in Fully Affordable Properties

Program Name	Governing Authority	Standard Requirements	Creation Date	Number of Properties
Low-Income Housing Tax Credit (LIHTC)	Federal	20% units at 50% AMI or 40% units at 60% AMI	1986	14,793
Project-based Section 8	Federal	50% or less AMI	1974	3,693
Tax-Exempt Housing Bonds-Section 142(d)	Local	40% units at 60% AMI or 20% units at 50% AMI	1986	3,288
Public Housing-PH	Housing Authorities	80% AMI	1937	1,850
HOME Investment Partnerships Program-HOME	Federal	20% units at 50% AMI and up to 80% AMI	1990	1,710
Supportive Housing for the Elderly Program-Section 202	Federal	50% AMI	1959	1,360
Rental Assistance Demonstration-RAD	Federal	-	2012	677
Rural Rental Housing-Section 515	Federal	50% AMI or 50-80% AMI	1949	527
Affordable Housing Program-AHP	Private	20% units at 50% AMI	1989	278
Community Development Block Grant-CDBG	Federal	80% AMI	1974	255
Capital Magnet Fund-CMF	Federal	80% AMI	2008	171
Housing Finance Agency Risk-Sharing-Section 542(C)	Local	20% units at 50% AMI or 40% units at 60% AMI	1992	167
National Housing Trust Fund-NHTF	Local	100% units at 30% AMI	2008	166
Supportive Housing for Persons with Disabilities-Section 811	Federal	30% AMI or 50% AMI	2012	166

Source: Yardi Matrix

ble costs that can be claimed as annual tax credits over a 10-year period. 9% LIHTCs are awarded through a competitive process based on the allocation each state gets from the federal government based on population. The 4% LIHTC, typically used to acquire or preserve existing units, is designed to cover 30% of project costs. Projects that meet PAB financing requirements automatically qualify for 4% LIHTCs.

The second-most common federal program used in affordable housing is the PAB program, by which state and local governments issue bonds to finance projects that serve low-income residents. Properties must allocate a percentage of units at a rent level deemed affordable to households at 60% or less of the area's median income (AMI). If the property complies with rent restrictions for a compliance period, generally 15 years, the bondholders' interest payments are tax exempt. In 2025, the national cap on PABs reached \$40.9 billion, with states receiving allocations based on population. In 2025, California received the largest allocation at \$5.1 billion, followed by Texas (\$4.1 billion), and Florida (\$3.0 billion). Many properties financed by PABs also layer the 4% LIHTC.

Another popular program involves annual grants awarded to public housing authorities (PHAs) by the U.S. Department of Housing and Urban Development (HUD) to serve low-income, elderly, and disabled residents. Matrix tracks 1,850 properties that leverage that type of public housing funding.

Other federal programs used by a significant number of properties are:

- The project-based Section 8 program is used in 3,693 properties. The program is administered by HUD to help low-income, elderly and disabled residents. Vouchers are distributed to qualified households, to be used for apartments operated by PHAs. Tenants pay a portion of rent based on a percentage of their income, with the balance of the rent paid by the program.
- The HOME program, centered around the construction, rehabilitation and acquisition of affordable developments, is used by more than 1,700 properties. HUD allocates funds to states and participating jurisdictions to fund long-term affordable housing. For housing projects of five units or more, at least 20% of units must be affordable for households earning 50% of AMI and all units must be affordable to those at 80% AMI or less.
- Supportive housing for the elderly, which is a specialized program used by 1,360 properties for which HUD provides interest-free capital and rental assistance for age-restricted affordable projects.
- Rental assistance demonstration, which is used by 677 properties and facilitates the conversion of public housing and HUD-assisted properties to long-term Section 8 rental subsidies.

California Leads in State Initiatives

More than 2,000 properties in the Matrix database use nearly 100 different state programs to develop and operate affordable housing. The programs are concentrated in states with the largest populations and most intense housing affordability issues. California leads all states with 22 incentive programs that are used in 974 properties in the Matrix database. California funds eight of the top 12 state-level incentive programs by number of properties. The most used California programs are:

- Density Bonus, which is used by 177 multifamily properties. The bonus law allows increased housing density beyond local limits if a portion of units are affordable to very low (50% AMI), low (50%-80% AMI) and moderate (80%-120% AMI) income households.
- California’s Multifamily Housing Program, which is used by 157 properties and provides loans for the development of affordable rental housing. Eligible borrowers must

provide affordable multifamily housing for households with incomes up to 60% AMI.

- The Low- and Moderate-Income Housing Asset Fund, which is used by 115 properties and enables local governments to offer loans or grants for the construction, acquisition or rehabilitation of affordable housing.

Florida is the second most active state for affordable housing subsidies, encompassing five programs used for 239 properties tracked by Matrix. The bulk (165 properties) involve the State Apartment Incentive Loan program, which aids with the construction and rehab of affordable housing via low-interest loans. SAIL funding will cover up to 25% of development costs (with a few exceptions) if rents are restricted on an AMI basis. A minimum of 20% of units must be reserved for incomes at 50% or less of AMI. This becomes more restrictive when paired alongside housing credits, as 40% need to be reserved for households at 60% of AMI.

Leading State Initiatives

Top Financing Program per Location	Governing Authority	# of Properties	Program Requirements
State Apartment Incentive Loan Program	FL	165	Subordinated loans to develop properties with at least 20% of units at 50% AMI or 40% of units at 60% AMI
Multifamily Housing Program	CA	157	Long-term loans with low interest for construction and rehab of affordable housing <= 60% AMI
Housing Development Assistance Program	OH	78	Supports affordable housing projects <= 50% AMI
Housing Development Grant	CO	64	Loans/grants for construction and rehab <= 100% AMI
Rental Production Program	NC	62	Gap loans for LIHTC-awarded developments <=60% AMI. Must comply with HOME program regulations
New York Housing Trust Fund	NY	46	Loans/grants for housing developments <=90% AMI
Massachusetts Affordable Housing Trust Fund	MA	44	Loans, grants, subsidies and other financial assistance to serve the creation and preservation of housing <=110% AMI
City of Seattle Affordable Housing	WA	41	Financial assistance to developers or non-profits to build, acquire or rehab single- and multifamily units. Rents may be restricted from 30% to 80% AMI
Housing Production Trust Fund	DC	38	Special revenue fund that provides gap financing for low (50%-80% AMI), very low (30%-50% AMI) and extremely low income (30% AMI) households.

Source: Yardi Matrix

Ranking State Programs

Location	# of Programs (State + Local)	# of Properties (State + Local)
CA	60	1,163
FL	20	297
MA	7	141
OR	6	127
MN	14	127
NC	5	103
NY	11	94
NJ	7	90
OH	3	83
CO	6	76
IL	8	69
WA	5	69
TX	12	59
DC	3	53

Source: Yardi Matrix

SAIL financing is determined through a competitive bidding process. Applicants are required to provide a project proposal, a financial pro-forma, site control documentation and other funding sources. Each year, the Florida Housing Finance Corp. issues about 15 RFAs tailored to specific demographic and geographic groups.

Other popular state programs include Ohio's Housing Development Assistance Program (78 properties), Colorado's Housing Development Grant (64 properties) and North Carolina's Rental Production Program (62 properties). Massachusetts (six state programs used in 138 properties) and New Jersey (eight state programs used in 90 properties) are also among the states most active in providing affordable housing subsidies.

County and local programs operate on a smaller scale than those administered by federal and state governments, but many prolif-

erate. Matrix found 118 fully affordable properties that take advantage of county and local programs. About two-thirds of those subsidy programs are small, supporting three or fewer properties, but a handful help fund at least 25 properties. Those include:

- The Proposition HHH Permanent Supportive Housing program in Los Angeles, approved by city voters in 2016, which provides loans and potential tax incentives for supportive housing. Property owners must set aside 50% of units for extremely low (30% AMI), very low (30%-50% AMI) and low (50%-80% AMI) income households. The program is used by 51 properties.
- Seattle's Housing Division, which provides financial assistance to build, acquire or renovate multifamily units in exchange for setting aside at least 30% of units for households at 80% or less of AMI. The program is used by 41 properties.
- The county of Hennepin, Minn., home to Minneapolis, which has an Affordable Housing Incentive Fund that offers loans to local governments to construct, acquire or rehabilitate LIHTC projects for low-income households at 60% or less of AMI. Thirty-six properties use the program.
- The City of Los Angeles Affordable Housing Trust Fund, which finances loans, grants, subsidies and other assistance for affordable developments within the city. It is used by 32 properties.
- Portland, Oregon's Inclusionary Housing program, which is used by 25 properties and provides 10-year tax exemptions to new rental developments that set aside at least 20% of units for households earning up to 80% of AMI. Developers can also be exempt from a construction excise tax.

Changing Policies on the Federal Level

Given the public pressure to create and preserve affordable housing, subsidy programs are likely to persist. However, affordable housing is evolving as policymakers tinker with the mix of programs that are funded, while market forces serve to complicate property financing.

On the federal level, the policy mix going forward may tilt toward tax credits and away from renter subsidies. The tax bill making its way through Congress increases the funding for the 9% LIHTC program by 12.5%, which would increase LIHTC allocations to \$14.1 billion. The bill lowers the threshold to qualify for financing PABs from 50% of project costs to 25%, which will allow more projects to qualify for the maximum amount of the 4% LIHTC, facilitating preservation of affordable units.

Moreover, hard-to-reach areas such as rural and Native American communities will receive additional credit benefits. The tax

bill also renews and refines the Opportunity Zone program, which came into being in the 2017 tax law and offers tax benefits for developers who build in low-income areas.

At the same time, the current administration's first budget proposal calls for sharp cuts to Section 8 and HOME programs that provide direct subsidies to renters, cuts funding for Community Development Block Grants and several loan programs that are used to fund affordable properties, and proposes reducing HUD staff by 2,000 workers, which would make it more difficult for the agency to administer programs. The tax bill and budget are still in negotiations, so the outcome is not yet clear.

Similar policy debates are happening at the state level. For example, states such as New York and California are working on programs to subsidize the conversion of obsolete commercial properties such as office and retail into badly needed housing.

A Call for Simplicity

Besides policy, topics crucial to the affordable housing market include cutting red tape and keeping a lid on expenses, issues that contribute to delays and sometimes the abandonment of projects. Simplifying the building process is critical. Public funding comes with stipulations that limit the scope of spending options and often require burdensome paperwork. Complex zoning and environmental regulations contribute to extended timelines, pushing fees and carrying costs higher.

Some proposals aim at limiting the strict regulations for affordable housing funding. For example, the Affordable Housing Credit Improvement Act seeks to simplify compliance and reporting requirements while aligning LIHTC rules with other federal housing programs. The act also aims to reform zoning regulations such as minimum lot sizes, height restrictions or parking requirements that can hinder development. The goal is to remove inefficiencies associated with combining mul-

multiple funding sources, enabling developers to meet project timelines and control costs. To save time and money, some jurisdictions have created one-stop-shopping processes to allow developers to avoid working at cross-purposes with various municipal departments.

Other hurdles are created by market forces. One is the growth in expenses such as labor, materials and insurance. Expenses per unit have increased by more than one-third for affordable properties since 2019, according to Yardi Matrix's database. Another is the fluctuation in the value of the tax credits, which typically are purchased at 75% to 90% of their face value.

These complications require developers to raise more capital, often layering a variety of funding sources to support affordable developments throughout the life of the project. It is

not uncommon for projects to have a half-dozen sources of funding, and some properties layer 10 or more funding sources.

Overburdened developers are already juggling multiple compliance requirements, making capital raising increasingly complicated. Subsidies often cover construction and rehab costs, but some programs may not fund pre-development or staffing expenses, leading to difficulty in allocating funds to where they are most needed.

The hundreds of existing subsidy programs can be viewed in a positive light, as it demonstrates policymakers' commitment to affordable housing. Public funding is an essential piece of meeting the population's need for affordable housing, even though more must be done to streamline the process to make the most efficient use of tax dollars.

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