ISSUE BRIEF SERIES:

Making It Happen: Scaling Low-density Multifamily Housing

By Ahmad Abu-Khalaf

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Enterprise

SnapADU — Law Street, Pacific Beach (Photography: SnapADU)

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About the Author

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About the Enterprise PD&R Team

PD&R provides thought leadership and data-backed recommendations to influence housing and community development policy, addressing both emerging policy issues and long-term needs. Read reports and policy briefs by the team (**www.enterprisecommunity.org**) and follow us on **X** @E_HousingPolicy.

COVER PHOTO: The Englewood Passive House Duplex (Photography: Shape Architecture Studio)

Executive Summary

This issue brief highlights recent updates on regulatory reforms and financing innovations that are intended to facilitate the development of low-density multifamily (LDMF) housing.

Amid the lack of a single, agreed upon definition of low-density multifamily (LDMF) housing, our research describes LDMF development as the type of housing with density that stands somewhere between traditional single-family development (a detached unit designed to be occupied by one household and which sits on its own parcel of land) and high-density multifamily development (broadly defined as having a large number of housing units in relation to the construction site's total area/size, maximizing land usage), depending on the local development context.

While the term "density" is typically defined by the number of units per given unit of land, the definition of LDMF housing will largely depend on the jurisdiction's existing residential development patterns. These patterns have been significantly shaped by land use and zoning requirements — such as limits to the portion of a lot's area that is covered by buildings, distance between neighboring buildings, and building height — that enabled or precluded certain types of LDMF housing at the time of development. However, changes to these codes over time may have made it illegal to build similar homes today in many areas where they were once permitted.

The effective definition of LDMF housing may also be influenced by what is allowable under current land use and zoning requirements, particularly in jurisdictions which have recently enacted zoning reforms that re-legalizes historic forms of LDMF housing. These current regulations dictate minimum lot size requirements, the maximum number of units per lot, allowable building height, maximum portion of the site covered by the building, and setback requirements that regulate the minimum distance between the building and the lot lines, among other requirements. For example, Portland, Oregon's 2020 zoning reform focused on allowing for LDMF with up to six units, while Minneapolis' 2020 zoning reform focused on allowing for properties with up to three units.

Our **previous research** demonstrates that allowing for the development of LDMF housing on land exclusively zoned for single-family housing is a supply strategy with the potential to help jurisdictions address some of the housing challenges influenced by such zoning practices. However, bringing LDMF housing to scale requires efficient regulatory reforms that address zoning barriers to LDMF housing production. It also requires sufficient access to tailored financing products designed to address the barriers to financing LDMF housing, which stem from the scale of development and the fact that they are often pursued by small-scale developers.

Since we released our 2022 white paper, "**Barriers & Opportunities to Creating Low-Density Multifamily Housing**," several state and local governments have adopted jurisdiction-wide regulatory reforms intended to facilitate the development of LDMF housing. However, some reform efforts have been stalled or halted by legal challenges filed by opposing groups. Additionally, since these regulatory efforts are recent and limited in geographic scope, they have yet to translate into an increased supply of LDMF nationwide.

On the financing side, several private entities have launched lending products tailored to LDMF housing. These loans are designed to provide debt capital for multifamily developments with small-to medium-sized loan balances. The availability of this funding helps address barriers to financing that primarily stem from the scale of the development and provides needed support for emerging developers who are more likely to pursue such developments.

Despite this progress, more work needs to be done to significantly boost LDMF housing nationwide. A much larger number of jurisdictions must adopt regulatory reforms that would lead to a broader regulatory landscape supportive of LDMF housing, enabling the housing industry to build it at scale. Additionally, more work needs to be done to address barriers to financing LDMF housing developments. Public-private partnerships are needed to expand access to lending products that are tailored to financing LDMF housing.

Table of Contents

Jansen Court (Photography: CAST Architecture)

SNAPSHOT	
Development:	Two-Story ADU — Law Street, Pacific Beach
Location:	San Diego, California
Lot Size:	6,098 sq. ft.
Development Size:	540 sq. ft. ADU + 540 sq. ft. unfinished storage space
Number of Units:	1 unit
Project Team:	SnapADU

SnapADU — Law Street, Pacific Beach (Photography: SnapADU)

Background

In 2019, the Enterprise Policy Development and Research (PD&R) team launched a series that examines different methods of overcoming the regulatory and financing barriers to scaling affordable housing design, construction, and production strategies. Between 2019 and 2022, Enterprise issued several research papers and briefs, which explored policy solutions to boost a range of housing innovations including **off-site construction**, **accessory dwelling unit (ADU) development**, and **low-density multifamily housing**.

In 2023, the Enterprise Policy Development and Research (PD&R) team launched an issue brief series titled, "**Making it Happen**." The series explores recent successes in scaling affordable housing innovations and highlights newly launched initiatives designed to overcome regulatory and financing barriers to these innovations. Third in the "Making it Happen" series, this brief lays out the progress made in bringing low-density multifamily housing to scale since releasing Enterprise's 2022 white paper, "**Barriers & Opportunities to Creating Low-Density Multifamily Housing**."[1]

What is low-density multifamily housing?

There is no single, agreed upon definition of low-density multifamily (LDMF) housing, which is also called *gentle density housing* or *missing middle housing*. LDMF housing varies across state and local housing markets depending on the market's residential development patterns.

These patterns have been significantly shaped by land use and zoning requirements — such as limits to the portion of a lot's area that is covered by buildings, distance between neighboring buildings, and building height — that enabled or precluded certain types of LDMF housing at the time of development. However, changes to these codes over time may have made it illegal to build similar homes today in many areas where they were once permitted.

The effective definition of LDMF housing may also be influenced by what is allowable under current land use and zoning requirements, particularly in jurisdictions which have recently enacted zoning reforms that re-legalizes historic forms of LDMF housing. These current regulations dictate minimum lot size requirement, the maximum number of units per lot, allowable building height, maximum portion of the site covered by the building, and setback requirements that regulate the minimum distance between the building and the lot lines, among other requirements. For example, Portland, Oregon's 2020 zoning reform focused on allowing for LDMF with up to six units, while Minneapolis' 2020 zoning reform focused on allowing for properties with up to three units.

Our research describes LDMF development as the type of housing with density that stands somewhere between traditional single-family development (a detached unit designed to be occupied by one household that sits on its own parcel of land) and high-density multifamily development (broadly defined as having a large number of housing units in relation to the construction site's total area/size, maximizing land usage). Where it falls on the spectrum depends on the area's residential development patterns.

For example, a four-story, eight-unit residential building built on a 2,000-square-foot lot with a total size of 7,000 square feet is deemed LDMF housing in Jurisdiction A. This is based on the neighborhood's characteristics and the broader local regulations such as building height and size, lot size, and the unbuilt areas between buildings. However, the same development would be deemed a higher-density development in Jurisdiction B, as local development characteristics there deem a two-story, two-unit residential development built on a 1,500-square-foot lot with a total development size of 3,500 square feet as LDMF housing. This issue brief features examples of completed developments from across the country to help contextualize the scale and variety of LDMF housing.

Jansen Court (Photography: CAST Architecture)

What could permitting and creating LDMF housing help accomplish?

The supply of affordable housing falls short of demand in nearly every jurisdiction in the U.S. Nationwide, upwards of 12 million renter households are severely cost burdened — defined as spending more than 50% of income on housing.[2]

Single-family-only zoning is a significant contributor to housing supply and affordability challenges in jurisdictions nationwide. This is where large shares of land are reserved for single-family home development with the intention of restricting the types of housing that can be built in particular neighborhoods. Our research highlights the value of unlocking underutilized land zoned for single-family development for LDMF development as a housing supply strategy that helps jurisdictions address some of the housing challenges influenced by single-family-only zoning.

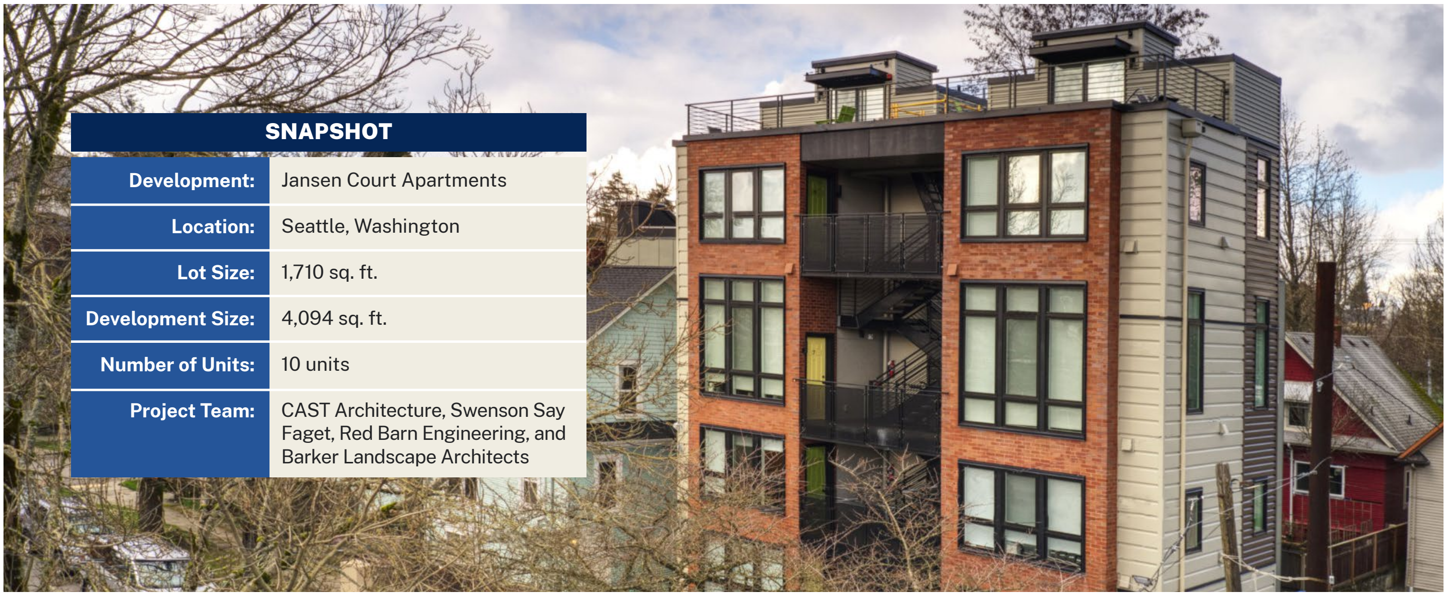
Since single-family-only zoning contributes to housing supply scarcity, which has a spillover effect on home sales and rent prices, permitting LDMF housing in a market's areas previously reserved for single-family development could have positive impacts on a market's supply and affordability challenges. Recent research shows that adding market-rate housing makes surrounding rentals more affordable across the income distribution by easing pressure on the market's existing housing stock and freeing up older unsubsidized units that are more affordable than new market-rate rentals, known as the filtering process.[3]

Additionally, increasing the housing market's supply by permitting smaller market-rate units, which could be more affordable to own or rent than single-family homes based on price per square-foot, may help ease the market's affordability issues and boost the diversity of housing options. However, it is important to differentiate here between housing affordability and affordable housing production.

For example, a city-wide zoning reform effort to permit LDMF housing could lead to positive impacts on the city's supply and affordability issues in the long term, but this effort will not necessarily result in the near-term production of housing that is affordable to lower-income households, or even affordable for moderate-income households in high-cost markets. Such zoning reform effort may result in the creation of market-rate units that are attainable/affordable to households earning 80-100% of the area median income (AMI), and additional subsidies and targeted efforts will be required to ensure that this zoning reform effort can create units that are affordable to households earning up to 80% of the AMI.

Since we released our paper in 2022, several jurisdictions have enacted regulatory reforms designed to facilitate the development of some forms of LDMF housing. Additionally, several private entities have launched new lending products tailored to financing LDMF development. As of the writing of this brief, these efforts have yet to materialize into an adequate or abundant national supply.

The Englewood Passive House Duplex (Photography: Shape Architecture Studio)



SNAPSHOT	
Development:	Jansen Court Apartments
Location:	Seattle, Washington
Lot Size:	1,710 sq. ft.
Development Size:	4,094 sq. ft.
Number of Units:	10 units
Project Team:	CAST Architecture, Swenson Say Faget, Red Barn Engineering, and Barker Landscape Architects

Jansen Court (Photography: CAST Architecture)

Overcoming Regulatory Barriers to LDMF Development

Acknowledging that single-family-only zoning contributes to a range of state and local housing challenges, particularly affordability and supply issues, a number of jurisdictions across the country have enacted zoning reforms to allow for some form of LDMF development in single-family-only zoned areas. Since January 2022, several states have adopted jurisdiction-wide zoning reforms intended to facilitate the development of LDMF housing. Here are brief examples:

- **Colorado:** In June 2024, Governor Jared Polis signed into law HB 1152, a measure that requires certain municipalities and county areas to allow for accessory dwelling units (ADUs) on all single-family zoned lots while also requiring that these jurisdictions not pass or enforce certain local policies that would restrict ADU development.[4] An ADU is a smaller, self-contained residential dwelling located on the same parcel as a primary, larger residential dwelling, which is typically a single-family home.

- **Arizona:** In May 2024, Governor Katie Hobbs signed into law two measures intended to boost LDMF housing statewide.[5] House Bill 2721 requires cities with 75,000 residents or more to allow for the development of certain types of LDMF housing, including duplexes, triplexes, and fourplexes, on any single-family lot within one mile of the municipality's central business district. For any new development of more than 10 contiguous acres, the measure allows for developing LDMF housing on at least 20% of the total development site. The measure also bans subjecting these types of permitted LDMF developments to more restrictive regulations than single-family residential development. House Bill 2720 requires that cities with 75,000 residents or more allow for the development of ADUs on all single-family lots — at least one ADU attached to the primary dwelling and one detached ADU on any lot zoned for single-family development — while prohibiting restrictive regulations, such as additional parking requirements for ADUs.

- **Montana:** In May 2023, following recommendations from a bipartisan housing task force, Governor Greg Gianforte signed into law a package of zoning reform bills intended to facilitate the development of LDMF housing.[6] Senate Bill 528 requires municipalities to allow for the development of an ADU on any lot zoned for single-family homes while prohibiting certain restrictive regulations, such as requiring additional parking for ADUs. Senate Bill 323 requires certain cities to allow for duplex housing, defined as a lot with two dwelling units, on any single-family zoned lot. It also prohibits cities from adopting zoning regulations governing duplex housing that are more restrictive than those applicable to single-family development.

  While these two measures were set to go into effect in January 2024, a Montana judge issued a preliminary injunction halting their implementation,[7] which lasted through September 2024 when the Montana Supreme Court reversed the lower court's decision.[8] The lower court's decision to block the implementation of the bills was made after the court reviewed a lawsuit brought by a local group opposing the reforms. The plaintiff's case was based on alleged violations of the state's constitution giving Montanans the right to participate in government decision-making and providing guarantees of equal protection, flagging concerns regarding how these bills are not universally applicable to all single-family zoned lots, as lots covered by private covenants that ban ADUs and duplexes would not covered by these zoning rules.

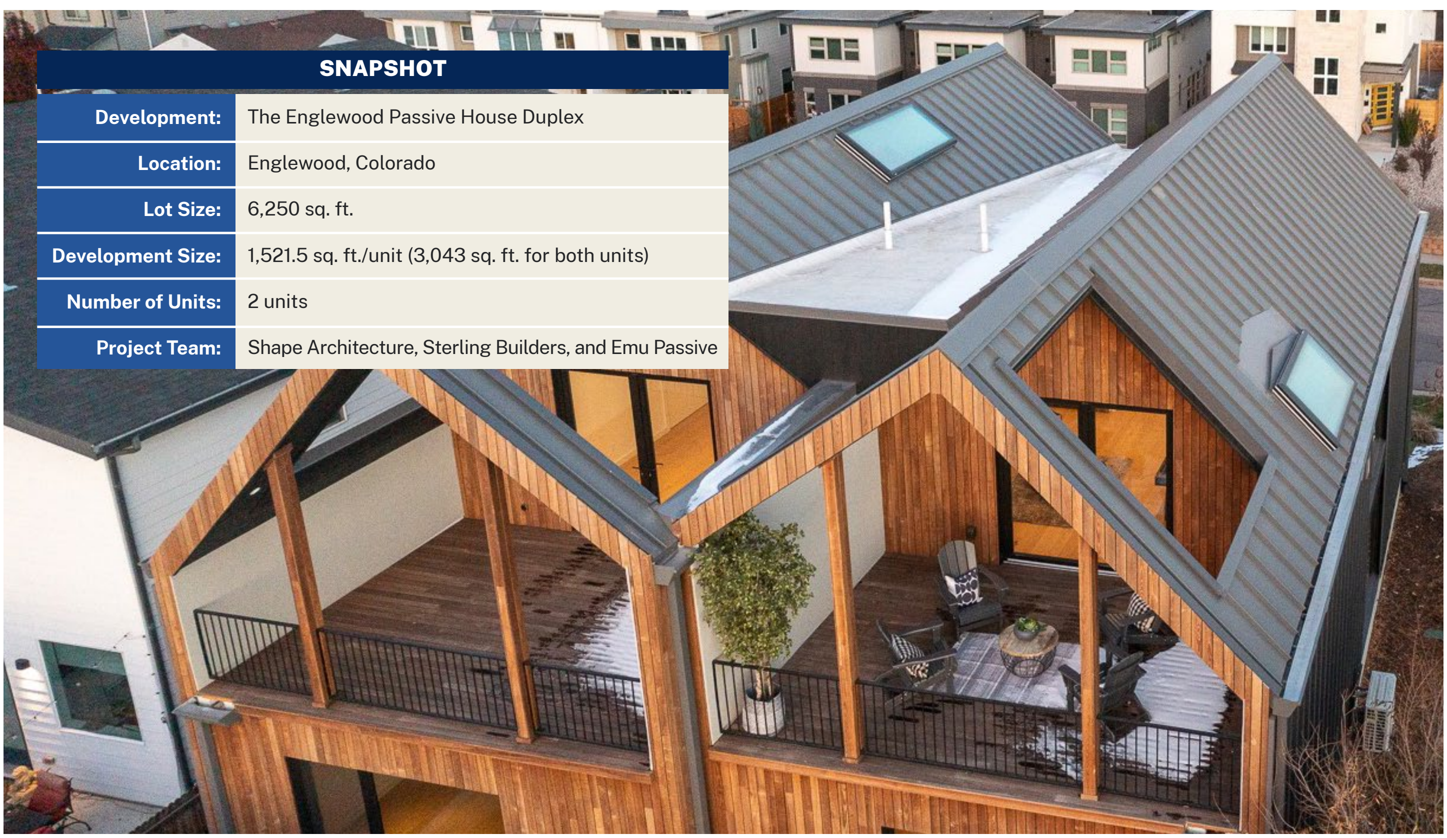
  Washington: In May 2023, Governor Jay Inslee signed into law House Bill 1110, a measure that is intended to facilitate the development of certain types of LDMF housing in areas traditionally reserved for single-family housing development.[9] The measure requires that cities with populations between 25,000 and 75,000 allow for the development of duplexes in all residential areas, and fourplexes in any area near a major transit stop, park, school, or anywhere if at least one of the four units meets set affordability requirements. In cities with more than 75,000 residents, the law requires that fourplexes be allowed in all residential areas, and the development of sixplexes (properties with six units) in areas near major transit, parks, schools, or anywhere if at least two of the six units meet affordability requirements.

Additionally, since January 2022, several local jurisdictions have adopted zoning reforms intended to facilitate the development of some form of LDMF housing, including:

- **New York City:** In December 2024, Mayor Eric Adams signed into law a citywide zoning reform package, titled the "City of Yes for Housing Opportunity."[10] The adopted reforms include:
  - Legalizing ADUs for one- and two-unit homes in all low-density districts, with some restrictions to address concerns around flooding and neighborhood context
  - Adopting the Universal Affordability Preference (UAP) to boost the density of medium- and high-density developments by nearly 20% while requiring that the additional homes be permanently affordable
  - Rolling back parking mandates for new residential construction
  - Allowing mixed-use buildings with up to five stories (ground-floor retail with up to four floors of housing above, referred to as "town center zoning") along commercial streets in select neighborhoods. This restores zoning rules common from the 1920s-1950s, enabling new housing to be built above existing shopping areas in a style that matches the character of existing neighboring buildings.[11]

- **Burlington, Vermont:** In March 2024, the city council adopted a large-scale zoning reform intended to allow for more LDMF housing options citywide.[12] Prior to this reform, the majority of the city's low-density lots were capped at two units per parcel. The zoning changes allow for the development of up to two buildings with four units each if the site's size and conditions allow for that while providing flexibility for required setbacks and building size.
- **Knoxville, Tennessee:** In February 2024, the Knoxville City Council passed the Missing Middle Housing Plan.[13] The ordinance only applies to parcels in traditional neighborhood residential zones, which make up about 25% of Knoxville's residential lots. Also, it allows for the development of specific types of LDMF housing, such as duplexes, triplexes, and fourplexes.
- **St. Paul, Minnesota:** In October 2023, the city council adopted zoning amendments to allow for LDMF housing options citywide.[14] The amendments replace several residential zoning districts, including single-family zones, with two new residential zoning districts. This allows for a range of LDMF housing options including ADUs, duplexes, triplexes, and fourplexes while offering density bonuses for properties with below-market units.
- **Arlington, Virgina:** In March 2023, the Arlington County Board passed the missing middle zoning ordinance to allow for the development of duplexes, triplexes, and fourplexes on lots previously reserved for single-family housing. For eligible lots over 6,000 square feet, the ordinance allows for the development of up to six units.[15] However, a Virgina trial court halted the ordinance in September 2024.[16] The judge found that the County Board failed to adequately consider the ordinance's local impacts, and found that it violated the state's tree canopy requirements.

SNAPSHOT	
Development:	The Englewood Passive House Duplex
Location:	Englewood, Colorado
Lot Size:	6,250 sq. ft.
Development Size:	1,521.5 sq. ft./unit (3,043 sq. ft. for both units)
Number of Units:	2 units
Project Team:	Shape Architecture, Sterling Builders, and Emu Passive



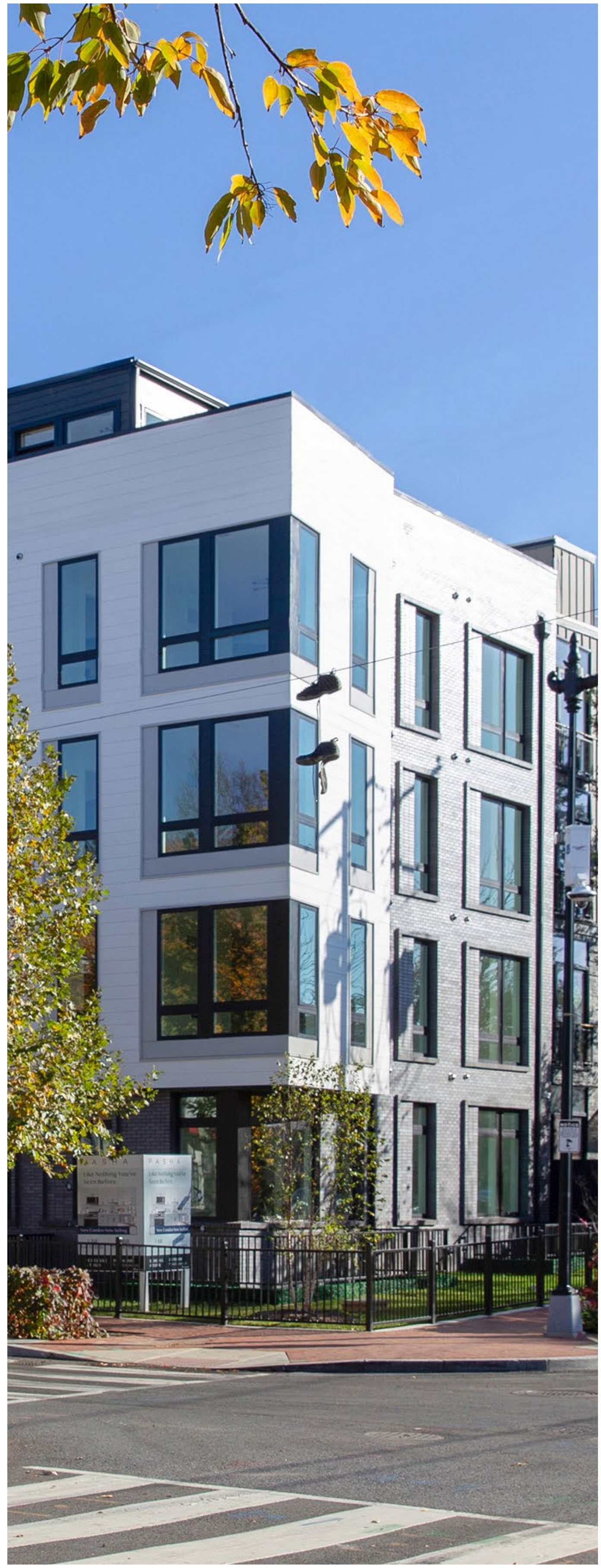
The Englewood Passive House Duplex (Photography: Shape Architecture Studio)

Even when a municipality amends its land use and zoning regulations, there may be a set of underlying zoning regulations that could either inhibit or negatively impact the physical and financial feasibility of LDMF development. While local housing market conditions and zoning barriers to LDMF housing production vary from one jurisdiction to another, municipalities interested in addressing regulatory barriers can enact reforms that either eliminate or mitigate prominent regulatory and zoning provisions. These include:

- Ensure that the underlying minimum lot size requirements allow for developing LDMF housing on parcels previously reserved for single-family development. Minimum lot size requirements are imposed by local zoning regulations to ensure that the parcels to be developed for a specific use meet or exceed size requirements (i.e., at least 5,000, 7,000, or 12,000 square feet).

- Provide a regulatory landscape that addresses development bulk requirements, i.e., maximum lot coverage, building height caps, and minimum setbacks from the lot's lines that allow for and do not negatively impact the development of LDMF housing on parcels previously reserved for single-family development.

- Ease minimum on-site parking requirements to ensure that underlying requirements allow for and do not negatively impact the development of LDMF housing on parcels previously reserved for single-family development.



Pasha Condominiums (Photography: Pasha)

Examining the impact of regulatory reforms on LDMF development

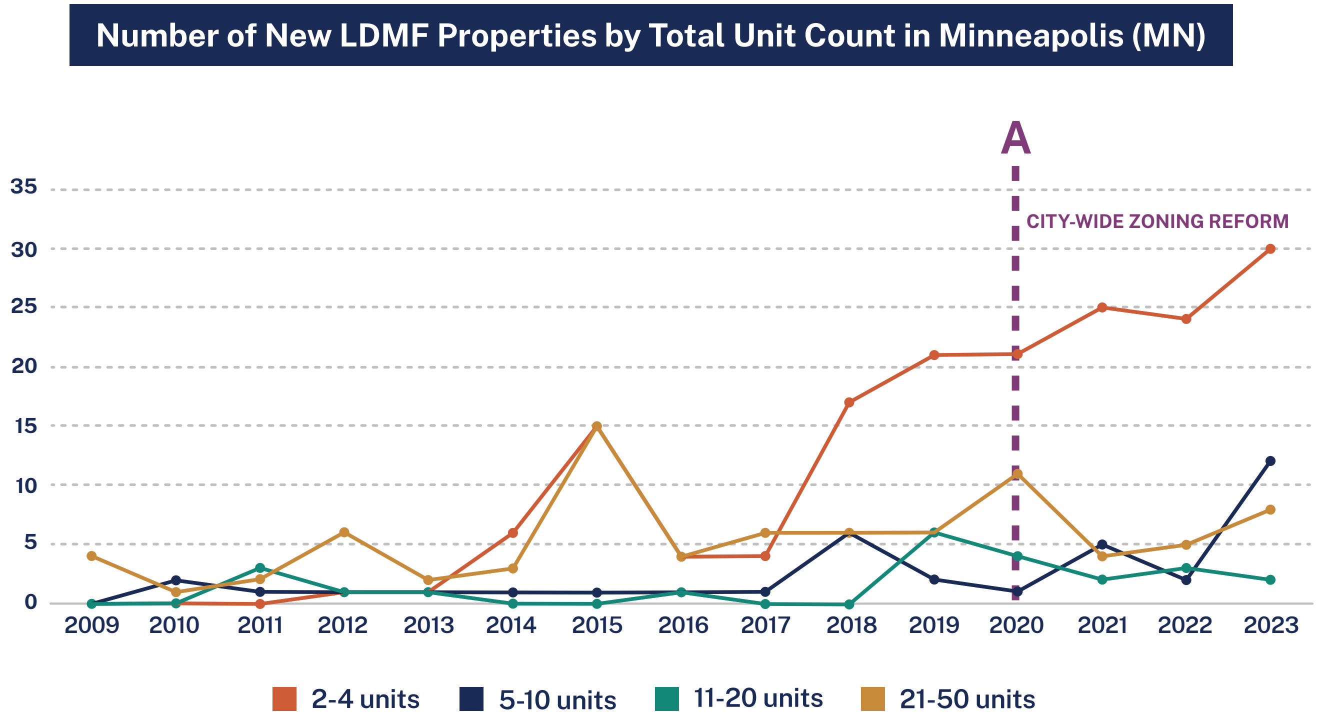
Recent data on new residential construction collected by the City of Minneapolis suggests that zoning reforms to allow for some form of LDMF housing can have some positive impacts on the construction of this type of housing. For example, in Minneapolis, the share of new LDMF housing with a total unit count of 2-4 units increased from 2% of all newly constructed housing in 2012-2015 to 12% in 2020-2023. However, more progress is needed to scale the supply of LDMF housing citywide, especially in comparison to traditional single-family development, which comprised 41% of all newly constructed housing in 2020-2023. Additionally, the total number of LDMF units constructed in the city continues to too be small to have made a significant impact on the city's overall housing supply — the number of new developments with 2-4 units increased from 6 in 2014 to 30 in 2023.

This finding may be explained by the fact that the zoning reform adopted by the City of Minneapolis is recent, and therefore significant positive impacts of such reforms have yet to be seen; a set of underlying market issues, such as the lack of homeowner and/or developer appetite to build LDMF housing; and the scarcity of lending products tailored to financing this type of housing in the analyzed market. We also note that the post-Covid era has been impacted by rising material and labor costs, supply chain issues, and high interest rates, all of which have a dampening effect on new construction.

SNAPSHOT	
Development:	MPHA Family Housing Expansion - Sixplex
Location:	Minneapolis, Minnesota
Lot Size:	910,711 sq. ft.
Development Size:	9,865 sq. ft.
Number of Units:	6 units (four three-bedroom units and two two-bedroom units)
Project Team:	DJR Architecture, Minneapolis Public Housing Authority, RISE Modular, Frerichs Construction, Sandman Structural Engineers, Civil Site Group, and Cain Thomas Associates

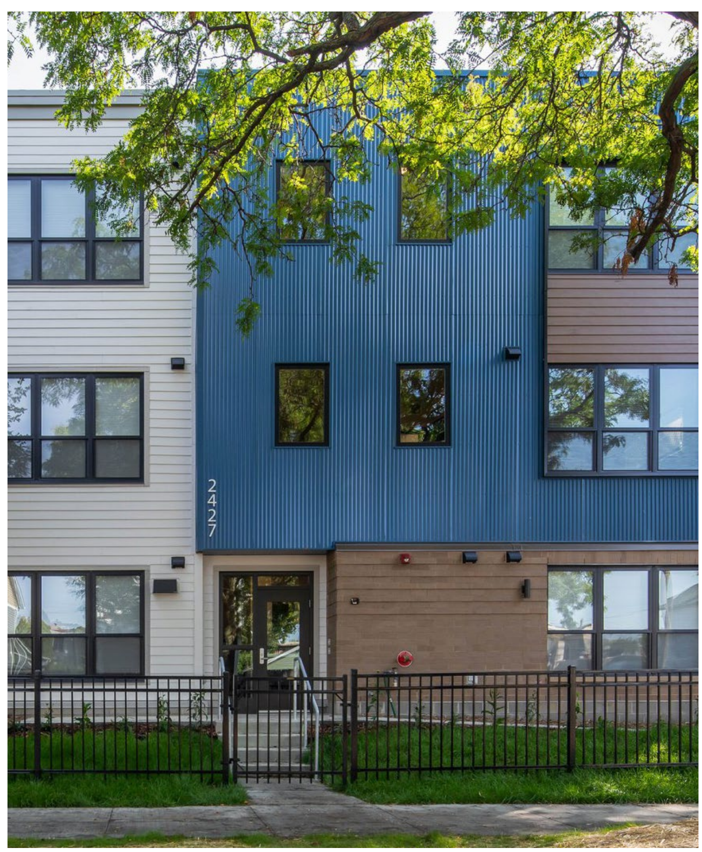
MPHA Family Housing Expansion - Sixplex (Photography: DJR)

A closer look at Minneapolis, Minnesota



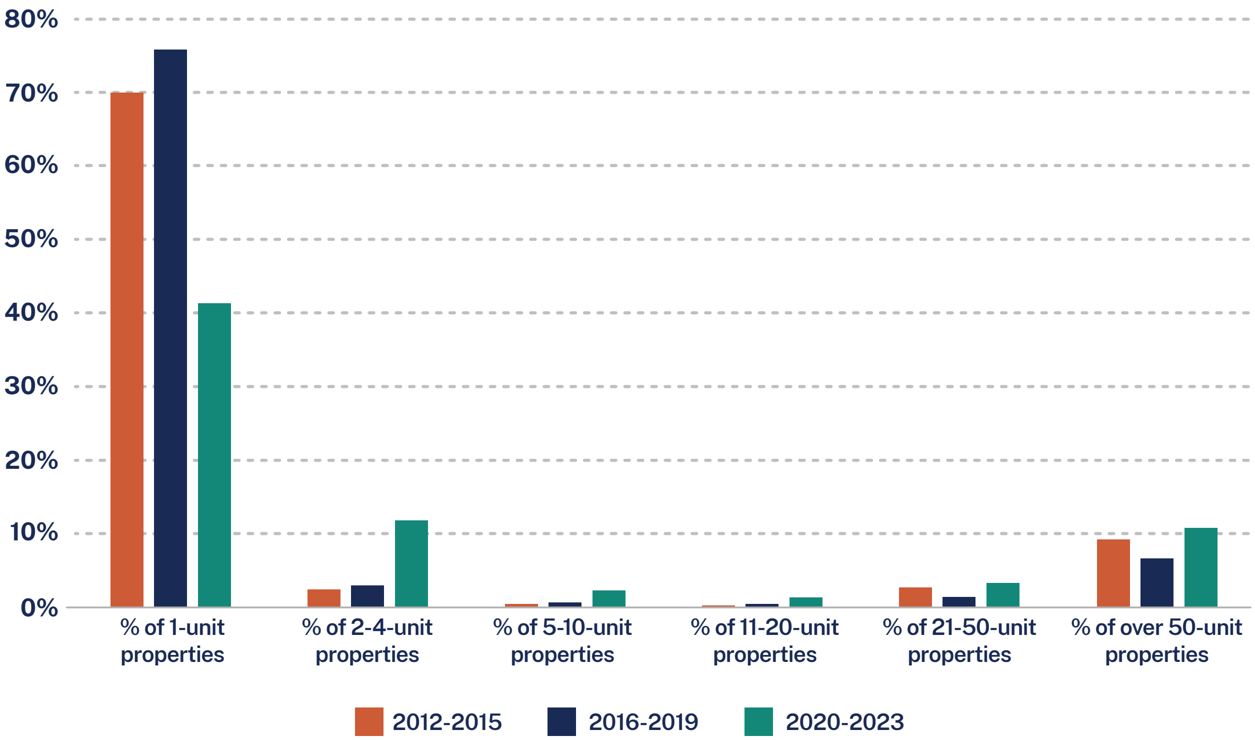
Source: Minneapolis Assessor Data 2024

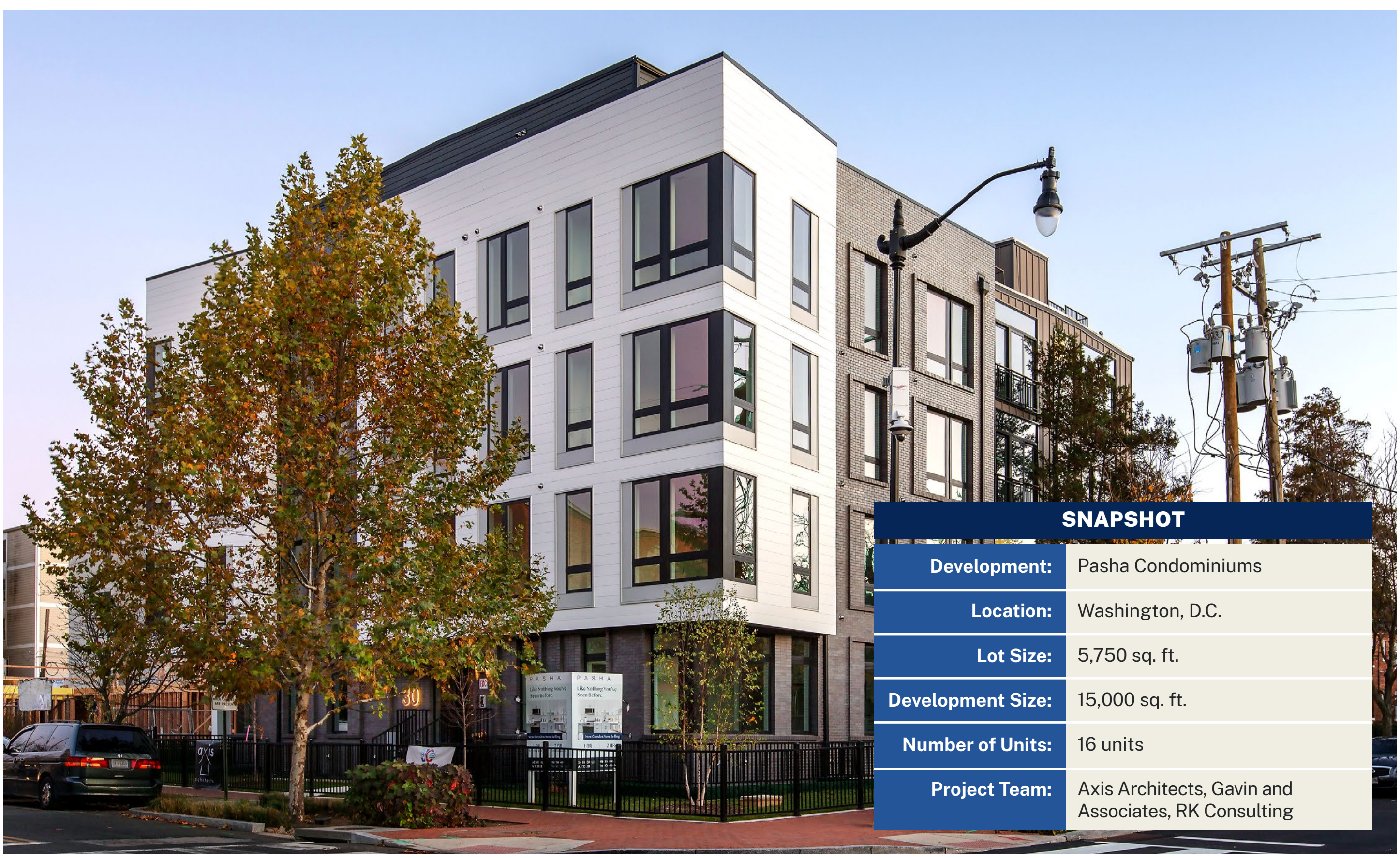
- A: In 2020, Minneapolis 2040, a comprehensive plan that guides citywide growth and change, went into effect, along with initial zoning changes enacted to help the city reach some of the plan's housing goals. These goals include eliminating disparities in housing, wealth, opportunity, and health, as well as increasing the housing supply in a way that meets changing needs and desires. As required by state law, the city of Minneapolis has begun revising its zoning regulations to match the residential development guidelines the city council approved with Minneapolis 2040 and has already altered its zoning regulations to permit the development of up to three LDMF units on all residential lots.



MPHA Family Housing Expansion - Sixplex (Photography: DJR)

Share of New Properties by Building Size in Minneapolis (MN)



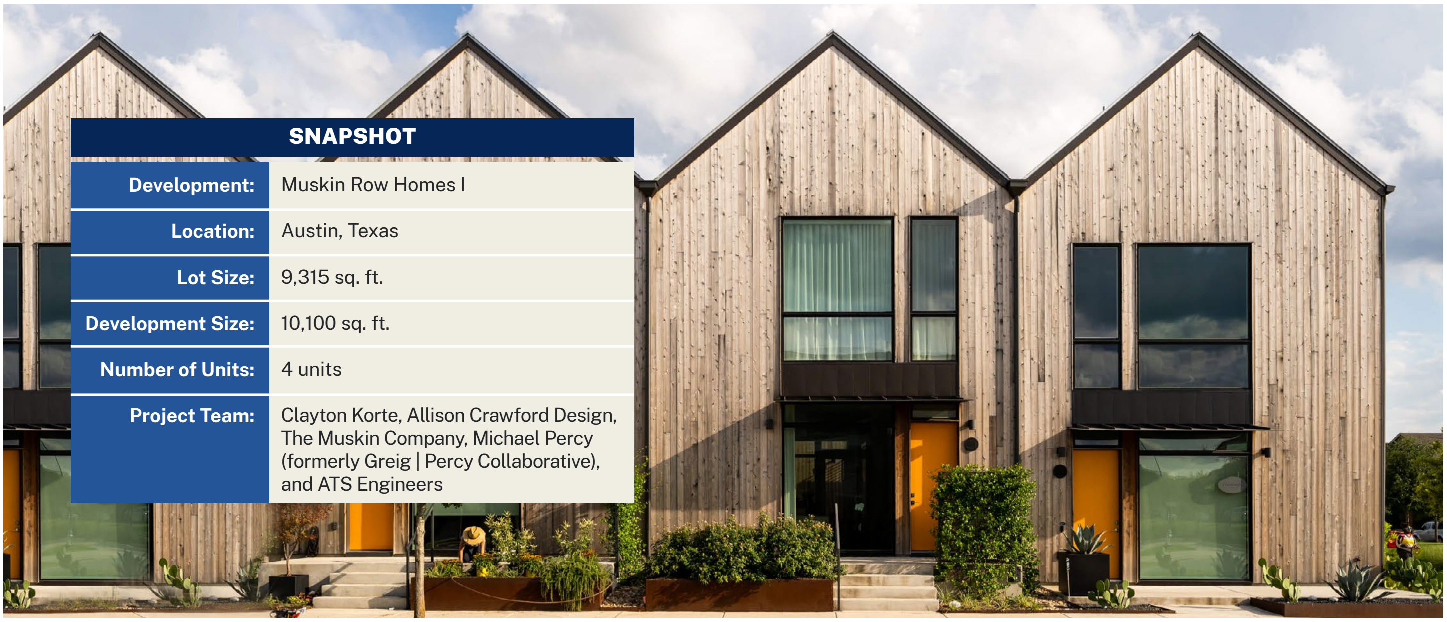


SNAPSHOT

Development:	Pasha Condominiums
Location:	Washington, D.C.
Lot Size:	5,750 sq. ft.
Development Size:	15,000 sq. ft.
Number of Units:	16 units
Project Team:	Axis Architects, Gavin and Associates, RK Consulting

Pasha Condominiums (Photography: Pasha)

SNAPSHOT	
Development:	Muskin Row Homes I
Location:	Austin, Texas
Lot Size:	9,315 sq. ft.
Development Size:	10,100 sq. ft.
Number of Units:	4 units
Project Team:	Clayton Korte, Allison Crawford Design, The Muskin Company, Michael Percy (formerly Greig | Percy Collaborative), and ATS Engineers



Muskin Row Homes I (Photography: Likeness Studio | Nicole Mlakar)

Overcoming Barriers to Financing LDMF Development

The scarcity of lending products tailored for LDMF housing development is one of the most significant challenges to developing this type of housing. Due to the scale of development, LDMF housing is likely to be developed by small-scale developers. Alternatively, a large-scale developer may acquire a group of smaller sites or a larger subdivided site to create LDMF housing, with the group of LDMF housing financed and developed as a single real estate project. Focusing on conventional lending for housing, this section discusses common barriers to accessing financing for developing LDMF housing.

- **Access to equity capital:** Conventional lending products typically cover up to 80-85% of the total development's cost through debt capital, which means the developer is required to cover the remaining cost either through personal equity or equity financing from investors. Even when small-scale developers qualify for debt capital, securing the equity necessary is often challenging due to an absence of personal wealth or an investor network to tap — potential investors often see small-scale developers as risky due to the perception that they lack the financial and technical resources to successfully navigate and tackle unexpected challenges in housing development and operations.
- **Developer capacity requirements:** Small-scale developers pursuing LDMF development often find it difficult to meet underwriting requirements set by lenders and investors. The criteria are intended to mitigate the risk that the developer would be unable to repay the debt or meet the expected financial return on equity investments. Some common underwriting criteria are related to having specific liquidity and net worth levels, as well as track record requirements that demand the successful completion of similar real estate developments.

- **Mortgage origination and servicing costs:** Generally, the time and effort required to underwrite a loan for an LDMF development is nearly equal to the time and effort needed to underwrite a loan for a larger-scale multifamily development. Regardless of the development's scale and total cost, loan underwriters will charge fixed costs, such as legal, personnel, and overhead expenses, toward processing, originating, and servicing the requested debt capital. Additionally, loan underwriters charge developers a loan origination and servicing fee, which is typically a specific percentage of the total development cost (also known as the real estate deal cost). Sometimes loan underwriters will deem it prohibitive to underwrite a loan for an LDMF development, especially when the cost of the fixed loan originating expenses, outweighs the projected financial return.
- **Perceived risk in loan underwriting:** Lenders may perceive financing an LDMF housing development as a risky investment for a number of reasons. For example, if a developer is seeking capital to create LDMF housing in an area with unproven demand for this type of housing, lenders will have concerns regarding the potential for prolonged or multiple unit vacancies. This would have a significant effect on the net operating income and could negatively impact the developer's ability to make the monthly loan payments.

To overcome these challenges, several private agencies have launched financing products that can be utilized by developers to construct LDMF housing. Examples include:

- In October 2023, Ready Capital Corporation, a real estate finance company, launched the **Small Balance Construction and Residential Finance program** to provide lending for multifamily developments with small- to medium-sized loan balances.[17] The program provides multifamily construction loans between $5 million and $20 million, with a focus on the Sun Belt, Midwest, and Pacific Northwest regions. It is intended to complement Ready Capital's Construction Lending program, which provides multifamily construction loans of up to $75 million.
- Century Housing Corporation, a nonprofit Community Development Financial Institution that offers affordable housing lending, provides **construction loans between $1 million and $27 million** with a loan term between 12 and 24 months. These loans are required to cover the construction costs for multifamily developments affordable for renters earning up to 120% of their area median income (AMI).[18] Century Housing Corporation has also launched the Emerging Developers Program, which operates through a special-purpose credit program funded by a dedicated $15 million credit facility from JPMorganChase.[19]
- Self-Help Federal Credit Union offers **construction loans that prioritize multifamily properties with 5-75 units** that are affordable for renters earning up to 120% of the AMI.[20] These construction loans, which offer flexible terms, are generally limited to multifamily developments located in California, North Carolina, Chicago, and Washington, D.C., with possible exceptions upon proposed development review.
- Casa Lending provides **construction loans for eligible small-scale multifamily developments**, including duplexes, triplexes, and fourplexes.[21] Casa Lending offers construction loans between $100,000 and $3 million with a loan term between six months and two years, during which the borrower is only required to make interest payments.

Muskin Row Homes I (Photography: Likeness Studio | Nicole Mlakar)

Looking Ahead

Unlocking underutilized land zoned for single-family development to allow for LDMF housing has the potential to help jurisdictions ease their housing markets' supply and affordability issues. However, boosting LDMF housing nationwide requires addressing the regulatory and financial barriers to creating this type of development at scale.

Progress has been made with several state and local governments recently adopting jurisdiction-wide zoning reforms intended to facilitate the development of some form of LDMF housing. Since these regulatory efforts are recent and limited in geographic scope, they have yet to translate into an increased supply of LDMF housing nationwide. Additionally, jurisdictions that adopt regulatory reforms to facilitate LDMF housing development should review its related land use regulations to ensure they won't inhibit or restrict the development of the desired types of LDMF housing.

While several private entities have launched innovative lending products tailored to LDMF housing construction, more work needs to be done to address barriers to financing LDMF development. Federal, state, and local governments can partner with private entities to provide developers of LDMF housing with sufficient access to financing. These lending products would be designed to address the barriers to financing LDMF housing that stem from the scale of development, and the fact that these developments are often pursued by small-scale developers.

For example, low-interest and low-cost small-balance loans that cover a larger share of the total construction cost (80-100%) would improve the financial feasibility of LDMF development. Additionally, offering tools such as loan guarantees and pre-development grants could help emerging small-scale developers access capital by mitigating perceived risks among lenders and investors.

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