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# INNOVATIVE AND AFFORDABLE HOUSING IN THE US

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**F**or millions of Americans, the pursuit of secure, affordable housing has become a bigger challenge than ever. Recent years have witnessed a steady uptick in rents and home prices, and it is not just people with low incomes who are shouldering the burden of these increasing costs. Middle-income families, specifically those earning the national median of \$75,000 (March 2025)<sup>1</sup>, are now facing housing costs that take up most of their budgets, threatening stability, security, and potentially their future plans.

Why is this occurring? And what are policymakers, innovators, and communities doing to make “home” affordable again? The following article investigates the current U.S. housing crisis, using both research and specific case studies, and with a special focus on the creative and ambitious strategies surfacing from every level of government.





# Solving the Affordable Housing Puzzle: A 2025 Perspective

## Americans and the Weight of Housing Costs

The numbers in 2025 alone tell a compelling story. Out of roughly 147.9 million U.S. households, 86.2 million (58.2%) now own their home and 46.4 million (31.3%) rent their home<sup>2</sup>. Nearly one in three U.S. households faces "housing cost burden," defined as spending more than 30% of income on housing costs, including utilities<sup>3</sup>. For renters, the crisis is acute: close to half are burdened by their monthly payments.

So, what exactly is exacerbating this crisis? Home prices have inflated by 47% since 2020, and rents have climbed 26%, outpacing wages and fueling anxiety in every zip code<sup>4</sup>. Scarcity is a key culprit. New housing supply just has failed to keep pace with the growth of new households, especially among younger generations like millennials, leaving more families to fight over fewer homes and driving up costs.

Barriers to new construction include high interest rates, soaring material and labor costs, regulatory hurdles, and, especially, restrictive zoning laws. All of this stokes the affordability fire.

### How Does "Affordable Housing" Get Defined?

The U.S. Department of Housing and Urban Development (HUD) has a general rule of thumb: housing is "affordable" if it pulls from no more than 30% of household income<sup>5</sup>. For middle-income families, affordable would usually mean homes costing up to \$255,000<sup>6</sup>. But on the open market, a shrinking share of homes fits that bill, especially in fast-growing states like Texas, Florida, and Arizona where demand far outstrips supply.

## Federal Policy: Expansion, Reform, and Retreat

The U.S. federal government once again sits at the center of housing debates, with new ambitions and some hard choices.

### The "One Big Beautiful Bill": Tax Credits and Supply

In July 2025, Congress passed and President Trump signed the "One Big Beautiful Bill" into law, which included what analysts describe as the largest expansion of the low-income housing tax credit in years. The bill borrowed provisions from the previously stalled Affordable Housing Credit Improvement Act. Industry analysts at Novogradac estimate these changes could result in financing approximately 1.22 million additional affordable rental homes over the next decade<sup>7</sup>. Housing policy experts say the measure signifies an effort to address construction slowdowns, though some critics caution it could advantage mainly affluent buyers and influential landlords, especially due to a clause preventing local governments from overseeing rent-pricing algorithms for the next ten years.

### Land and Efficiency Initiatives

The Trump administration established a Joint Task Force on Federal Land for Housing between the Department of Housing and Urban Development and the Department of the Interior in March 2025. Federal officials estimate approximately 400,000 acres of federal land could be available for housing development, primarily benefiting western states such as Nevada, Arizona, Oregon, Idaho, and Colorado. However, housing policy experts express trepidation over the program's potential impact. Alex Horowitz, director of housing

policy at the Pew Charitable Trusts, warns that "most federal land is not suitable for housing," maintaining that suitable parcels would need to be close to existing infrastructure and communities<sup>8</sup>.

2025 also brought budget proposals with major cuts to rental assistance for low-income households and the suspension of important repair programs such as the Green and Resilient Retrofit Program (GRRP). These moves are justified by the administration as part of broader government efficiency drives but come as a blow for housing advocates, who warn that cuts could make life harder for those most at-risk.

## States, Cities, and Reform

Affordable housing in the U.S. has always been a patchwork, built on local experiments and state-driven solutions. Today, five policy areas stand out at the frontlines:

### 1. Zoning Reform and Upzoning

Classic American zoning often capped land to single-family homes, preserving neighborhood patterns, but shutting out higher-density, more affordable options. Recently, the tide has turned. Over 20 states have doubled their number of zoning and land use reform bills since 2018<sup>9</sup>. "Upzoning" has become a watchword: cities are abolishing exclusive single-family zones, legalizing accessory dwelling units (ADUs), relaxing minimum lot and parking requirements. These efforts intend to clear the way for "Missing Middle Housing": duplexes, triplexes, small apartment buildings, and mixed-use developments.

The concept of Missing Middle Housing



Source: Opticos Design, Inc.<sup>10</sup>

**Spotlight:** Oregon broke ground by mandating that cities over 10,000 allow multi-unit buildings in zones previously reserved only for single-family homes. The state legislature is currently considering a new bill to expand this law, including measures to streamline construction procedures. Washington State has enacted a law through upzoning that requires the construction of high-density housing and affordable housing near rail and rapid bus stops, offering tax incentives to developers.

### 2. Inclusionary Zoning (IZ)

Inclusionary zoning ordinances require (or encourage) developers to set aside a percentage (often 10-30%) of new units as affordable housing. Massachusetts, New Jersey, and California lead in statewide frameworks, while cities like Cambridge, MA, set aggressive local targets. For example, Cambridge requires that new projects allocate at least 20% of units as affordable, and it is one of the first U.S. cities to abolish single-family only zones entirely.

Some states, however, have instead blocked IZ at the local level; Oregon, Montana, Arizona, and Texas have laws that prohibit such requirements, though Arizona is considering a repeal.

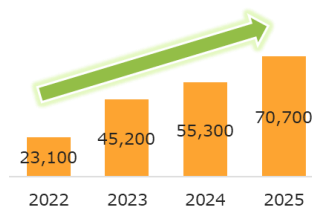


Multifamily housing under construction by IZ  
in Cambridge, Massachusetts



Source: Just A Start<sup>11</sup>

Number of homes built through adaptive reuse



Source: RentCare<sup>14</sup>

A note of nuance: while inclusionary zoning helps, developers may hesitate to build if requirements seem too strict, fearing lost profits even with incentives. There's even evidence that when IZ rules are tightened, developers rush to beat their deadlines, leading to construction activity slumps.

### 3. Promoting Multifamily Housing

Multifamily housing, which refers to anything from a duplex to a 100-unit apartment building, has steadily gained ground, now accounting for almost 40% of new residential units<sup>12</sup>. The share of such housing is especially high in the Midwest and West, with states like South Dakota, Minnesota, Colorado, and Washington leading multifamily construction. This is vital because nearly half of all renters live in multifamily units, and growth in this sector signals more options and lower costs over time.

States and cities are encouraging multifamily development by allowing such buildings on commercial and faith properties without special permits (with wage and environmental requirements), providing low-interest loans, and supporting large-scale projects with federal tax credits.

Affordable multifamily housing in Colorado



Source: Brinkman Construction<sup>13</sup>

*Example:* In Louisville, Kentucky, a 343-unit affordable multifamily complex is under way, targeting families earning only 30-80% of area median income, financed through the Low-Income Housing Tax Credit.

### 4. Expanding Adaptive Reuse

With the post-pandemic surplus of unused office space (and demographic changes favoring more urban housing), "adaptive reuse," converting non-residential buildings like offices, hotels, and old schools into housing, is speeding up. In 2024 alone, at least 55,300 new homes were built through adaptive reuse<sup>14</sup>.

Federal programs back these efforts. HUD's Commercial to Residential Conversion Guidebook released in late 2023 pulled together more than 20 grant and support programs from six agencies. The Historic Tax Credit (HTC) is another big lever, helping pay for transforming historic buildings.

States and cities have engaged with this approach according to their respective city-planning objectives. Washington D.C. is now offering 20-year tax credits to developers converting commercial buildings downtown, with at least 15% required as affordable units. In California, \$400 million was allocated to support office-to-housing conversions statewide, aiming at affordability.

*Case Studies:* In Montgomery County, Pennsylvania, an old factory was reborn as 72 new apartments, 59 affordable. Baltimore repurposed a public school, adding 50 affordable homes and shared space for the neighborhood.

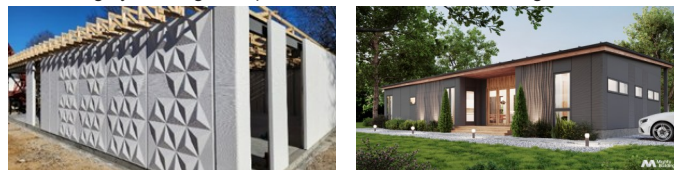
### 5. Embracing New Technologies for Prefabricated Housing

Prefabricated housing (factory-built units assembled on site) is making waves as a faster, cheaper, and potentially greener solution. These homes cut costs through efficient manufacturing, bulk material purchasing, and technological leaps like robotics and 3D printing, all of which support both quality and build-speed. The construction time can drop by up to half, and costs by as much as 20% relative to traditional builds.

States are beginning to invest. Colorado, for example, recently funded eight modular housing manufacturers through its Innovative Housing Incentive Program and Affordable Housing Financing Fund, and is providing low-interest loans for innovative housing manufacturing facilities. When combined 2 state incentive programs, these approaches are starting to deliver thousands of affordable units annually.

Private sector innovation is booming, too: Companies like Liv-Connected<sup>15</sup> and Mighty Buildings<sup>16</sup> are pushing boundaries with advanced components such as 3D-printed walls. The U.S. is seeing not only technological progress but increasing startup activity, signaling a potentially transformative impact on the horizon.

Mighty Buildings' 3D-printed walls and a home utilizing them



Source: Mighty Buildings<sup>12</sup>



# Measuring Impact:

Where zoning reform is aggressively pursued, communities unlock new housing supply and diversify their neighborhoods. Inclusionary zoning delivers targeted gains but must be balanced to avoid deterring development, and requires attentive design; these provisions encourage, rather than punish, responsiveness to local need.

Adaptive reuse shines brightest in cities with a glut of unused space. Dozens of cities are showing that repurposing old offices and schools can meaningfully support supply, especially for lower-income renters. Prefabricated housing is still scaling up, but has huge disruptive potential. States willing to invest early (and create friendly rules) may see the most dramatic affordability gains in the coming years.

America's affordable housing shortage won't be fixed with a single bill or initiative. But right now, driven by necessity, states and cities are adapting to local needs, investing in new housing types, and adopting new technologies to make affordability a reality for more people. Federal tax credits and supplementary programs matter, but so do smart zoning, creative financing, and the civic willingness to challenge traditional assumptions.

The communities that mix regulatory reform, inclusion, adaptation, and technological innovation are building a foundation for vibrant, resilient cities where more Americans can afford to call home.

## Endnotes

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## About the Author

Isabella Cerqueira currently works as a contractor for Washington CORE, while studying international affairs and data science at Brown University. At Washington CORE, her research often covers a range of policy areas including emerging technology governance, regulatory analysis, and strategic competition issues. Her work has spanned topics such as artificial intelligence policy, synthetic DNA regulations, PFAS chemical oversight, healthcare antitrust matters, and U.S.-China tech relations. Beyond her work at CORE, Isabella serves as a senior research assistant at Brown's Watson Institute for International and Public Affairs, where she conducts hands-on research on global governance and policy issues



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