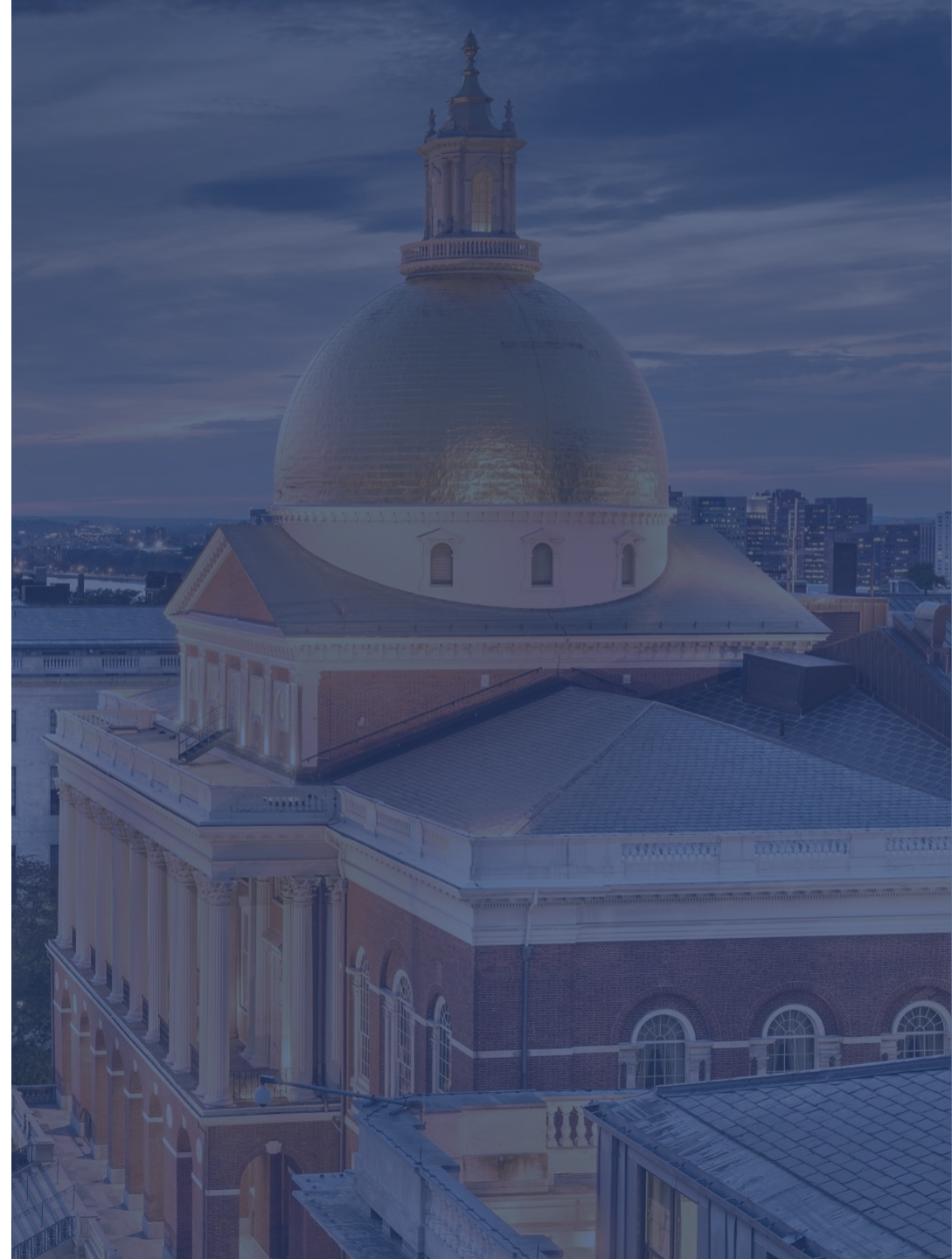




Massachusetts
Taxpayers Foundation

Building Housing in Massachusetts

*Part 1: Why We Fail to
Build More Housing*



Massachusetts and Greater Boston Have Underperformed in Housing Permits & Development

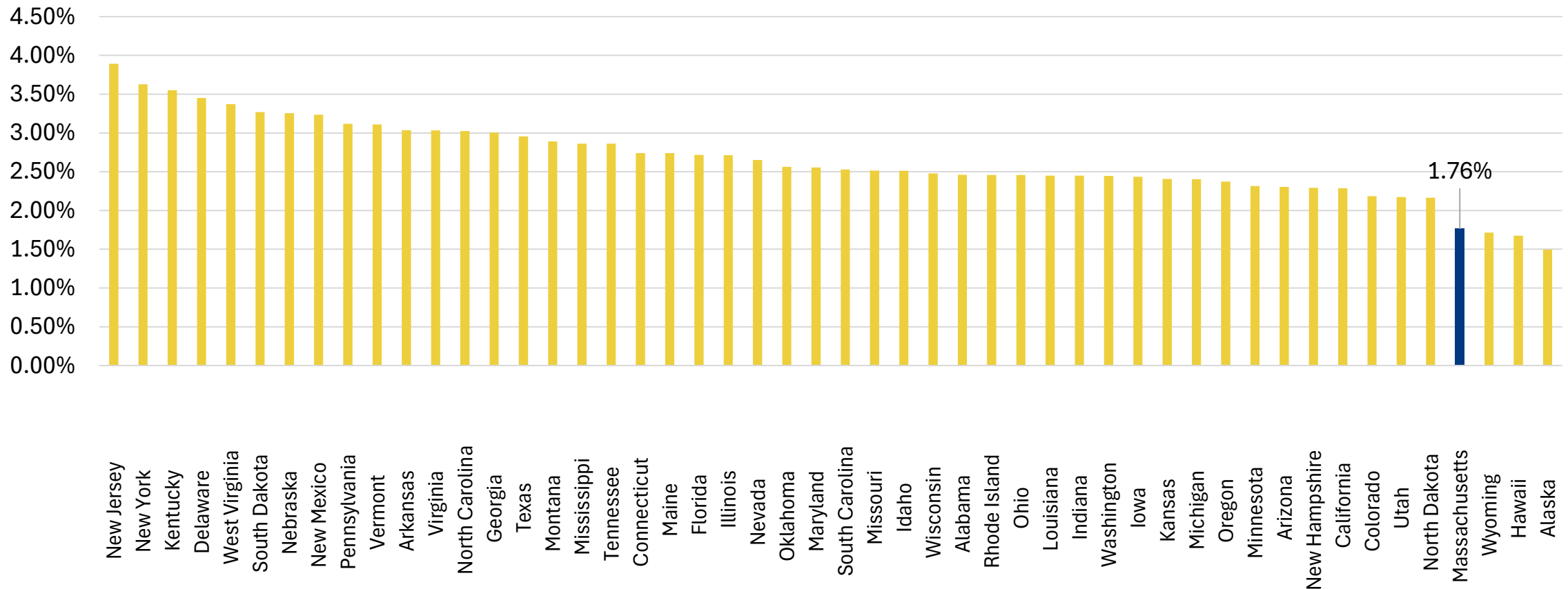
- Boston and Massachusetts lag behind other states and regions in the number of housing units added and permits issued over the past five years.
- Market forces including high interest rates, increased cost of materials, and labor shortages depress investments. Given current global economic policies, these headwinds are likely to continue.
- Yet, local policy matters such as zoning, building codes, affordability requirements, and clean energy standards add to these costs, delaying permitting and development.

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the water in the foreground reflects the city lights. A semi-transparent blue rectangular overlay covers the lower half of the image, containing the text "1) Not Enough Housing" in a bold, yellow, sans-serif font.

1) Not Enough Housing

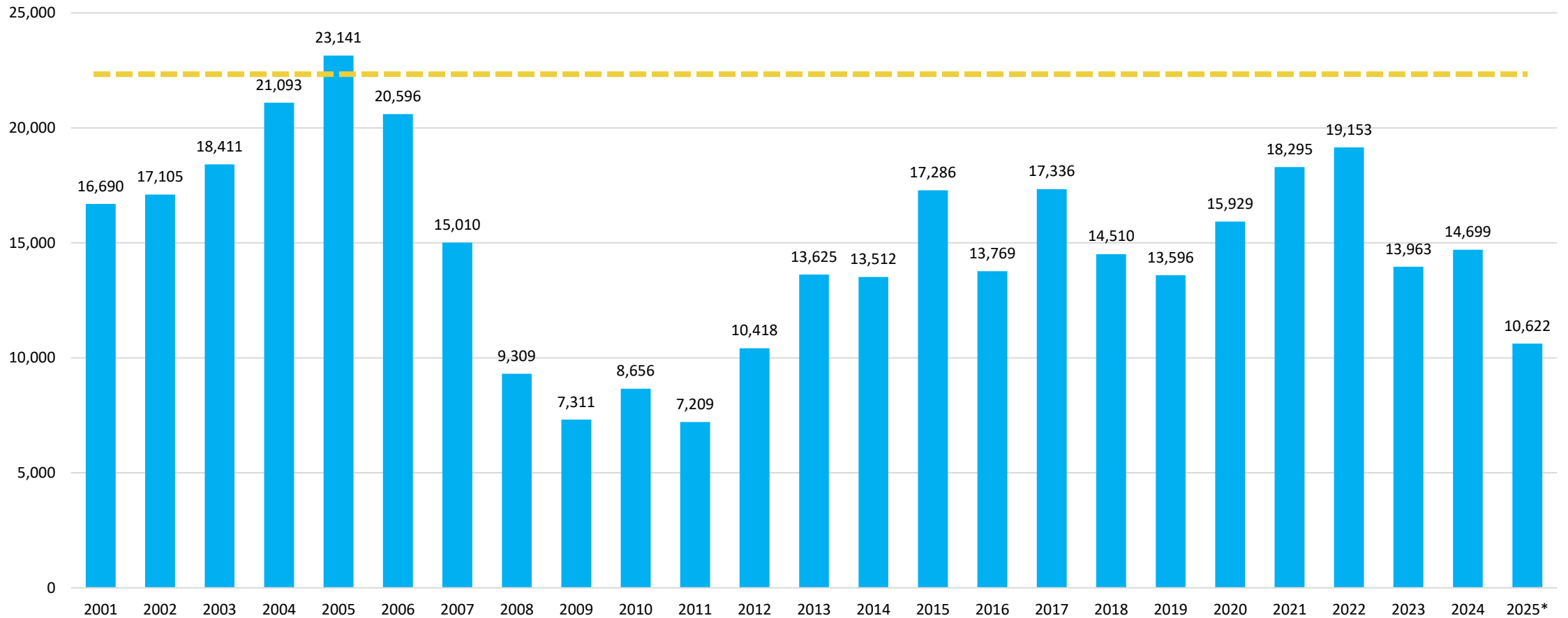
Massachusetts Ranks 47th in the Percent of Homes Added Since 2020 at 1.76%

Percent Increase in Housing Units, 2020 – March 2025

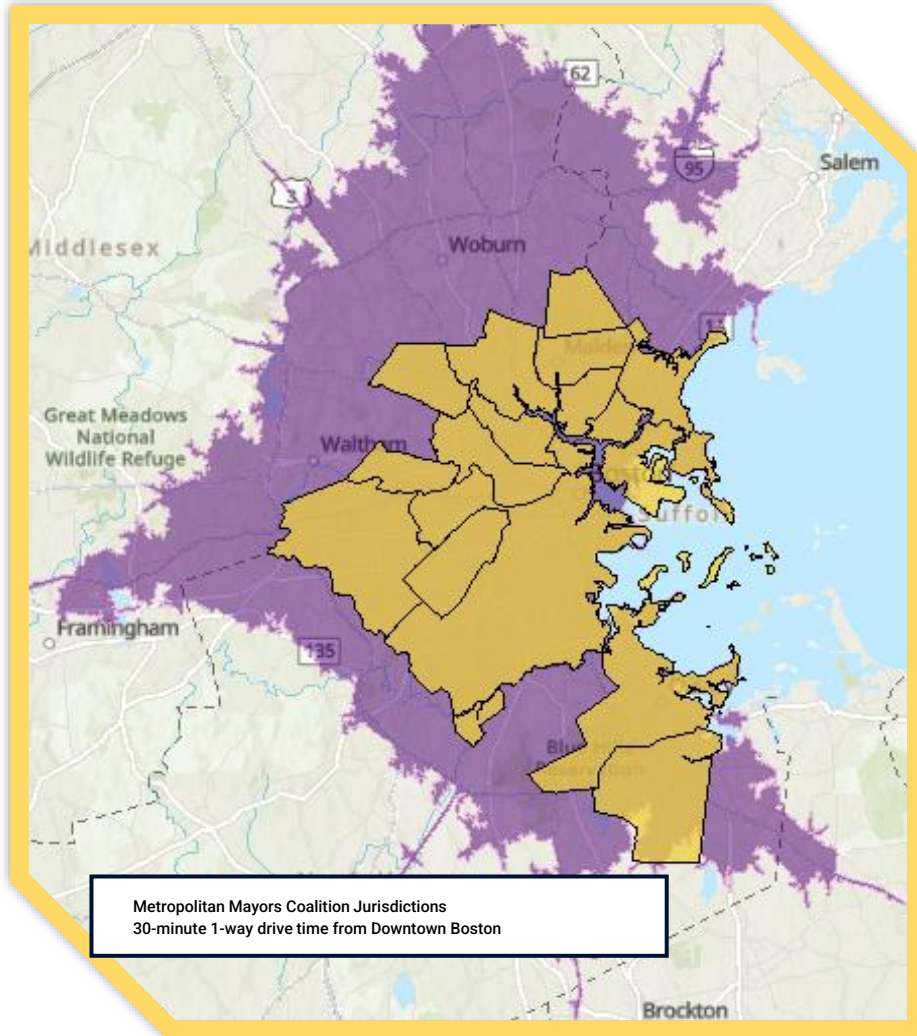


MA Needs 22,000 New Units per Year to Reach 220,000 Units by 2035; Averaging ~15,000 Annual Permits Since 2013

New Private Housing Units Authorized by Building Permits, 2001 through October, Federal Reserve Economic Data



Housing Shortage

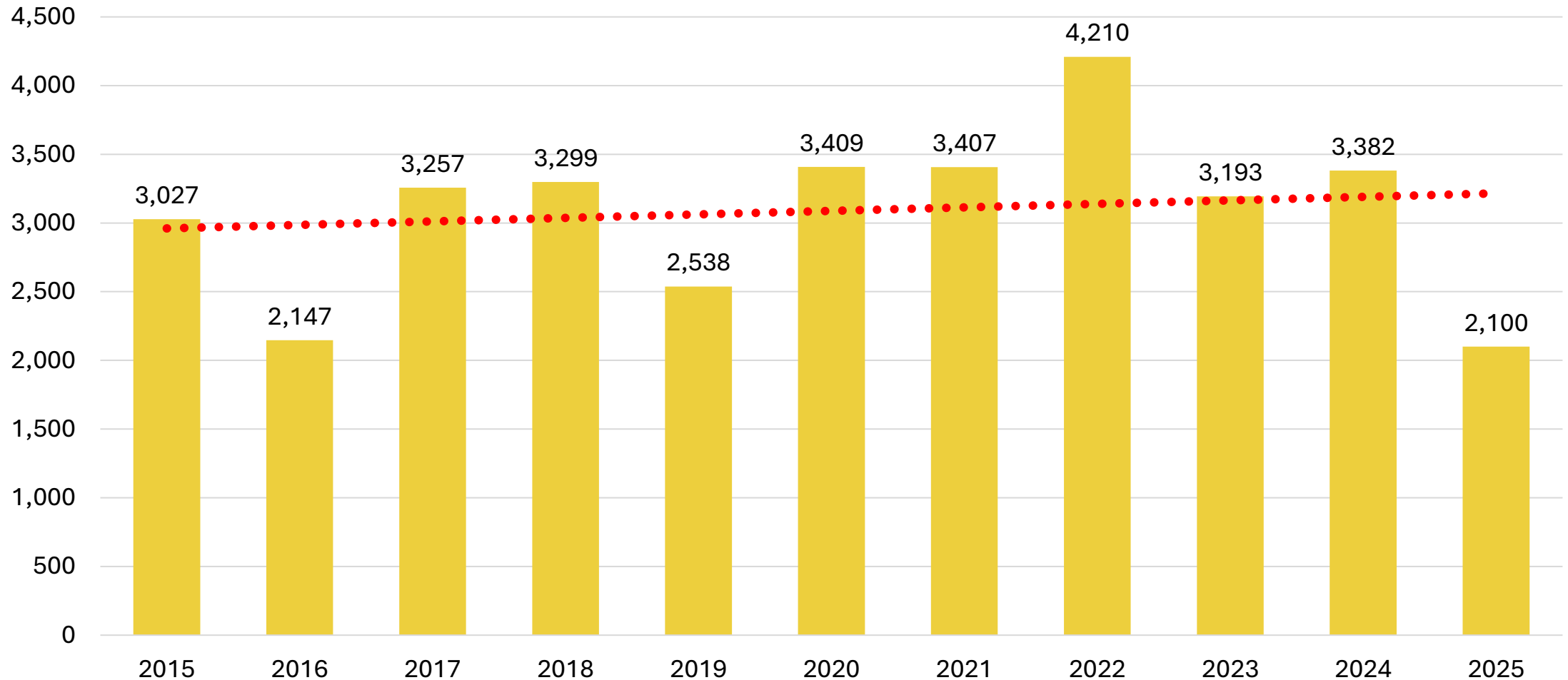


“Housing remains one of, if not the most critical issue facing Greater Boston”

MAPC’s Metro Mayors Coalition Housing Task Force, April 2023

- From 2010 to 2018, the 15 cities that comprise the Metro Mayors Coalition’s Boston Region:
 - Added 110,000 new residents
 - Added 148,000 new jobs
 - Permitted ***only 32,500*** new housing units
- The Coalition established a goal of adding ***185,000 housing units between 2015 and 2030*** to meet current and future demand.
 - Permitting/production has fallen well short of this target every year since the goal was established.
 - By the end of 2021, only 50,400 units had been permitted – ***less than 60% of the units needed*** to remain on target to meet the 2030 goal.

Metro Boston Housing Units Permitted in Q1, 2015-2025



A photograph of a downtown city skyline at dusk. The sky is a pale blue, and the buildings are illuminated with warm yellow and orange lights. The water in the foreground reflects the lights. A dark blue semi-transparent banner is overlaid across the bottom half of the image, containing the text "2) Downtown Challenges" in a bold, yellow, sans-serif font.

2) Downtown Challenges

The Future of Downtown Boston 2025 Report

MTF partnered with EBP to quantify the challenge faced by downtown Boston and the commercial real estate market in the post-pandemic world. The report:

- Identified factors associated with the dramatic increase in remote work since 2020.
- Underscored the implications of these changes for Boston's CRE market and overall vibrancy.
- Provided a common ground to understand current conditions and a starting point for potential policy interventions.

This section of the chartbook highlights key findings that relate to our housing challenge.



Economic Vibrancy in Downtown Boston Wanes

- The remote work patterns for workers in all occupations imply the absence of nearly **80,000** employee-visits to Downtown Boston each day.

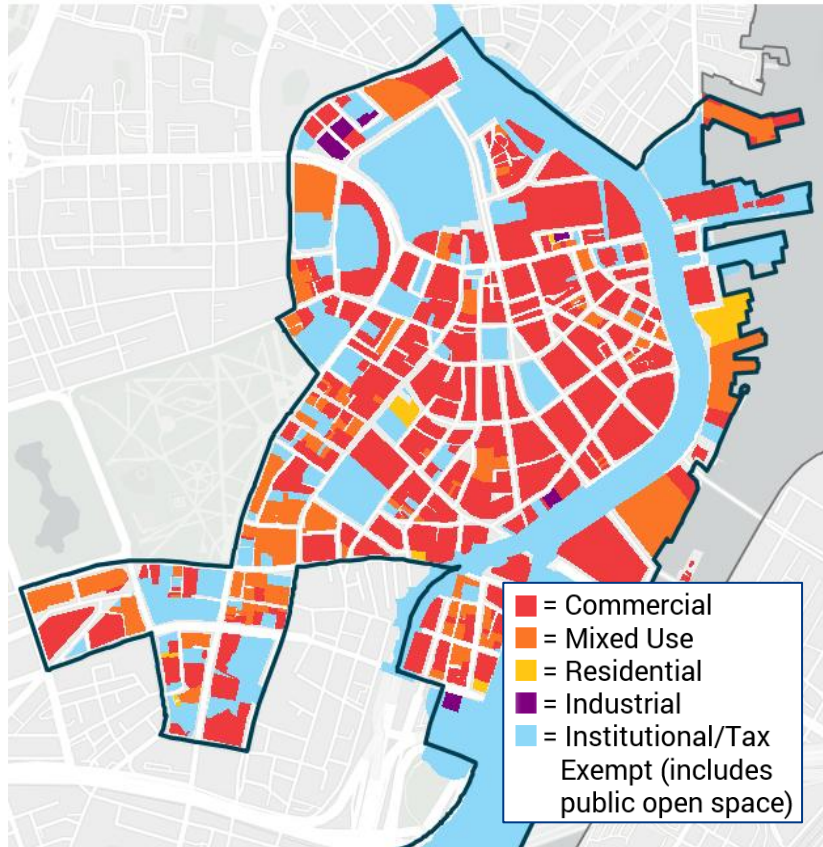
This loss is comparable to the entire population of a city the size of Cambridge

- The remote work goals that companies have for their office workers – the type of workers that dominate Downtown employment - implies the absence of more than **125,000** employee-visits to Downtown Boston each day.

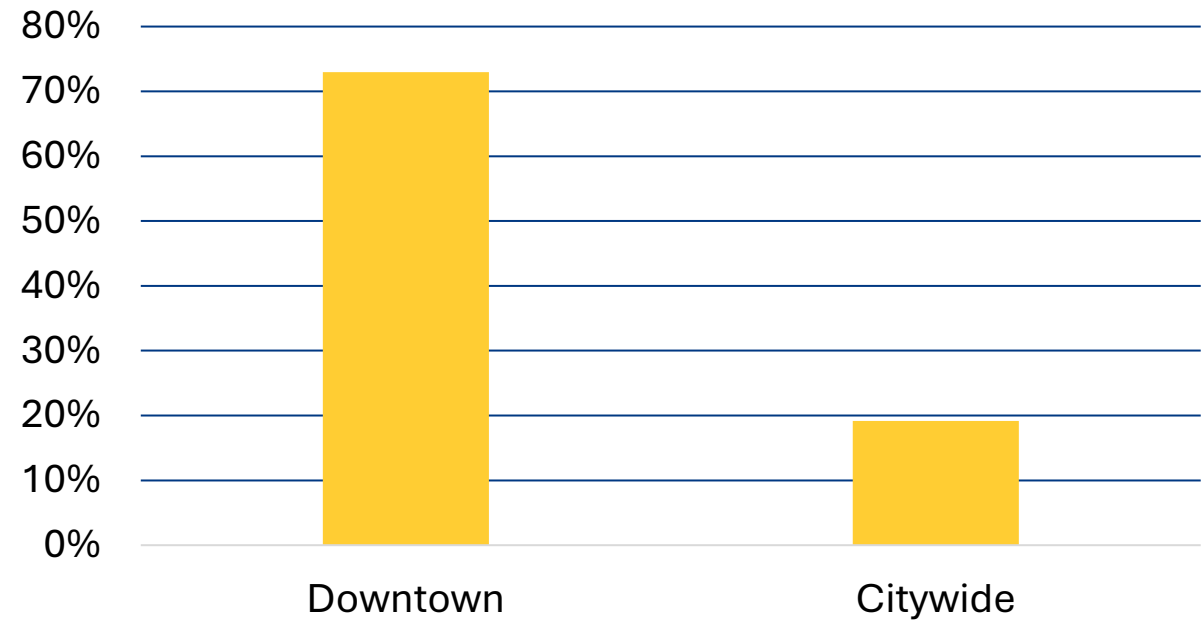
This loss is comparable to the entire population of a city the size of Somerville

Downtown Boston is Almost Entirely Commercial Space

Land Use Map, FY 2023



Land Use Comparison: Percent Commercial (Office & Retail)

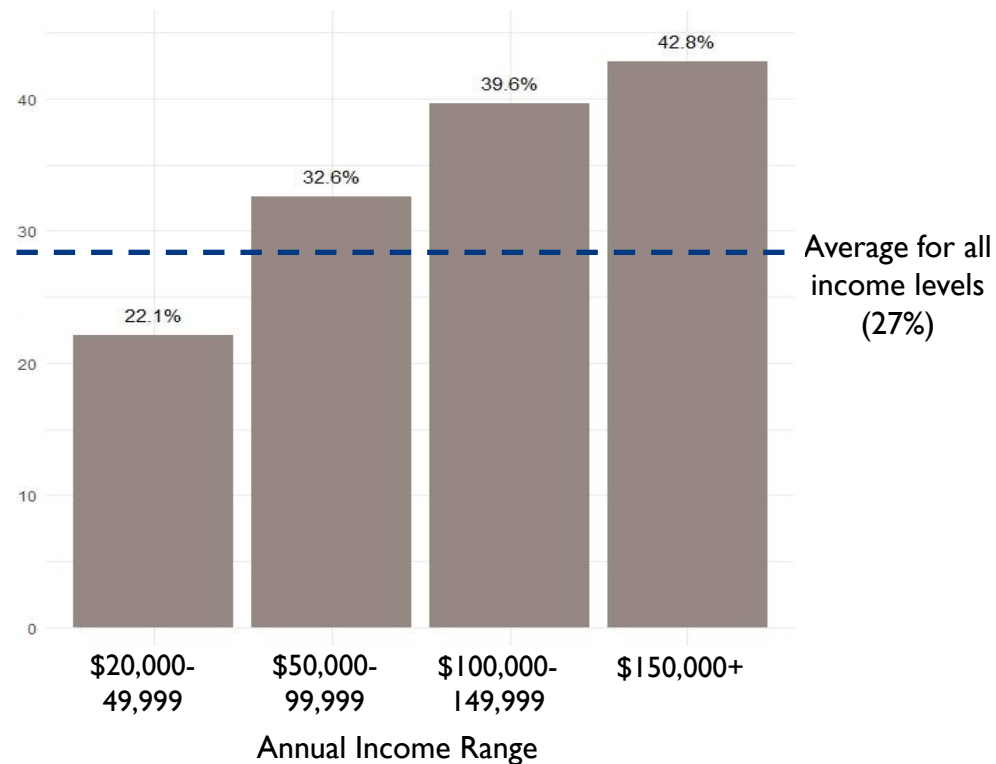


Remote Work – Industries With the Most Jobs in Downtown Boston Also Have Higher Than Average Rates of Remote Work

Higher incomes are associated with higher levels of remote work

.... and Boston's Top Employers are High-Wage Industries

% of Full Paid Days Worked from Home by Income Level in the Boston Metro Area

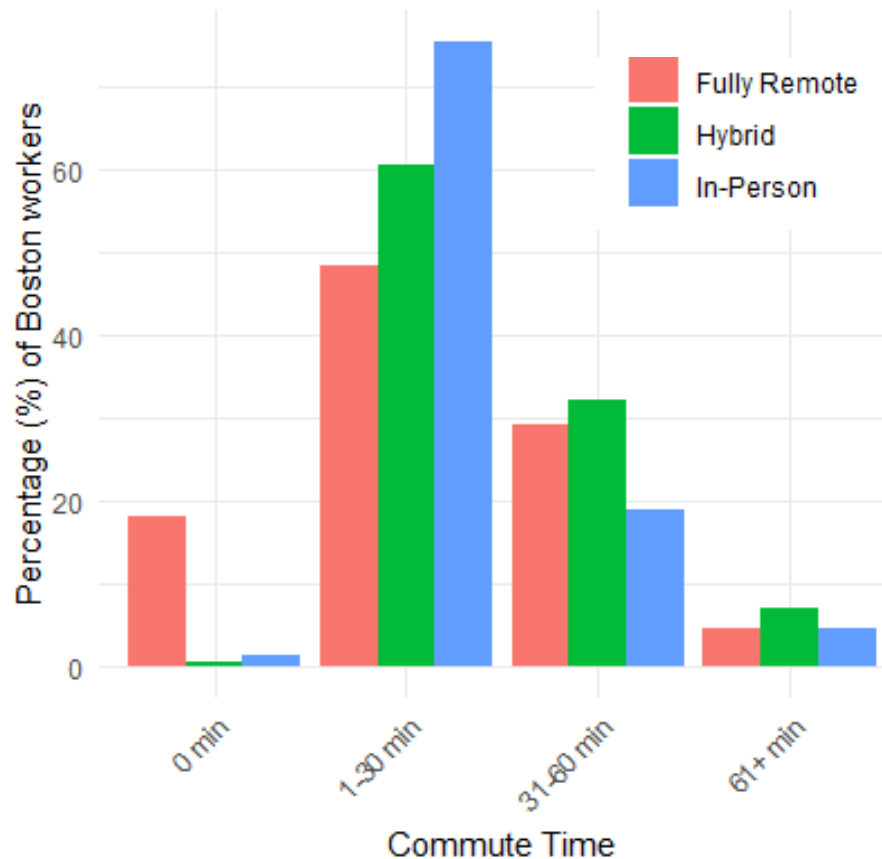


Downtown Boston's two largest industries:

- Professional, Scientific & Tech. Services –
 - 20% of downtown jobs
 - Wages 72% above average
- Finance & Insurance –
 - 18% of downtown jobs
 - Wages nearly 2x higher than average

Commute Time is Critical

Commute Times in the Boston Region by Fully Remote/Hybrid/In-Person Work Status



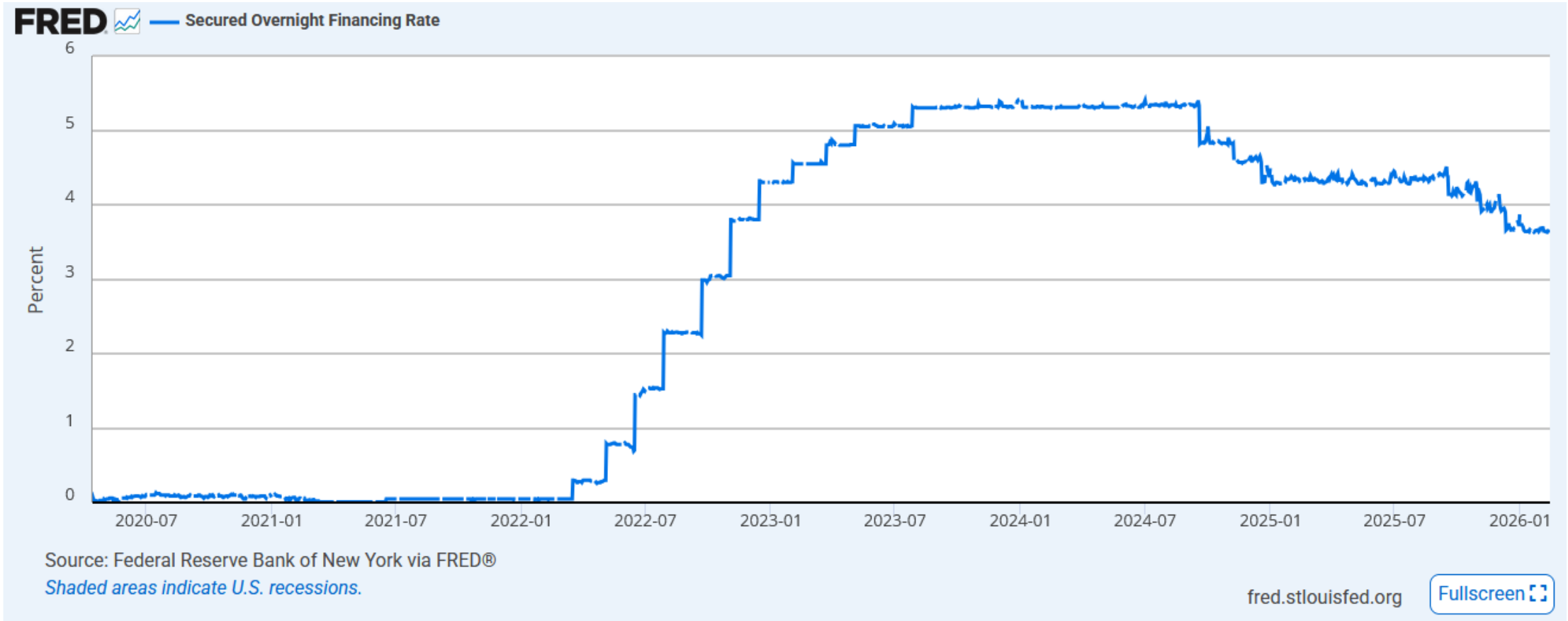
- Data from the U.S. Survey of Working Arrangements and Attitudes (SWAA) indicates that each additional 12 minutes of commute time in the Boston Region is correlated with one less in-office workday.
- Whether remote workers choose to live farther from their workplace or whether people who live farther from their workplaces choose to work remotely, the result is the same: Longer commutes result in fewer in-office days.

The fact that remote workers live farther from their jobs and more people than ever are working remotely has significant implications for downtown vibrancy.

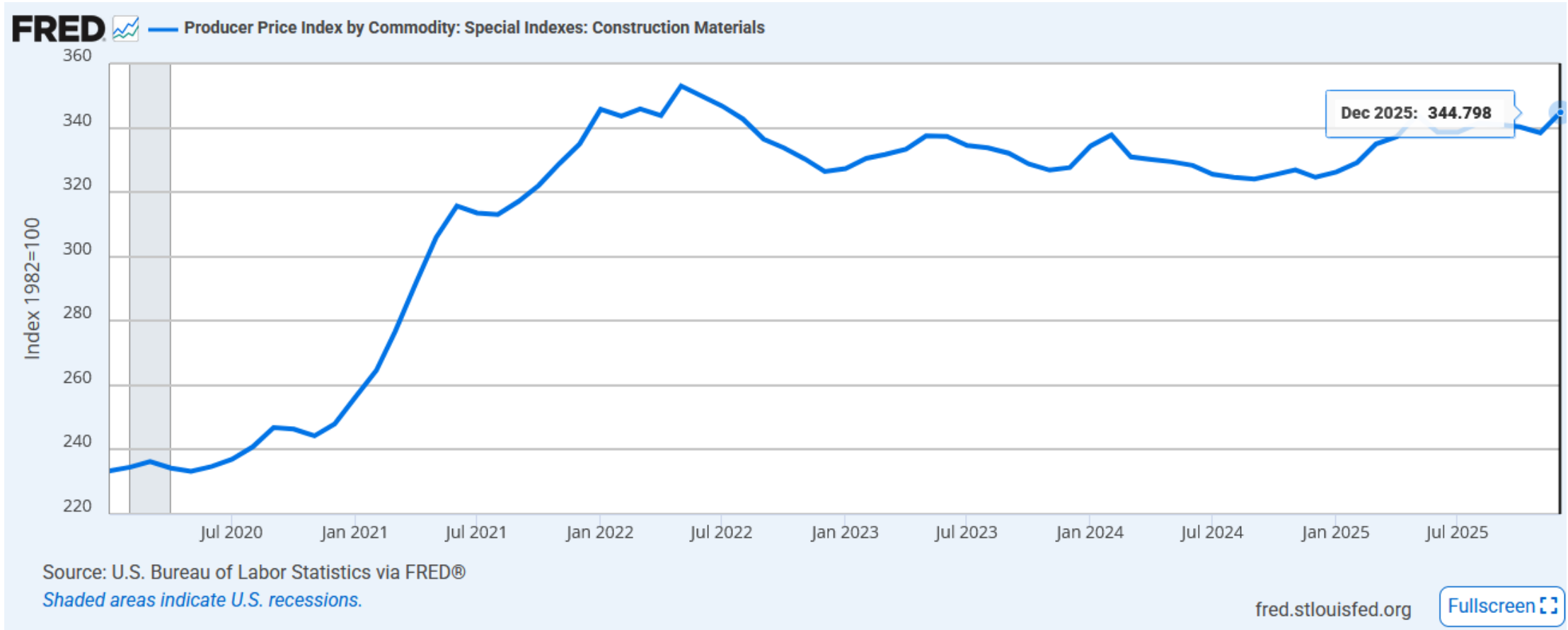
A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the water in the foreground reflects the lights. A dark blue semi-transparent rectangular box is overlaid on the lower half of the image, containing yellow text.

3) Macroeconomic Issues (that you can't control) Drive Up Costs

Cost of Capital – Secured Overnight Financing Rate – Stands at 3.64% in Feb. 2026, up from 0.05% in 2020

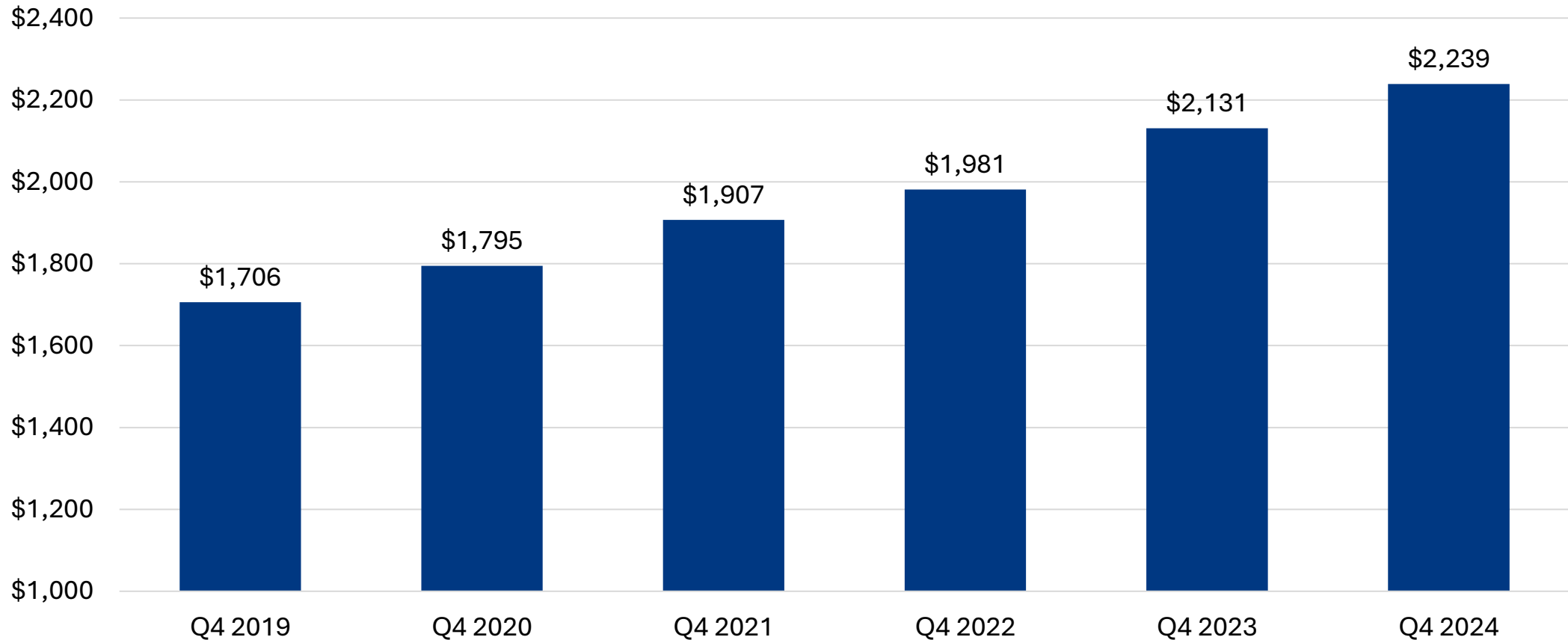


U.S. Producer Price Index for Construction Materials Rose 48% Since January 2020



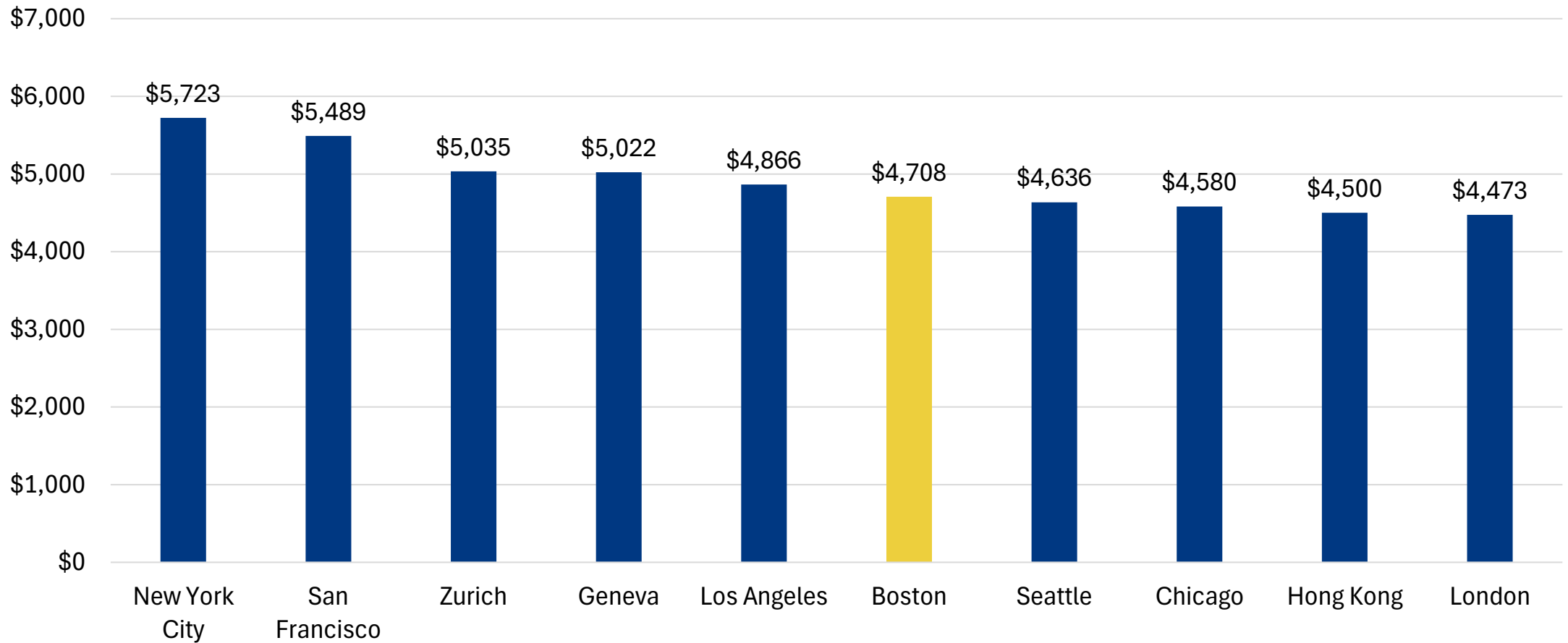
Boston Residential Building Construction: Average Weekly Wages, Q4 - 2019-2024

Average Weekly Wages Have Risen 30%



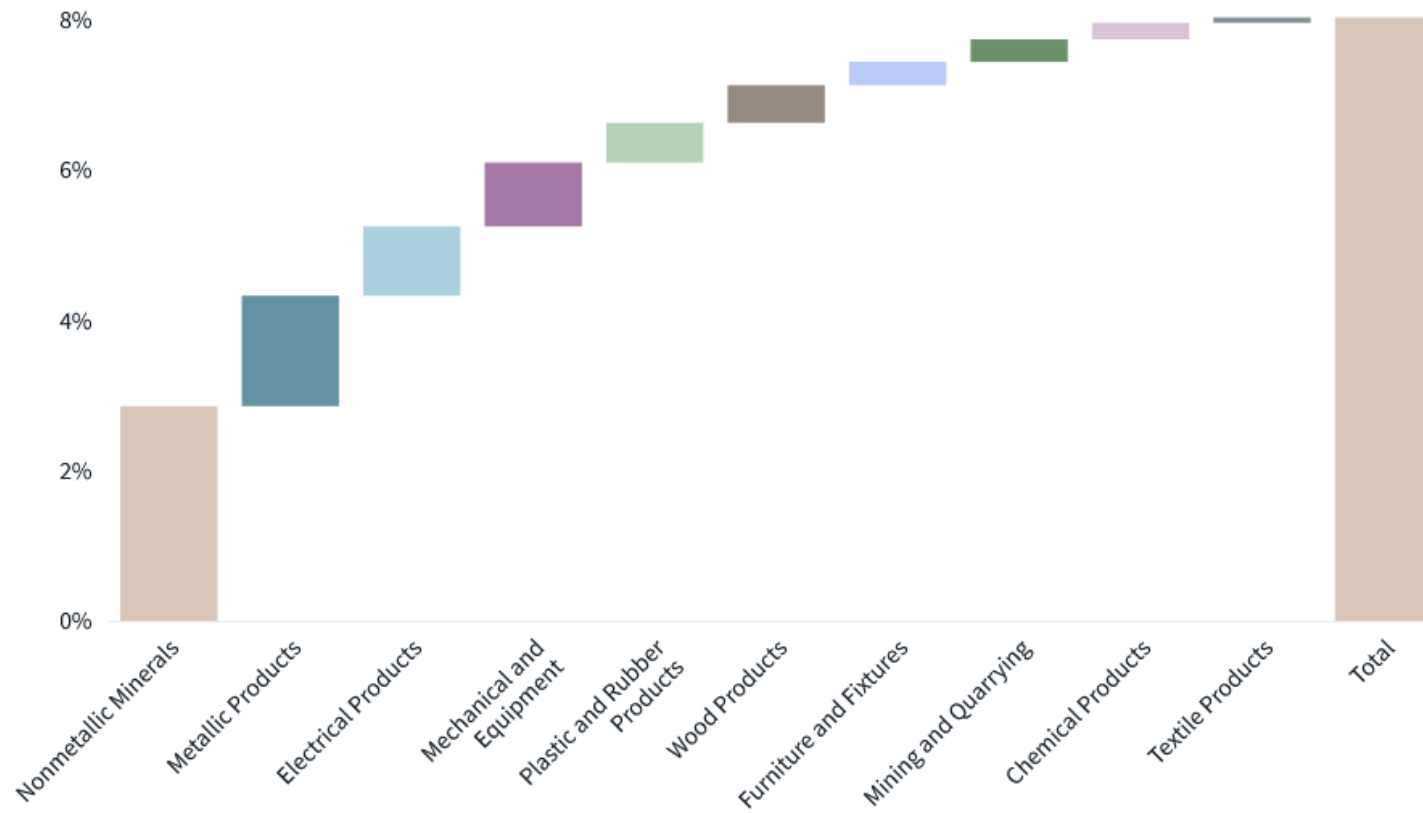
It All Adds Up to Make Boston One of the Most Expensive Places in the World to Build

Average Construction Cost per m²



JLL Estimates Tariffs Added Between 7% and 12% to Total Material Costs in 2025, Making Projects More Expensive

Contribution to total material cost increases by category



Source: [Source: JLL Research](#) • Cost represents a midrange estimate for all construction based on policies as of late June

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the water in the foreground reflects the lights. A dark blue semi-transparent rectangular box is overlaid on the lower half of the image, containing yellow text.

**4) Local Policies(that you can control)
Impede Development & Add Costs**

State & Local Regulations and Policies Add Significant Development Costs

While external cost factors that don't lend themselves to easy policy solutions are major obstacles to development, active policy decisions are a major contributor to increased costs and stalled development:

- **Energy code** – increasingly stringent energy costs, that affect both new development building reuse can create inflexible and costly new requirements for construction.
- **Affordability set asides** – the trend of increasing the share of units required to meet affordability standards can make costs for market-price units insupportable, increasing housing costs or keeping projects from starting.
- **Permitting timelines and processes** – local processes to solicit feedback on proposed projects and the timelines to approve project aspects add time and uncertainty to a wide variety of projects and can incentivize dilatory and obstructive tactics to make it too costly to continue with a project.

New Clean Energy Regulations Change Building Calculus

- **Base energy code:** applies to both new construction and renovation work; approximately 50 Massachusetts municipalities have not adopted the stretch code (and therefore are not designated Green Communities), so the base energy code is the default code for these municipalities.
- **Stretch energy code:** applies to new construction, additions, and renovations; approximately 300 Massachusetts municipalities (aka “Green Communities”) have adopted this code; the code creates stricter guidelines on energy efficiency for new construction and alterations in municipalities that are designated Green Communities; this code formerly applied to commercial buildings only but now also applies to residential work.
- **Specialized net-zero opt-in code:** applies to new construction and is designed to help ensure that new construction is consistent with a net-zero economy by 2050; to adopt this code, a municipality must vote to opt in, and the code becomes enforceable, at a minimum and no maximum, six months after the city/town council vote; as of this writing, five Massachusetts municipalities have opted in.

Clean Energy Regulations Add Costs

Green energy building codes cost more because they require advanced materials, specialized construction practices, compliance measures, and upfront investments

- **Higher-Performance Materials and Systems**

- More energy-efficient materials and systems including insulation, windows, and HVAC systems
- Renewable energy systems or energy-efficient appliances

- **Compliance and Certification Costs**

- Conducting energy performance tests
- Obtaining certifications like LEED or ENERGY STAR, which involve fees and administrative work

- **Advanced Design and Construction Practices**

- Design modifications to meet stricter energy performance standards

- **Green Energy Codes** can add 5 to 15 percent to the cost of building

Retrofitting Old Buildings Has Lower Total Carbon Footprint Than New Construction

A recent report analyzed embodied carbon in more than 1 million buildings in Chicago found that:

- Retrofitting, renovating, or reusing existing buildings can be [more effective in reducing operational and embodied carbon](#) than constructing new ones.
- Increasing the average lifespan of buildings from 50 years to 75 or 80 years and reducing building size by 20% can cut their overall carbon emissions by two-thirds.

See also:

- [Why taking apart buildings piece by piece is a climate solution](#), NPR, June 13, 2025
- [Deep retrofits: how repurposing old buildings can mitigate climate change](#), World Economic Forum, Feb. 7, 2024
- [The Greenest building: Quantifying the Environmental Value of Building Reuse](#), Preservation Green Lab, National Trust for Historic Preservation
- [Carbon reduction technology pathways for existing buildings in eight cities](#), Nature, 2013

Source: [Urban embodied carbon assessment: methodology and insights from analyzing over a million buildings in Chicago](#), July 2024

Inclusionary Zoning Policies Seek to Promote More Affordable Housing But Can Impede Development

- Inclusionary zoning (IZ) is a policy tool used by state and local government to promote affordable housing. IZ policies can be either mandatory or voluntary and require or encourage developers through incentives to include a certain percentage of affordable housing units in new residential developments.
- These regulations can be either fixed and apply to all projects or negotiable on a project-by-project basis.
- IZ policies include the percent of units set aside as affordable along with income thresholds for ownership or rentals that can be broken down by household size to correspond with different sized units.
- Affordability control periods must also be addressed. Federal programs like the Low-Income Housing Tax Credit (LIHTC) require affordability for at least 30 years, while other programs, such as those funded by HOME, mandate a minimum of 20 years.
- IZ zoning programs often require developers to navigate complex regulations and administrative processes, which add to development costs.

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the city lights are visible. A dark blue semi-transparent rectangular overlay is positioned in the lower half of the image, containing the text. The text is in a bold, yellow, sans-serif font.

5) Putting it All Together: What these Factors Mean for Development

Creating an Urban and Suburban Model to Assess Changes Between 2019 and 2025

Using simplified estimates for development cost and revenue elements, we can model how the factors that determine whether a project is feasible have changed.

There are countless cost, revenue factors, and assumptions, that go into project costs, but using data based on conversations with experts in the field we focus on several factors on a per unit basis:

- **Development cost:**
 - Land cost
 - Building and site work
 - Financing and soft costs
- **Ongoing revenue:**
 - Market rate rent
 - Affordable unit rent based on set aside
- **Ongoing expenses:**
 - Taxes, operational expenses and assumed churn rate in unit occupation

Using this model, the change in the cost of development and the reasons for the difference between urban and suburban development become clear.

Creating an Urban and Suburban Model to Assess Changes Between 2019 and 2025

- In the next few slides, we show why urban area developments are more expensive and riskier.
- In this analysis, data sources include the Dec. 2023 Boston Globe Spotlight report [“The \\$600,000 Problem – Why Does it Cost So Much to Build in Greater Boston”](#) which relied on a financial plan for a proposed apartment building in Greater Boston.
- We’ve added cost data from a team of developers who reviewed several projects in urban and suburban markets. Their data compare similar projects in 2019 and 2025 to show how various costs have changed since the beginning of the pandemic.
- It’s important to note that cost data varies from project to project and continues to be affected by changes in interest rates and inflation.

In Urban Areas Development Costs are Up 50%

Per Unit Cost	CY 2019	CY 2025
Building & Site Work	\$434,000	\$653,000
Financing	\$25,000	\$60,000
Land & Soft Costs	\$150,000	\$212,500
Total	\$609,000	\$925,500

Breakdown of Urban Development Costs and Revenues, 2019 - 2025:

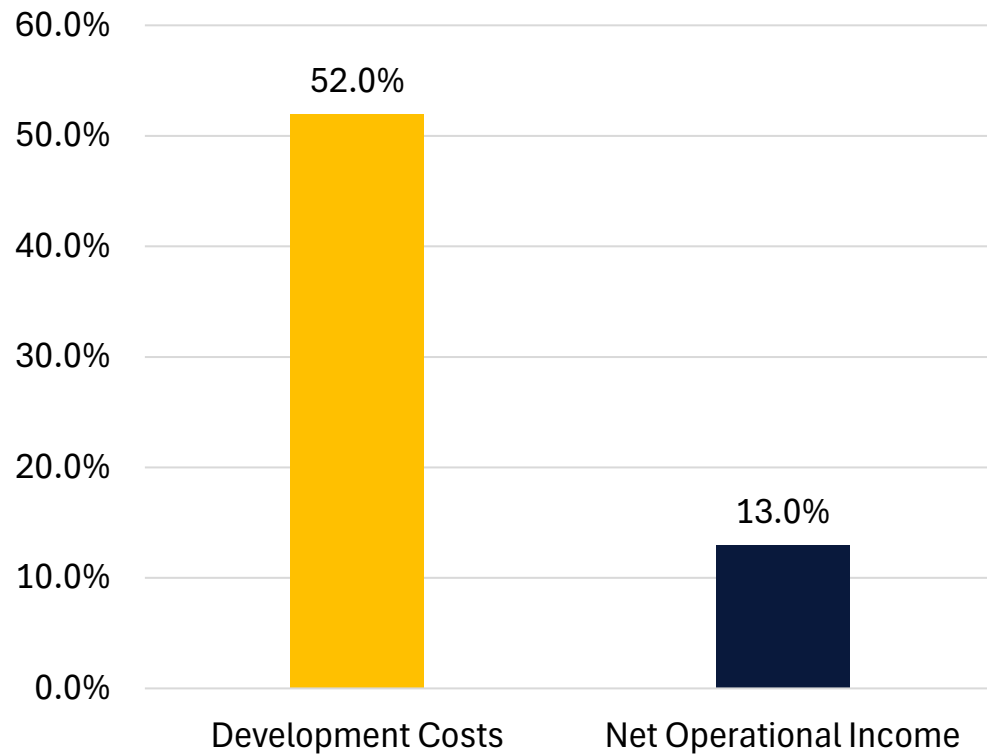
- Building and Site Work Costs (principally concrete and steel construction) up **50%**
- Financing Costs up **140%**
- All other costs are up about **40%**

At the same time, in many areas, affordability set asides have increased as well, meaning a smaller share of units is required to cover sharply increased costs.



Urban Housing Development Costs Increased Four Times the Rate of Net Operating Income Between 2019 and 2025

Change in Urban Development Costs and Net Operational Income per Unit from 2019 - 2024



In our urban model, we estimate development cost growth of more than **50%** since before the pandemic.

Operational revenues at the same time are up **13%**.

This works out to an estimated investment return on development of about **3.7%** per year. By way of comparison, many CDs currently offer interest rates of 4.5%.

In Suburban Areas Development Costs are Up, But Not As Much

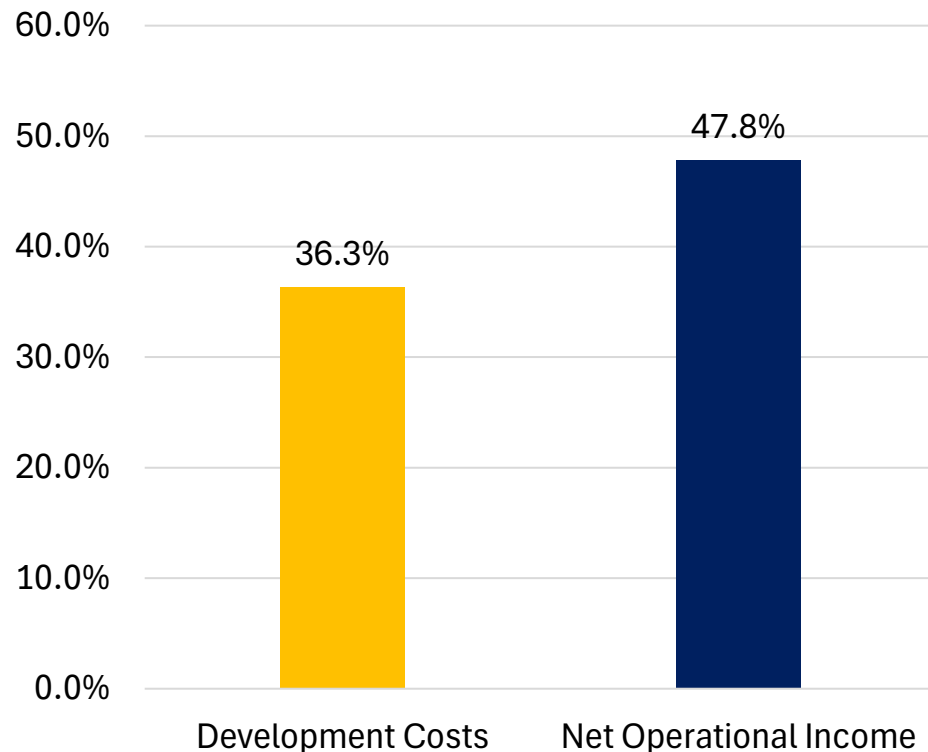
Per Unit Cost	CY 2019	CY 2025
Building & Site Work	\$219,608	\$262,000
Financing	\$7,000	\$14,000
Land & Soft Costs	\$67,500	\$90,000
Total	\$294,108	\$366,000

Breakdown in Suburban Development Costs and Revenues, 2019 - 2025:

- Building and Site Work Costs (principally concrete and steel construction) up **19%**
- Financing Costs up **10%**
- All other costs are up about **33%**

Net Income Outpaced Development Costs by 11% in Suburban Markets Shifting Develop Away from Urban Centers

Change in Suburban Development Costs and Revenue per Unit from 2019 - 2025



In our suburban model, we estimate development cost growth of **36%** since before the pandemic.

Operational revenues at the same time are up **47.8%**.

This works out to an estimated investment return on development of about **6.3%** per year.

What Elements of Cost Increases Lend Themselves to Policy Solutions

In looking at the changed development landscape – especially in urban areas – there are statutory or regulatory levers that policymakers have available that can materially lower costs:

- **Development cost:**

- Regulatory requirements such as building size and height, density regulations, setbacks, and environmental and land use controls
- Sales and use tax exemptions
- Parking requirements

- **Ongoing revenue:**

- Affordability set asides

- **Ongoing expenses:**

- Property tax abatements

By combining several of these policy tools in a development production package, state and local policymakers could materially reduce close the feasibility gap for urban housing development.

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the water in the foreground reflects the city lights. A dark blue semi-transparent rectangular overlay is positioned in the lower half of the image, containing the text "Prepare to Scale: Building Housing" in a bold, yellow, sans-serif font.

Prepare to Scale: Building Housing

Test Out Housing Development Initiatives in Several Communities to Identify Scalable Paths Forward

- **States and communities can:** identify obstacles to multi-family development and find temporary or permanent workarounds to reduce costs of government compliance that can average more than 40% of total development costs.
- **The state should:** align transportation investments with housing development to bring more workers within a 30-minute commute of workplaces.
- **The state should:** develop and promote a comprehensive array of tools that include sales and property tax exemptions, historic tax credits, and various financing options to make key projects pencil out.
- **The state should:** move fast and compare outcomes to find scalable paths to 220,000 more housing units by 2035.
- **We all should:** track programs in other states designed to fast-track housing and key infrastructure development.

Government Cannot Control Market Costs; It Can Step In to Reduce Government Regulations Costs

- Governments have the power to reduce costs from zoning requirements, building codes, impact fees, permitting requirements, environmental and affordability minimums, design standards, and public land requirements, among many other barriers.
- Selecting specific geofenced locations to pause or exempt key obstacles to development that has local government buy in is a role carved out for governments.
- Combine these exemptions with targeted financial support from tax exemptions or below market financing will hasten housing development.
- Massachusetts cannot solve the housing crisis without aggressive actions that address the many obstacles. It's time to trial different initiatives to compare results that can be scaled quickly.

Align Transportation and Housing Development: Reducing Commute Times is Essential

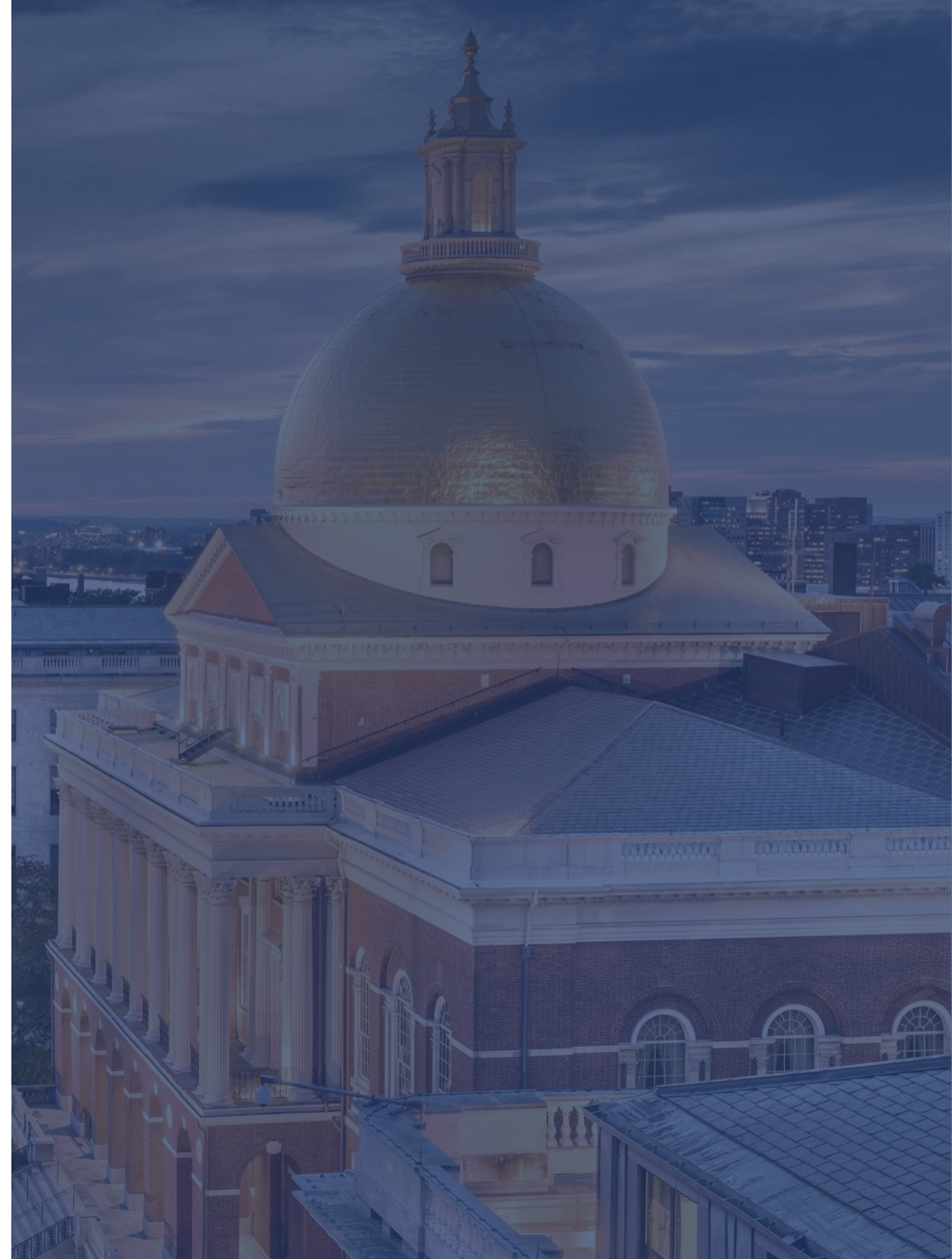
- Findings from [*The Future of Downtown Boston & Commercial Real Estate*](#), an MTF report, show that over 75% of in-person workers have commute times of less than 30 minutes.
- Approximately 45% of Massachusetts workers report commutes of longer than 30 minutes (ACS 2023).
- The MBTA Communities Act was designed to boost the production of multi-family housing in communities served by the MBTA.
- Investing in transit modes (subway, bus, commuter rail, or ferry) that reduce commutes to less than 30 minutes for the greatest number of people should be a central element to build housing.



Massachusetts
Taxpayers Foundation

Building Housing in Massachusetts

*Part 2: Creating
Momentum Zones*



Premise For Public Policy Action

As the first part of this report demonstrated: **cost and policy barriers stymie redevelopment and effective reuse of many properties in the Commonwealth** – especially in high-cost urban areas. At the same time, resource constraints and tensions with other policy goals make progress challenging, while existing state and local programs often do not work in harmony to maximize impact.

Can Massachusetts creatively reduce barriers to development, ease tensions with other policy goals, and coordinate the effect of existing tools? **Momentum Zones are an effort to answer ‘Yes’ to these three questions.**

Before delving into what a Momentum Zone program could look like, let’s first see how **other geographies are taking bold action to approach housing development differently.**

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the water in the foreground reflects the city lights. A semi-transparent blue rectangular overlay covers the lower half of the image, containing the text "Recent Actions in Other Areas" in a bold, yellow, sans-serif font.

Recent Actions in Other Areas

Policymakers Combine Tools to Make Projects Pencil Out

- Streamlining regulation : see [California](#)
- Adjusting affordability set asides: see [Baltimore](#)
- Expanding property tax abatements: see [Chattanooga](#)
- Providing sales and use tax exemptions: see [Massachusetts](#) or [Colorado](#), [Washington](#), and [New Jersey](#)
- Leveraging Low Income Housing Tax Credits: see Chicago and Florida

California Takes It's Shot - Rolls Back a Landmark Environmental Law from 1970 to Boost Housing and Critical Infrastructure

- **Accelerates delivery** of housing and infrastructure projects including housing on vacant lots, farmworker housing, high-speed rail facilities, childcare centers, health clinics, food banks, utilities, and broadband.
- **Accelerates permitting and approvals** by expanding the Permit Streamlining Act, limiting certain Coastal Commission housing appeals and speeding up coastal permitting, and making permanent key provisions of the [Housing Accountability Act](#) and [Housing Crisis Act](#).
- **Freezes residential building standards** through 2031 with exceptions for emergency, fire, and conservation-related updates.
- **Establishes a voluntary vehicle miles traveled** (VMT) mitigation bank that allows counties to direct their transportation VMT mitigation funding to support affordable housing projects.
- **Doubles the Renters Tax Credit** to up to \$500 for qualified filers.

Baltimore and Chattanooga Help Fund Development Costs to Increase the Number of Affordable Housing

- **Baltimore** enacted a new inclusionary housing law requiring most new multifamily, market-rate projects to make at least 10% units available at reduced rents. In exchange, Baltimore grants a property tax reduction to offset the lost rent income equal to the difference between the rent collected from each required below-market-rate unit, and the rent collected from a comparable market-rate unit. This policy adjustment means there is no impact on the financial feasibility of constructing housing.
- **Chattanooga's** Payment in Lieu of Taxes (PILOT) program offers developers a property tax discount in exchange for providing affordable rental units. The savings from reduced operating costs help offset the financial impact of charging lower rents. The program ties the tax abatement to the cost of offering affordable units. Each affordable unit has a "price," determined by the potential revenue lost by charging below-market rents. This price is calculated based on the project's ZIP code, unit size (0, 1, 2, 3, and 4 bedroom), and affordability level (50%, 60%, 70%, and 80% AMI).
- In **Massachusetts**, 115 cities and towns have mandatory Inclusionary Zoning (IZ) requirements while 65 mostly smaller communities offer volunteer programs.

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the water in the foreground reflects the lights. A semi-transparent blue rectangular overlay covers the lower half of the image, containing the text "Defining Momentum Zones" in a bold, yellow, sans-serif font.

Defining Momentum Zones

Principles for Policy Action

Public policy is not a silver bullet for meeting housing production goals, but it is a key tool. Massachusetts needs to use this moment of challenge to innovate new ways to use policy levers in a coordinated and impactful way that make an immediate difference and pilot new concepts that can be expanded based on early success.

There are four principles that any new policy initiative must adhere to:

1. **Coordinating use of state tools** – The initiative must use existing state programs and incentives in coordination to maximize impact.
2. **Requiring local buy-in and participation** – The new initiative must work in partnership with municipalities willing to leverage local policy tools.
3. **Putting housing production first**– The new initiative must provide an environment for other policy goals to be subordinated to the goal of housing production when the opportunity for impact is greatest.
4. **Demonstrating proof of concept** – In order to maximize impact of resources, mitigate concerns from competing policy interests, and build a track record of success, the new initiative should start as a pilot in a set number of locations.

Creating Momentum Zones

Guided by the principles outlined above, we propose establishing housing production Momentum Zones (MZs) around the state. Under the program, the administering entity would:

- Select 5 zones across the state that would have access to **accelerated permitting, enhanced financial tools, and fast-tracked participation** in existing state programs.
- Require **local partnership** for each selected zone. Municipalities hosting a zone would commit to streamlined permitting, alternative compliance options for local requirements, and the availability of property tax abatements.
- Provide approved developments within the zone with a **combination of state and local assistance** to make feasible projects that result in significant numbers of new housing units and improve community vibrancy.

Momentum Zone Tools – New Financial Tools

The Momentum Zone program would provide two major new financial tools:

- **Direct financial investment** – The Momentum Zone program would have access to \$250 million to provide equity investment in approved projects. The state would expect an ROI on the investment but would take a return less than a privately financed equity stake. Returns on state investments would return to the program for reinvestment.
- **Sales tax exemption on materials** – As recommended by the Unlocking Housing Production Commission, Momentum Zone projects would be eligible for a sales tax credit on construction materials.

For both of these new tools, the program would determine that production of new units would not occur absent state assistance.

Momentum Zone Tools – Stacking Existing State Programs

The state has created numerous tax credit, capital finance, and loan programs over the years that can be used to assist in the rehabilitation and production of housing units. However, these programs are limited in application and available resources and often projects attempt to utilize multiple programs, each with different eligibility and application processes.

Momentum Zone stackable programs:

- Commercial Conversion Tax Credit
- Housing Development Incentive Program
- Historic Tax Credit
- Low-Income Housing Tax Credit
- I-Cubed
- Real Estate Tax Credit Bridge Loan

Momentum Zone Tools – Local Partnership

State and local level policies both have the **power to help advance housing production or stymie it**. Central to the Momentum Zone idea is the requirement of municipal partner buy-in that aligns state and local actions.

Participating communities would offer local tools within the MZ area:

- Expedited permitting
- Alternative compliance options for energy and unit affordability requirements
- Tax abatement and deferrals

These tools would be limited to the set aside area, contingent on complementary state support, and in service of projects that will make a difference in housing production and community vibrancy.

Putting it Together – Momentum Zones In Action

The MZ idea has at its core an understanding that financial and policy constraints work against our housing production goals:

- Public finance tools to incentivize housing production are constrained.
- State and local policy levers to reduce development barriers run up against concerns for local control, affordability goals, and energy targets.

Momentum Zones address these challenges by:

- Creating a limited number of **narrowly defined regions for action**
- Pooling **financial resources** into those areas
- Providing **dedicated access to existing programs**
- Streamlining and **reducing regulatory barriers**
- Requiring participating communities to offer **complementary local benefits** in the area

Momentum Zone Benefit #1 – Maximizing the Impact Scarce Dollars

The state's capital budget is limited – the state's general obligation bond cap typically grows by about 3% a year and competing demands for infrastructure dollars mean that even as housing support programs are prioritized, the housing capital spend is only projected to grow by \$51 million in FY 2027 and new initiatives, like the **Commercial Conversion Tax Credit** are capped at \$10 million.

Spreading these limited new resources across the state means small project awards, thereby reducing the impact on a given project's viability and making it challenging to assess the impact of new initiatives.

Targeting the Commercial Conversion Tax Credit within MZs would allow fewer projects to receive a larger benefit and the credit would work in conjunction with other MZ program elements, making it more likely that the credit will make a real difference in spurring meaningful unit creation and demonstrating to policymakers whether such a program warrants expansion.

Momentum Zone Benefit #2 – Coordinating State Programs

In the last several years alone, the state has launched or expanded a number of new programs to support housing production. At the same time, the state has attempted to reduce bureaucracy delays when it comes to permitting and zoning appeals. However, there is no overarching program that incentivizes the coordination of these actions for specific projects or regions.

The Momentum Zone program would act as a pilot for improved state coordination. While continuing to allow programs and processes to act independently, MZs would provide a small level of dedicated access to MZ projects. At the same time, MZs would bring with them expedited permitting and by-right zoning.

Momentum Zone Benefit #3 – Creating a Housing First Environment

One of the chief policy impediments to new development is conflict with other policy goals. Requirements related to other policy goals like local input, affordability, and climate add cost, time, and can prevent projects from moving forward.

The Momentum Zone Pilot provides an opportunity to adjust these requirements – in a defined and controlled setting – to allow for **prioritization of housing production and community vibrancy**. The limited nature of the pilot enables communities and the state to maintain policy commitments in other areas while fostering housing production at the same time.

Momentum Zone Benefit #4 – Getting Local Buy-in

Communities that participate in the MZ program would get clear benefits:

- State financial support
- Priority for existing state programs
- Streamlined state permitting and regulatory review

In order to access these major benefits, **communities would need to put skin in the game.** In order to participate, cities and towns would need to offer a combination of expedited permitting, alternative requirements for energy/affordability, and property tax abatements.

Combining state and local incentives in one program, **amplifies impact and further reduces cost barriers.**

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the water in the foreground reflects the city lights. A semi-transparent blue rectangular overlay covers the lower portion of the image, containing the text "Getting Into The Details" in a bold, yellow, sans-serif font.

Getting Into The Details

Creating a Structure for Momentum Zones

The goal of Momentum Zones – incentivizing housing production in areas where clear economic development and community vibrancy goals are met – crosscuts the mission of a number of public entities.

The financing mechanism of the MZ's – ability to provide direct investment and other financial support in projects that provide a public benefit – speaks to housing the program at a quasigovernmental agency that has some degree of capital financing flexibility.

MassDevelopment could be a perfect fit for this innovative new program.

Thinking Through Momentum Zone Structure

Because the pilot intersects with a variety of public interests – at the state and local level – **it's important that administration reflect input from relevant public stakeholders.**

The program would have an administering entity (i.e. MassDevelopment) with proposed zones reviewed and approved by the Momentum Zone Board with representation from:

- **MassDevelopment**
- **MassHousing**
- **Executive Office for Administration and Finance**
- **Executive Office of Housing and Livable Communities**
- **Executive Office of Economic Development**
- **Mass. Municipal Association**
- **Metro Mayors Association**

Thinking Through Momentum Zone Financing

Given scarce public resources, any resources made available for the Momentum Zone program need to be limited, able to be revolved, and flexible. In order to maximize flexibility and minimize short-term budget impact, we propose:

- **\$125 million in operating resources**
- **\$125 million in capital spending capacity**

A majority of expenditures from the program would be made as loans or investments with a timeline for repayment with a return. This would allow the program to be sustainable after initial capitalization.

Critical Next Steps

The Momentum Zone concept can be modular – with additional tools added over time – but to give the program meaningful initial impact, several elements are necessary to begin:

- **Statutory creation of a program** and a structure with an administering entity and review board.
- **Capitalization** with operating/capital resources.
- **Access to meaningful state tools**, including a sales tax break on materials, expedited permitting, and a Historic Tax Credit set aside;
- **Requirement for local participation** with meaningful local incentives related to property tax and affordability set asides.

A photograph of a city skyline at dusk, featuring several tall skyscrapers with illuminated windows. The sky is a pale blue, and the city lights are reflected in the water in the foreground. A semi-transparent blue rectangular overlay covers the lower half of the image, with the word "Appendix" written in a bold, yellow, sans-serif font centered within it.

Appendix

Sales and Use Tax Exemptions

Sales tax exemptions are a commonly used policy tool in Massachusetts to incentivize certain behaviors or reduce the cost of certain spending.

It is a common tool – As of FY 2026, there are 58 sales tax exemptions on the books that relate to types of buyers, types of products, types of inputs and types of industries.

It is used to support priority policy goals – The MassLeads Act (signed into law in 2024) includes a new sales tax exemption for data center construction, as well as purchases made by Climatetech companies.

It is one of the Unlocking Housing Production Commission's top recommendations – The group's report recommended a 50% sales tax credit for construction materials purchased for eligible multi-family new construction or rehabilitation.

LIHTC Program Changes Expand Low Income Housing Prospects, Place New Challenges on State Administrators

- Each state's allocation of 9% LIHTC is increased permanently by 12% beginning in 2026. This raises the per-capita tax credit ceiling from \$3.00 to \$3.36 per resident.
- Private activity bonds to obtain 4% credits are reduced to 25% of land and building costs financed rather than the previous 50%, making it easier for more projects to use 4% LIHTCs.
- These two LIHTC expansions combined with extensions of the [New Markets Tax Credit](#) and [Opportunity Zone programs](#), and restored [100% bonus depreciation](#), are estimated to generate 1.2 million affordable rental homes between 2026 – 2035 according to [Novogradac](#).
- These changes come with challenges to states. Increased program and financial complexities place added administrative burdens and the anticipated upturn in applications demands more efficient processing.
- Developers may also need more administrative flexibility such as timeline extensions, waiving penalties on unused credits, and help avoiding zoning issues and local opposition.

Momentum Zones as an Opportunity for Innovation

Creating a pilot program to apply innovative state and local policy treatments to spur housing production and development would allow targeted financing and regulatory action within a controlled environment. Momentum zones could maximize impact in the most affected areas by:

- Braiding state financing and tax programs in areas designated as the highest need.
- Partnering with municipalities that would commit to regulatory or tax benefits to help reduce the cost of development.
- Limiting the number of zones would allow for controlled alternative compliance and regulatory regimes related to climate, affordability and permitting.
- The state could combine Momentum Zones with Commuter Rail redesign to maximize and coordinate investments for the largest impacts.

Inclusionary Zoning (IZ) Is a Policy Tool Used by State and Local Governments to Promote Affordable Housing

- These regulations can be required to apply to all projects or voluntary allowing for negotiable project-by-project agreements.
- IZ policies include the percent of units set aside as affordable along with income thresholds for ownership or rentals that can be broken down by household size to correspond with different sized units.
- Affordability control periods must also be addressed. Federal programs like the Low-Income Housing Tax Credit (LIHTC) require affordability for at least 30 years, while other programs, such as those funded by HOME, mandate a minimum of 20 years.
- However, IZ zoning programs often require developers to navigate complex regulations and administrative processes, which add to development costs including:
 - Lower Return on Investment (ROI): below market rate units lower a project's ROI that could make the project unfeasible due to higher borrowing costs.
 - Increased Development Costs: leads to increased costs for market rate units or fewer units built.
 - Reduced Affordability Overall: increased market-rate prices can ultimately make housing less affordable for many residents, particularly those not eligible for the below-market-rate units.