

COMMUNITY DEVELOPMENT

CASE STUDIES OF THE PRODUCTION AND PRESERVATION OF MULTIFAMILY AFFORDABLE HOUSING IN THE SECOND DISTRICT

Jacob Scott
Maria Carmelita Recto
Jonathan Kivell

June 2026

Key Takeaways

- Housing cost burdens are rising across the country, with one in four rental households spending more than half of their income on rent and utilities as of 2024.
- The cost of developing affordable housing has risen in recent years, with prices for building materials alone rising by 39% between 2020 and 2024.
- With the gap between the demand for and the supply of affordable housing growing, developers are utilizing multiple programs and incentives other than the Low-Income Housing Tax Credit program to add new and preserve existing multifamily affordable housing units.
- A combination of capital subsidies, operating subsidies, regulatory tools, and public-private partnerships can make producing and preserving multifamily affordable housing feasible.

Introduction

Researchers estimate that the United States has a shortage of housing units that stretches into the millions, a situation that has arguably led to dramatic increases in both home prices and rents.^{1,2,3} As a result, renters have become increasingly cost burdened; nearly one in two renter households spent 30% of their income or more on rent and utilities in 2024, and one in four spent more than half of their income. This is especially acute for low-income renters. Three in four renters earning between \$30,000 and \$45,000 were cost burdened as of 2024. Research suggests that additional supply is necessary to alleviate these rental pressures.^{4,5}

One challenge is that the rental income generated by properties serving low- and moderate-income households is often insufficient to cover the costs of acquiring, developing, and operating those properties.^{6,7} This is especially true given recent increases in the cost of land, construction, and other development costs, as well as operating expenses. Building materials alone rose by 39% between 2020 and 2024.⁸ Capital subsidies, operating subsidies, or some combination thereof are frequently necessary to make these projects work financially.

Since 1986, the Low-Income Housing Tax Credit (LIHTC) program has been the most effective tool to incentivize equity investment to develop new or acquire and rehabilitate existing multifamily affordable housing units. The LIHTC program is a federal program embedded in the tax code. It is administered by state or local housing agencies, which provide federal tax credit allocations to developers in exchange for affordability commitments at the property level.⁹ Often paired with grant funding and other sources, LIHTC makes projects feasible that would not have been possible without the program. It has helped produce millions of units of housing, including around 50% of project-based federally assisted housing units and a quarter of all new multifamily housing units in the country.¹⁰

¹ [https://www.urban.org/research/publication/bringing-housing-shortage-sharper-focus\](https://www.urban.org/research/publication/bringing-housing-shortage-sharper-focus)

² <https://nlihc.org/gap>

³ <https://www.urban.org/urban-wire/high-rents-are-posing-financial-challenges-renters-all-income-levels>

⁴ <https://www.furmancenter.org/publication/supply-skepticism-revisited-update/>

⁵ <https://www.urban.org/research/publication/addressing-rental-affordability-increasing-multifamily-housing-supply>

⁶ <https://apps.urban.org/features/cost-of-affordable-housing/>

⁷ See the Urban Institute's "The Cost of Affordable Housing: Does It Pencil Out?" for an interactive tool for learning more about the difficult economics of such projects (<https://apps.urban.org/features/cost-of-affordable-housing/>).

⁸ <https://www.fanniema.com/media/53121/display>

⁹ <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/state-lihtc-program-descriptions>

¹⁰ It has helped produce 3.7 million units of housing (<https://www.huduser.gov/portal/datasets/lihtc/property.html>). Of those, 2.5 million are still active (<https://fedcommunities.org/lihtc-affordability-requirement-expirations-implications-supply-guaranteed-affordable-housing/>). As many as 50% of project-based federally assisted housing units have involved LIHTC(<https://preservationdatabase.org/reports/improving-lihtc-data-for-preservation/>). Between 2000 and 2019, 25% of new multifamily housing built in the U.S. was supported in part by LIHTC (<https://www.urban.org/urban-wire/lihtc-provides-much-needed-affordable-housing-not-enough-address-todays-market-demands>).

However, despite LIHTC's role in producing affordable housing, the magnitude of the current housing shortage has spurred interest in developments that do not rely on the program.¹¹ Estimates of the housing shortage range from 1.5 million to over 5 million units, with the gap for low income households exceeding 7 million.¹² LIHTC produces approximately 50,000 units annually.^{13,14} At that rate, it would take decades to close the gap, assuming no loss of existing units and no growth in the shortage.

Moreover, most low-income renters do not and will not live in LIHTC units. The number of low-income renters nationwide, at 27.6 million,¹⁵ is more than 10 times greater than the number of active LIHTC units, which sits at 2.5 million.¹⁶ Additionally, 5.1 million renters earning 80-100% of area median income (AMI)¹⁷ are ineligible for LIHTC but increasingly cost-burdened.¹⁸

Understanding how properties are developed and preserved without LIHTC is therefore critical.

Private investors have shown interest in such non-tax-credit properties. Our previous research examined private capital investment in multifamily affordable properties, including Section 8 properties, naturally occurring affordable properties, and LIHTC properties at the end of their compliance or extended use period, and found evidence of increasing commitments.¹⁹

Methodology

Given the need for and increased interest in affordable housing produced and preserved without LIHTC, this report uses case studies to examine selected projects that have used preservation and development tools other than LIHTC. These tools include Opportunity Zone equity, tax abatement programs, additional density, cross-subsidization across market-rate and affordable units, and

¹¹ <https://www.urban.org/urban-wire/lihtc-provides-much-needed-affordable-housing-not-enough-address-todays-market-demands>

¹² <https://www.urban.org/research/publication/bringing-housing-shortage-sharper-focus>

¹³ <https://www.urban.org/urban-wire/lihtc-provides-much-needed-affordable-housing-not-enough-address-todays-market-demands>, <https://taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work>

¹⁴ While the exact number of units annually produced by LIHTC can vary due to market conditions, there is a ceiling given two key factors. First, there is a cap on the volume of 9% tax credits that can be allocated per year. Second, there is a cap on the volume of tax-exempt bonds that can be issued by states each year, which puts a limit on the number of units that can be developed using 4% tax credits, given the requirement that they be paired with such bonds. For more information, see: <https://taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work>.

¹⁵ <https://www.novoco.com/notes-from-novogradac/nlihc-finds-affordable-rental-housing-supply-at-record-low-especially-for-lowest-income-renters>

¹⁶ <https://fedcommunities.org/lihtc-affordability-requirement-expirations-implications-supply-guaranteed-affordable-housing/>

¹⁷ Area median income (AMI) is the median household income for a specific geographic area, adjusted for household size and local economic conditions, calculated annually by the U.S. Department of Housing and Urban Development (HUD). HUD uses AMI as the primary benchmark to determine eligibility for affordable housing programs and subsidies. For more information, see: <https://www.urban.org/research/publication/calculating-ami>.

¹⁸ <https://www.jchs.harvard.edu/americas-rental-housing-2026>

¹⁹ <https://www.newyorkfed.org/outreach-and-education/household-financial-stability/case-study-of-managers-of-multifamily-affordable-housing-private-investment-vehicles>

vouchers.²⁰ Case studies allow for a detailed analysis of complex real-world scenarios in narrative form.

While the case studies do not cover an exhaustive list of possible tools, they demonstrate how different levers can be combined to produce and preserve multifamily affordable housing. This paper aims to give private investors, municipal leaders, community groups, and developers ideas about alternative pathways to finance affordable housing.

We look at three properties in this report: an 88-unit residential property in upstate New York, a 583-unit high rise in Downtown Brooklyn, and a 283-unit building serving seniors in Jersey City. Each property has at least some affordable units, which we define as units available to rent to households earning up to 100% of AMI without spending more than 30% of their income on housing costs. We select these properties for several reasons. First, each sits within the Federal Reserve's Second District, which aligns with our focus on understanding the regional economy.²¹ Second, these projects represent a wide range of characteristics: They stretch across the district from big cities to small, they involve new development and preservation, and they include fully affordable and mixed-income buildings. Finally, they showcase a variety of tools that make the economics of the deals work.

²⁰ See the Appendix for a full list of the tools covered in this report.

²¹ <https://www.newyorkfed.org/medialibrary/media/aboutthefed/annual/annual14/map.pdf>

Reserve at Towpath Trail

The first property in our analysis is the Reserve at Towpath Trail, an 88-unit residential development located in Schenectady, NY. This property requires 51% of the units to be rented to households earning below 80% of the area median income, with annual verification. Construction on the development began in September 2021 and was completed in early 2023. The project consists of four buildings, each containing 22 apartments, built on a 4.1-acre parcel. The development team used Opportunity Zone equity and a Payment in Lieu of Taxes (PILOT) agreement, both of which are described below.²²



PHOTO CREDIT: Hudson Partners Development

The property is a 10-minute drive or 20-minute bus ride from downtown Schenectady, a mid-sized city of about 70,000 people in the Capital Region of New York. The median household income in the city was a bit over \$58,000 as of 2024. For the typical renter household in Schenectady County, that number was lower, at just \$39,000 as of 2025. That is more than \$10,000 less than the income needed for a standard one-bedroom unit in the county, and \$20,000 less than what is

²² For more details on these and other tools, see the Appendix.

needed for a two-bedroom unit, with rents sitting at around \$1,600 for the latter.^{23,24} This renter affordability challenge is critical, given that the renter population is both large and growing: Renters occupy just over half of the city's 32,000 housing units, and the number of renters in the county has increased by 35% in the past half decade.^{25,26} In addition, projected job growth in the region is expected to concentrate in lower-income fields. Jobs with below-median incomes, such as home health aides, food preparation workers, and bartenders are expected to make up more than three-quarters of all employment growth in the next decade.²⁷ This further elevates the need for housing that is affordable to such lower-income households, which the Reserve at Towpath Trail aims to provide.²⁸

Financing Structure

The project was a collaboration between Maddalone & Associates Inc., Hudson Partners Development, Enterprise Community Partners, the Community Preservation Corporation, and the Schenectady Metroplex Development Authority.

Total development costs amounted to \$14.8 million. Hudson Partners Development was the general partner and provided about \$500,000 in sponsor equity. Hudson Partners

Development is a development and investment company that invests in value-added mixed-use assets in the Northeastern United States. It is an affiliate of Maddalone & Associates Inc., a property management firm that manages rental properties in the Capital District.

Enterprise Community Partners committed \$4.5 million of equity capital through its Opportunity Zones Fund.²⁹ Enterprise Community Partners is a national nonprofit that includes a certified community development financial institution (CDFI) loan fund, tax credit syndication arm, a real estate equity fund management platform, and other community development services focused on



PHOTO CREDIT: Hudson Partners Development

²³ <https://cdrpc.org/2025-capital-region-housing-affordability-report>

²⁴ <https://www.zillow.com/rental-manager/market-trends/schenectady-ny/>,

²⁵ <https://censusreporter.org/profiles/06000US3609365508-schenectady-city-schenectady-county-ny/>

²⁶ <https://cdrpc.org/2025-capital-region-housing-affordability-report>

²⁷ <https://www.timesunion.com/business/article/unemployment-rate-capital-region-2025-21305641.php>, authors' calculations.

²⁸ <https://communityp.com/news-cpc/towpath-trail-schenectady/>

²⁹ <https://www.schenectadymetroplex.com/news/hudson-partners-development-enterprise-community-partners-the-community-preservation-corporation-announce-start-of-construction-on-88-unit-workforce-housing-development-in-schenectady/>

supporting communities by investing to increase the supply of affordable homes. One of its affiliates is Enterprise Community Investment, which manages multiple funds, including the Opportunity Zones Fund (capitalized with \$46 million of committed capital).

Community Preservation Corporation, a certified CDFI loan fund focused on investing in affordable housing and community revitalization efforts, made a \$9.85 million construction loan to the project. Enterprise Community Loan Fund provided permanent debt for the property after completion and conversion of the construction.

Table 1: Sources and Uses for Reserve at Towpath Trail

SOURCES OF FUNDS			USES OF FUNDS		
	TOTAL	PER UNIT		TOTAL	PER UNIT
Construction Loan (Community Preservation Corporation)	\$9,850,000	\$111,932	Land	\$585,000	\$6,648
Investor Equity (Enterprise's Opportunity Zones Fund)	\$4,483,702	\$50,951	Hard Costs	\$11,559,971	\$131,363
Sponsor Equity (Hudson Partners Development)	\$498,189	\$5,661	Soft Costs	\$795,584	\$9,041
			Developer Fee	\$449,748	\$5,111
			Contingencies	\$708,956	\$8,056
			Other	\$732,632	\$8,325
Total	\$14,831,891	\$168,544	Total	\$14,831,891	\$168,544

Unlocking Affordability

The affordability in this project was made possible through two main levers of support: an Opportunity Zone investment on the capital side and a PILOT agreement on the operating side. We address each below.

Opportunity Zone Equity

The project received equity from Enterprise’s Opportunity Zones Fund. The Opportunity Zone program was established by the Tax Cuts and Jobs Act of 2017, with an aim to encourage private investment in economically distressed communities across the country. States designated and the U.S. Treasury certified Census tracts as Opportunity Zones if they met certain criteria indicating economic distress. Individual investors, through a “Qualified Opportunity Fund” (such as Enterprise’s Opportunity Zones Fund), could invest their capital gains in these communities and receive three primary benefits:³⁰

1. **Deferral of capital gains taxes:** Federal taxes on capital gains could be deferred until December 2026.
2. **Step-up in basis:** If the investor held the investment in the Opportunity Zone for five years, they would receive a 10% step-up in basis. This would increase to 15% for investments held for seven years.
3. **No tax on capital appreciation:** If the investor held the investment in the Opportunity Zone for 10 years, they would not pay federal capital gains taxes on any gains generated by the investment.

To illustrate, if an investor realized a \$5 million capital gain from selling stocks in 2020 and immediately invested the full amount into a Qualified Opportunity Fund:

- **Deferral of capital gains taxes:** The investor would defer paying capital gains tax until 2026. Assuming a 20% federal capital gains tax rate and an original basis of \$0, this means the investor would not need to pay the \$1 million they owe in taxes for six years.
- **Step-up in basis:** If the investment is held for at least five years before 2026, the investor would also receive a 10% step-up in basis. This would reduce the tax liability on the original gain by \$100,000.
- **No tax on capital appreciation:** If the investment were held for 10 years, the investor would not pay federal capital gains taxes on any gains. Assuming the Opportunity Fund investment grew from \$5 million to \$8 million over 10 years, the \$3 million in gains would be completely tax-free when sold. Without this benefit and assuming a 20% federal capital gains tax rate, the investor would have otherwise owed \$600,000 in taxes on these gains.

³⁰ <https://taxpolicycenter.org/briefing-book/what-are-opportunity-zones-and-how-do-they-work>

While the research is mixed on the exact impacts of these incentives,³¹ in theory, they might draw investors to invest in communities they may not otherwise have invested in. The Reserve at Towpath Trail project received nearly \$4.5 million in equity from Enterprise’s Opportunity Zones Fund. Inasmuch as this equity would not otherwise have been available, the Opportunity Zone program facilitated the development of this project, including its affordable units. In fact, it was through its role as an equity investor via the Opportunity Zones Fund that Enterprise Community Partners included affordability as a requirement for its investment. Unlike most affordable developments where specific units are required to be affordable at set maximum rent limits, in this project, Enterprise requires and verifies on an annual basis that at least 51% of units are being rented by households making less than 80% of AMI. This method provides additional flexibility when filling any vacant units.

The Opportunity Zone program was extended and made permanent by the One Big Beautiful Bill Act in 2025. Although the basics remain the same following the enactment of the law in July 2025, benefits were adjusted, the criteria for selecting Opportunity Zones were tightened to focus more directly on low- and moderate-income areas, incentives for rural investment were added, and reporting requirements were increased.³² The changes are only applicable to investments made on or after January 1, 2027, and are therefore not relevant for this specific investment.

PILOT Agreement

The project received and continues to receive financial support through a Payment in Lieu of Taxes (PILOT) agreement with the Schenectady Metroplex Development Authority, a public benefit corporation established by the State of New York and tasked with administering several public programs related to economic development in Schenectady County.

PILOTs are a policy tool that local governments in states, including New York and New Jersey, can use to encourage economic development, and which are increasingly being used to develop affordable housing.³³ Under a PILOT agreement, instead of paying standard property taxes, a property owner makes scheduled payments to the municipality or a public authority (such as an industrial development agency). When used for economic development, these payments amount to less than what the property owner would have otherwise paid in property taxes during the same period. In this way, a PILOT agreement can be a form of tax relief and serve as an operating subsidy to a multifamily property, allowing it to charge lower rents.

³¹ <https://taxpolicycenter.org/briefing-book/what-are-opportunity-zones-and-how-do-they-work>

³² <https://www.plantemoran.com/explore-our-thinking/insight/2025/11/the-obbb-and-opportunity-zones-20>

³³ <https://www.njtod.org/exploring-pilots/>

The exact size of these payments, as well as the method by which that size is calculated, is defined in the PILOT agreement and can vary considerably between municipalities and projects. For example, the payments can be based on a percentage of revenue, a reduced share of what the owner would have paid in property taxes, or an ad hoc annual payment negotiated at the project level.^{34,35,36}

For municipalities, these agreements can enable economic development that may have otherwise been financially infeasible. For developers, the smaller overall payment compared to paying property taxes can reduce operating expenses and boost net operating income (NOI), which can make including affordable units financially feasible. It may also increase the property's value and lead to a potential increase in leverage.

As of 2024, the Schenectady Metroplex Development Authority had 97 active PILOT agreements on various real estate projects.³⁷ For the Reserve at Towpath Trail, the PILOT agreement decreased expenses (compared to what the property would have paid at the standard tax rate) and, as a result, increased the property's NOI. This allowed Hudson Partners Development to take on a larger loan and reduce the share of the project financed by relatively more expensive equity, which in turn enabled Hudson to keep half the units in the project affordable for those earning less than 80% of area median income. The PILOT is for a fixed term and may not be available in perpetuity.

³⁴ <https://www.princetonnj.gov/m/faq?cat=47>

³⁵ https://www.lincolinst.edu/app/uploads/legacy-files/pubfiles/payments-in-lieu-of-taxes-full_0.pdf

³⁶ <https://www.ibo.nyc.gov/assets/ibo/downloads/pdf/taxes-and-other-revenues/2025/2025-august-understanding-payments-in-lieu-of-taxes.pdf>

³⁷ <https://www.schenectadymetroplex.com/wp-content/uploads/2025/04/Mission-Statement-w-Performance-Report-2025.pdf>

One Third Avenue

One Third Avenue is a 62-story, 583-unit mixed-use high-rise property in Downtown Brooklyn that is under construction as of this report. The project has \$537 million in total development costs and will include more than 420,000 square feet of residential space, more than 59,000 square feet of office space, and almost 30,000 square feet of retail space. The development will be mixed income, with 74% market rate units and 26% affordable units. Of the 153 affordable units, 59 will be priced for 40% AMI, 62 will be priced for 60% AMI, and 32 will be priced for 100% AMI. Restricted rents will start at \$1,134 per month, which is affordable for households earning at or below 40% of AMI. The project team has used a public-private partnership, additional density, tax abatements, cross-subsidization across market rate and affordable units, and a relatively simple capital stack to make the project work.^{38,39,40} Each is described in detail below.



PHOTO CREDIT: Vistria Group, LP

³⁸ <https://newyorkyimby.com/2025/08/alloy-development-and-the-vistria-group-secure-535m-for-one-third-avenue-in-downtown-brooklyn.html>

³⁹ <https://www.federmansteifman.com/2025/09/10/brooklyn-one-third-avenue-financing/>

⁴⁰ For more details on these and other tools, see the Appendix.

This project is the final phase of the Alloy Block project, a block-scale development that contains 505 State Street, a mixed-use residential and retail tower completed in spring of 2024, and two public schools completed in late fall of 2024.

The Alloy Block project, and One Third Avenue specifically, are located at a prominent intersection in Downtown Brooklyn where three major thoroughfares converge: 3rd Avenue, Schermerhorn Street, and Flatbush Avenue. This is the heart of Brooklyn's central business district, a dense concentration of jobs, retail, and amenities. It is also within walking distance of several major subway lines, with a 15- to 30-minute commute to job centers in Manhattan such as the Financial District or Midtown. New York City Community District 2, which includes the Downtown Brooklyn neighborhood where the building is being developed,⁴¹ is home to around 125,000 people, most of whom are renters.⁴² Given the concentration of jobs, opportunities, and amenities in the area, median household incomes are high, at \$151,000.⁴³ For similar reasons, rents in the area are among the highest in the country: The median rent for a new lease on a two-bedroom unit can be as high as \$5,700 a month.⁴⁴ With rents as low as \$1,134 for some units, One Third Avenue will provide far more affordable units for low- and moderate-income households in this neighborhood.

Financing Structure

For a project that includes affordable rental housing units, the capital stack is relatively simple. The project was led by Alloy Development (Alloy), which provided \$40 million in sponsor equity.⁴⁵ Alloy is an architecture and development firm that also served as the developer on the previous projects in the Alloy Block plan. Since 2006, the firm has either completed or begun \$1.6 billion of development and redevelopment work, and it has 10 projects with approximately 1,200 residential units across Brooklyn.⁴⁶

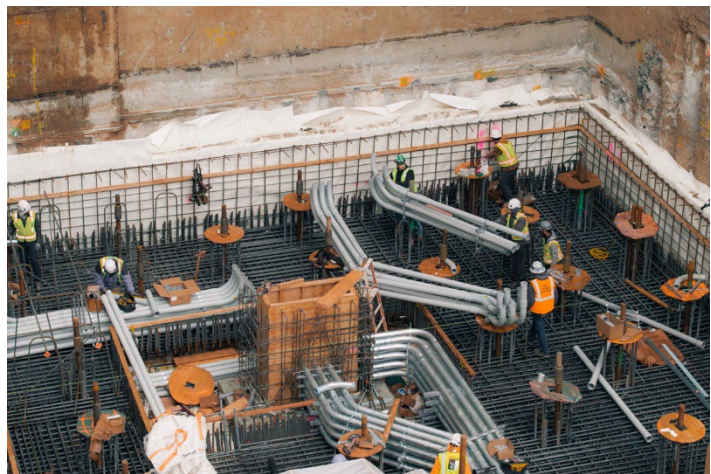


PHOTO CREDIT: Vistria Group, LP

⁴¹ It also includes Fort Greene, DUMBO, and the Brooklyn Navy Yard.

⁴² Of the nearly 71,000 housing units in the Community District, around 70% of are renter-occupied.

⁴³ <https://censusreporter.org/profiles/79500US3604302-nyc-brooklyn-community-district-2-downtown-brooklyn-fort-greene-puma-ny/>

⁴⁴ <https://www.renthop.com/average-rent-in/downtown-brooklyn-new-york-ny>

⁴⁵ <https://www.federmansteifman.com/2025/09/10/brooklyn-one-third-avenue-financing/>

⁴⁶ <https://www.alloyllc.com/about>

The Vistria Housing Fund served as an equity investor in the project, investing \$121 million. The Vistria Group, LP (Vistria), which is a private investment firm with \$18 billion in assets under management, invests in essential industries including housing, financial services, healthcare, and knowledge and learning, with an emphasis on businesses that generate financial returns alongside measurable social impact.

Kayne Anderson Real Estate provided \$376 million in debt for the project. Kayne Anderson Real Estate is a real estate investment firm and part of Kayne Anderson, which is an alternative investment management firm with \$40 billion in assets under management.

Table 2: Sources and Uses for One Third Avenue

SOURCES OF FUNDS		USES OF FUNDS	
	TOTAL		TOTAL
Construction loan (Kayne Anderson Real Estate)	\$376,000,000	Hard Costs	\$332,000,000
Equity (Vistria Housing Fund)	\$121,000,000	Acquisition Costs	\$87,000,000
Sponsor Equity (Alloy)	\$40,000,000	Soft Costs	\$62,000,000
		Financing Costs	\$56,000,000
Total	\$537,000,000	Total	\$537,000,000

Unlocking Affordability

The project unlocked affordability through several means. A public-private partnership with New York’s Educational Construction Fund has allowed the project to obtain a rezoning that dramatically increased allowable density and to receive considerable tax relief. A mix of incomes and uses in the building will allow for market rate and nonresidential space to cross-subsidize affordable units. And a straightforward capital stack has reduced execution risk and is speeding up delivery.

Public-Private Partnership

The Educational Construction Fund (ECF), a public benefit corporation established in 1967 by the New York State Legislature, serves as the financing and development vehicle of the NYC Department of Education.⁴⁷ ECF promotes the development of new schools as part of mixed-use projects, where the public-school component of the project is financed by tax-exempt bonds.⁴⁸ To service the debt on these bonds, ECF uses ground rents, lease payments, or tax-equivalency payments from the nonschool portion of the projects.

ECF controlled approximately one-third of the land upon which the Alloy Block project was built, including a portion of the One Third Avenue building. This allowed ECF to play a key role in the rezoning that made the development possible and to facilitate the tax breaks the property will receive. Both elements are described below.

Density

One Third Avenue, once completed, will maximize its density, with a floor area ratio (FAR) of 15.75.⁴⁹ This is a substantial increase compared to the maximum FAR allowed under previous zoning, which was 6.5.⁵⁰ This increase means the building can be more than twice as large as the previous zoning allowed.

ECF played a key role in this rezoning, submitting the zoning map amendment and testifying on behalf of the project.⁵¹ The rezoning, approved in 2018,⁵² will allow the property to add approximately 265 more units. The "City of Yes" zoning amendment enacted in 2024 will also contribute to residential density.⁵³ It will allow the project to convert four floors originally planned for office space to residential space instead. This will increase the total number of residential units by 40, including 12 additional units of affordable housing.

⁴⁷ <https://infohub.nyced.org/reports/financial/educational-construction-fund>

⁴⁸ Tax-exempt bonds are debt securities issued by municipalities to fund public projects like schools and highways.

⁴⁹ Floor area ratio (FAR) is a zoning regulation that controls how large a building can be on a given piece of land. It is calculated by dividing the total floor area of a building by the size of the lot. For example, on a 10,000-square-foot lot with an FAR of 2.0, a developer could build up to 20,000 square feet of floor space. This could be a two-story building covering the entire lot, a four-story building covering half the lot, or any other configuration that totals 20,000 square feet. Higher FARs allow denser development, while lower FARs mandate less dense development. For more information, see: <https://metro council.org/Handbook/Files/Resources/Fact-Sheet/LAND-USE/How-to-Calculate-Floor-Area-Ratio.aspx>.

⁵⁰ More details on the rezoning can be found in the City Planning Commission memo:

<https://www.nyc.gov/assets/planning/download/pdf/about/cpc/180216.pdf>.

⁵¹ <https://www.nyc.gov/assets/planning/download/pdf/about/cpc/180216.pdf>

⁵² <https://www.6sqft.com/city-council-approves-80-flatbush-development-in-downtown-brooklyn/>

⁵³ <https://www.nyc.gov/content/planning/pages/our-work/plans/citywide/city-of-yes-housing-opportunity>

PILOT and Industrial and Commercial Abatement Program (ICAP)

Through its relationship with ECF, One Third Avenue will also benefit from two major tax incentives. First, the property will have a 35-year PILOT agreement that mirrors a 421-a tax abatement for the residential component.⁵⁴ This is possible given that ECF owns the land, which exempts the property from real estate taxes. The project will also receive a 25-year ICAP abatement for the commercial spaces. This reduction in tax payments will lower the rental revenue necessary to cover expenses, make debt payments, and provide an acceptable rate of return. This will allow the project to provide a greater number of affordable units than would otherwise be feasible.

Cross-Subsidization

The mixed-income nature of the property means that revenue generated by the higher rents in the market-rate units can help offset the lower revenue generated by affordable units. Revenue generated from the commercial and retail spaces in the project can be used in a similar way. Combined with the additional density the project was permitted, this can be a powerful lever to facilitate affordable units.

Simplicity of Capital Stack and No Use of Cash Subsidies

As described above, the project features a straightforward capital structure with just two components: ~30% equity and ~70% senior debt. This simple capital stack, without cash subsidies for construction, simplifies the execution of the deal and avoids legal and other costs and potential time delays associated with assembling a more complex capital stack.⁵⁵

⁵⁴ The 421-a tax abatement was a New York City property tax exemption program that provided temporary tax breaks for new residential construction, subject to certain affordability requirements, which expired in June 2022. For more information, see: <https://www.nyc.gov/site/hpd/services-and-information/tax-incentives-421-a.page>.

⁵⁵ One study from the Turner Center found that, for LIHTC properties, “the inclusion of one additional public funding source adds, on average, four months to the timeline of being able to start construction, and is associated with an increase of approximately \$20,460 in per-unit total development costs.” For more information, see: <https://turnercenter.berkeley.edu/blog/reducing-the-complexity-in-californias-affordable-housing-finance-system/>.

Grandview Terrace

The final property in our analysis is Grandview Terrace, a 283-unit affordable senior housing property in Jersey City, New Jersey. The 16-story building was originally built in 1968 and contains 194 studio apartments, 88 one-bedroom apartments, and one superintendent's unit. Unlike the previous two properties, this is an existing building that was acquired and rehabilitated. The project provides affordability across 282 units for seniors at or below 60%, 80%, and 90% of AMI, as well as residents using Housing Choice Vouchers. The Grandview Terrace team used project-based vouchers, a U.S. Department of Housing and Urban Development (HUD) 223(f) loan, and operating platform efficiencies to make the project work.⁵⁶ Each is explained in detail below.



PHOTO CREDIT: Hudson Valley Property Group

The property is located in the Journal Square area of Jersey City. Jersey City is the state's second largest city, with a population of almost 303,000 people, most of whom are renters.⁵⁷ Given its dense concentration of jobs and amenities as well as its proximity and transportation connections to New York City (a 20-minute train ride to the Financial District or a 30-minute train ride to Midtown), it is both a high-income area, with a median household income of \$100,751, and a high-

⁵⁶ For more details on these and other tools, see the Appendix.

⁵⁷ There are around 140,000 housing units in the city, about 73% of which are renter-occupied (<https://censusreporter.org/profiles/16000US3436000-jersey-city-nj/>).

cost-of-living area, with median rents for a two-bedroom unit averaging \$4,000 dollars as of 2026.⁵⁸ For the typical senior household in the city, which makes less \$40,000 a year, this rent is far out of reach. Grandview Terrace, with its focus on seniors and units affordable to those making far below median income, provides a place for such households to reside.

Financing Structure

Grandview Terrace was originally built in 1968 and financed with a HUD 202 loan. The HUD 202 program has historically funded the construction, acquisition, or rehabilitation of properties that serve low-income seniors, as well as provided project-based rental assistance to cover expenses and supportive services over and above what is funded from the tenants' portion of rent.⁵⁹



PHOTO CREDIT: Hudson Valley Property Group

When the property's HUD 202 mortgage matured in 2017, its affordability mandates expired and rents could have moved toward market rates. To preserve affordability, Hudson Valley Property Group (HVPG) worked with the Jersey City Housing Authority (JCHA) to acquire the property in 2022.⁶⁰ HVPG is a vertically integrated real estate firm that acquires and preserves affordable housing nationwide. As of March 2026, HVPG had over 18,000 units in its portfolio across 97 buildings. HVPG served as general partner of the investment vehicle that provided \$15.1 million of permanent equity for the project.⁶¹

KeyBank executed both phases of the capital stack: a \$61.6 million construction loan to fund acquisition and rehabilitation, followed by a \$54.9 million permanent loan once renovations were completed. The Federal Housing Administration (FHA), part of HUD, provided insurance through

⁵⁸ <https://www.apartments.com/rent-market-trends/jersey-city-nj/>

⁵⁹ Before 1974, the funds were provided as a 3% loan that may not have included operating subsidies. Between 1974 and 1990, funds were provided as a loan and operating subsidies were provided by project-based Section 8 contracts. Since 1990, the loan has been converted to a capital advance grant, and operating subsidies are provided through a Project Rental Assistance Contract (PRAC) (<https://nlihc.org/sites/default/files/AG-2025/2025-Advocates-Guide-Final.pdf>).

⁶⁰ <https://hudsonvalleypropertygroup.com/project/grandview-terrace-apartments/>

⁶¹ This was the permanent equity, which includes the \$7.5 million in construction period equity as well as additional equity paid in at conversion.

HUD's Section 223(f) program on a 35-year, fully amortizing loan that helped lock in long-term affordability.

As shown in the table below, most of these funds, totaling nearly \$52 million of capital, went to acquisition costs. About \$15 million went to substantial renovation. HVPG invested more than \$50,000 per unit to renovate apartment interiors and complete major building and amenity upgrades, including facade repairs, elevator upgrades, new air conditioning, a fitness room, a computer lab, and a 16th-floor tenant “sky lounge” and community space.

Table 3: Sources and Uses for Grandview Terrace

SOURCES OF FUNDS			USES OF FUNDS		
	TOTAL	PER UNIT		TOTAL	PER UNIT
Construction loan (KeyBank)	\$62,000,000	\$219,081	Acquisition Costs	\$51,825,000	\$183,127
Closing Credits	\$64,003	\$226	Soft Costs	\$2,778,010	\$9,816
Reserves Credit	\$1,628,046	\$5,753	Title & Prepaid	\$239,648	\$847
Equity (Hudson Valley Property Group)	\$7,463,818	\$26,374	Deposits & Escrows	\$1,075,484	\$3,800
			Capital Repairs	\$15,237,725	\$53,844
Total	\$71,155,867	\$251,434	Total	\$71,155,867	\$251,434

Unlocking Affordability

Three main tools were used to facilitate affordability: (1) Housing Choice Vouchers, (2) HUD 223(f) financing, and (3) operating efficiencies created by vertical integration. All are described in detail below.

Housing Choice Vouchers

HVPG worked with the JCHA to secure Housing Choice Vouchers for nearly all units in the property. The Housing Choice Voucher (HCV) program, commonly known as Section 8, is a federal rental assistance program administered by HUD through local public housing authorities (PHAs). The program provides eligible low-income households with rental assistance to access housing in the private market. Participants typically pay no more than 30% of their adjusted monthly income toward rent and utilities, with the voucher covering the remainder up to a level set by the PHA. The assistance comes in two forms: tenant-based vouchers and project-based vouchers (PBVs). Tenant-based vouchers are portable and move with the individual or family, while project-based vouchers are attached to specific units.

Tenants at Grandview Terrace were given the choice of whether to receive a PBV or an enhanced tenant-based voucher. An enhanced voucher is a type of tenant protection voucher that gives tenants the right to stay in their units even after certain housing conversion actions may cause the unit to be unaffordable to the household. For example, a property owner may choose not to continue to participate in a rental assistance program at the end of the contract term, and rents may rise as a result.⁶² These vouchers provide a payment standard that may be higher than that of a regular Housing Choice Voucher.⁶³ Of the 283 total units at Grandview Terrace, 267 have PBVs attached to them,⁶⁴ 10 are allocated to tenants with enhanced vouchers, and 5 do not have a voucher associated with them. These vouchers allow low-income residents to live in the building without paying more than 30% of their income toward rent and allow HVPG to earn sufficient revenue to cover operating expenses and make payments on its loan.

HVPG was allowed to offer existing tenants rental assistance via vouchers because it acquired the property within five years of the Section 202 loan maturing,⁶⁵ and it worked with the JCHA to obtain them. The mix of vouchers, and specifically the primary reliance on PBVs, was intentional. HVPG, its property management company, and JCHA walked residents through the renovation plan, voucher options, and the asset and income verification documentation required to qualify. HVPG made the strategic case for PBVs, explaining that greater PBV participation would support a larger permanent loan and therefore a larger renovation budget. This larger loan results from the fact that lenders may assign greater stability to a project's cash flow if it has project-based rather than tenant-based vouchers, since project-based vouchers may give lenders greater comfort with subsidy revenue in their underwriting.

HUD 223(f) Loan Program

The HUD 223(f) loan program insures fixed-rate mortgages with terms of up to 35 years that are used to purchase or refinance existing multifamily rental housing. To qualify, the property being purchased or refinanced must contain at least five residential units, the 223(f) proceeds cannot be used to fund construction or substantial rehabilitation, and the property must meet other eligibility criteria. At Grandview Terrace, the 223(f) loan was used to refinance the construction loan. For project-based rental assistance properties like this one, the 223(f) program allows for a higher

⁶² <https://www.nhlp.org/wp-content/uploads/HUD-EV-brochure-Aug.-2017.pdf>

⁶³ Typical conversion actions include: a private-property owner chooses not to participate in a rental assistance program at the end of the contract term; HUD terminates the rental assistance contract; or the owner pays off certain government-assisted mortgages prior to the mortgage due date. For more information, see: [enhanced_vouchers_eng.pdf](#).

⁶⁴ While PBVs generally cannot be attached to more than 25% of units in a project, properties that received long-term rental assistance from HUD within the last five years are exempted from this cap: <https://www.law.cornell.edu/cfr/text/24/983.6> and <https://www.law.cornell.edu/cfr/text/24/983.59>.

⁶⁵ If the HUD program ends, the Expiring Use program allows for vouchers to be provided within five years of expiration.

loan-to-value (LTV) ratio and a lower debt service coverage ratio (DSCR) than those typically available for a traditional loan on a multifamily property.⁶⁶ In this transaction, those terms increased permanent loan proceeds.

Operating Platform Efficiencies

Upon acquiring Grandview Terrace, HVPG transferred the property management to a third-party property management company that is overseen by HVPG's asset management team. Because the same property management company oversees other local assets, Grandview Terrace benefits from regional scale, lower operating costs, and higher net operating income. Those recurring savings may help the property to remain affordable over time.

⁶⁶ <https://www.hud.gov/hud-partners/multifamily-programs>; https://community.com/wp-content/uploads/2023/06/CPC-Mortgage-Company_FHA-SECTION-223f.pdf; https://www.greystone.com/wp-content/uploads/2020/06/Greystone-FHA-HUD-Section-223f-Term-Sheet_2021_R7.pdf

Conclusion

Housing is often a household's greatest expense and can have a significant effect on individuals' and families' economic experiences. Households being constrained by high housing costs also has broader impacts such as limiting labor mobility and business sector decisions.⁶⁷ Because of its wide-ranging effects, housing is a critical focus for Community Development functions across the Federal Reserve System, whose mission is to support a deep understanding of local conditions within their respective districts.

Research suggests that an acute shortage of housing units nationwide is driving up costs. This comes amid a broader affordability challenge, with previous research showing that more than 40% of people cannot afford the basics in their communities.⁶⁸

While LIHTC has historically been the main tool used to develop affordable multifamily housing, the scale of the shortage and magnitude of need has drawn attention to projects that use other levers to make projects feasible. The three Second District case studies highlighted above provide the following lessons about such projects:

- Local tools and assets such as tax abatements and PILOTs, zoning adjustments, density allowances, and publicly owned land can all support the development and preservation of affordable housing that serves various income levels, even without the use of LIHTC equity.
- Simplicity in the capital stack can mitigate time delays and lower the legal and other costs associated with assembling a more complex capital stack. This can decrease overall project costs and make providing affordable units more viable.
- Other sources of capital and operating funds, including Opportunity Zone equity and project-based vouchers, can make these projects work financially while including affordable units.

While these case studies are specific to the Second District, the lessons may be broadly applicable. To develop affordable housing without using LIHTC equity, developers, investors, and municipalities can work together to weave multiple policy tools that contribute to a reduction in development costs and attract new sources of funding or creatively use existing ones. Future research could investigate additional tools such as streamlined permitting and topics including what happens to properties as they exit the LIHTC program.

⁶⁷ <https://fedcommunities.org/research/how-fed-studies-understands-housings-key-role-economy/>

⁶⁸ <https://www.newyorkfed.org/outreach-and-education/household-financial-stability/credit-insecurity-and-alice-households-in-the-united-states>

Appendix

TOOL	DESCRIPTION
Cross-Subsidization	Mixed-income and/or mixed-use structure where market-rate units and/or commercial/retail spaces subsidize units affordable to low- or moderate-income tenants. Higher rents from market-rate units and revenue from commercial spaces offset lower revenue from affordable units, making the overall project financially viable.
Density Bonus	Zoning changes that increase allowable floor area ratio (FAR), permitting more units on the same land. Allows more units to be built (including more affordable units) and spreads fixed costs of construction over a greater number of units.
Housing Choice Vouchers (Section 8)	Federal rental assistance where tenants pay ~30% of income toward rent and vouchers cover the remainder. Ensures stable rental income for property owners while keeping units affordable to low-income residents.
HUD 223(f) Loan Program	FHA-insured mortgage program for acquisition or refinancing of existing multifamily properties with favorable terms. For properties with project-based rental assistance, may allow for higher loan-to-value and lower debt service coverage ratios than traditional loans, increasing loan proceeds and reducing equity requirements.
Operating Platform Efficiencies	Economies of scale achieved through vertical integration and regional property management consolidation. Lowers operating costs through shared services.
Opportunity Zone Program	Tax incentive program that encourages private investment in economically distressed communities by reducing or eliminating taxes paid by investors on capital gains on qualified long-term investments defined under the program. May bring equity to deal that otherwise might not have been available and for a potentially lower cost.
Payment in Lieu of Taxes (PILOT)	Agreement whereby developers make reduced scheduled payments in place of standard property taxes. Typically structured such that the payment is lower than regular property taxes, which decreases operating expenses.

TOOL	DESCRIPTION
Public-Private Partnership	Collaborations with private firms and public entities that may control land, facilitate development approvals, or provide financing tools. Enables rezoning for increased density, provides access to tax abatements, and leverages public assets to make private affordable housing development financially feasible.
Simple Capital Stack	Straightforward financing structure with fewer funding sources. Reduces execution cost and avoids delays typically faced when assembling complex financing that requires approval from public and private funding entities.
Tax Abatement	Reduction in property taxes paid by property. Reduces operating expenses.