MULTIFAMILY IMPACT COUNCIL

User Guide

Property Tax Abatements

July 2026

MULTIFAMILY IMPACT COUNCIL

Property Tax Abatement Guidance

Industry guidance for state and local governments designing affordable housing tax incentives

TABLE OF CONTENTS

I.	FOREWORD	3
II.	INDUSTRY GUIDANCE: PROPERTY TAX ABATEMENTS	3
III.	CORE PRINCIPLES	4
IV.	THE REGULATORY USE AGREEMENT	5
V.	THE PROPERTY TAX ABATEMENT	6
VI.	GENERAL PROGRAM DESIGN	7

I. Foreword: About the Multifamily Impact Council

The Multifamily Impact Council (MIC) is a national non-profit membership organization with a singular mission: to increase the flow of capital to create and preserve affordable, sustainable rental housing in the United States. The Multifamily Impact Framework™ is the nation's only comprehensive standard for impact investing in the multifamily sector. It outlines seven impact principles with defined thresholds for performance and 20 associated reporting metrics. Members of the Multifamily Impact Council are industry leading operators, investors, lenders, and service providers who work to maintain the Multifamily Impact Framework and support the creation of relevant guidance such as this.

II. Industry Guidance: Property Tax Abatements

The Multifamily Impact Council's Guide to Property Tax Abatements was designed to help state and local governments design financing incentive programs that (a) support the efficient and responsible use of taxpayer funds, (b) attract responsible, long-term private investment capital, and (c) increase the availability of affordable rental housing for residents.

A property tax abatement is a state or local policy that reduces or forgives some portion of the property taxes normally owed on a real estate development for a defined period. In affordable housing, tax abatements are increasingly being used in conjunction with affordable rent restrictions to lower a project's operating costs, preserve existing affordability, and make new affordable housing development financially feasible.

Designed effectively, property tax abatements are an effective tool that help state and local governments increase affordable rental housing without a direct public subsidy outlay. By reducing a property's annual tax burden, affordable housing owners can reduce their operating expenses, create and preserve more affordable rental units, and maintain healthy and financially sustainable properties, even as insurance, utilities, maintenance, and other costs continue to rise.

III. Core Principles

An effective property tax abatement program must be based on the following core principles.

A. Efficient Use of Taxpayer Dollars

The property tax abatement must make efficient use of taxpayer dollars. The subsidy provided to property owners must deliver a public benefit and generate long-term value that is equal to or greater than the short-term cost of the program.

B. Increased Availability of Quality Affordable Housing

The program must increase the availability of quality, affordable rental housing that meets the needs of the local community and remains affordable for as long as the property tax abatement is in effect.

C. Alignment with Responsible Capital

The program must be structured in a way that attracts investors who benefit when long-term value is created in communities and repels investors who benefit when community value is extracted.

IV. The Regulatory Use Agreement

A clearly defined regulatory use agreement is essential because it translates the affordability commitment into the operating rules that owners, managers, lenders, and local governments must follow over the life of the property, and must include the following specific elements:

1) **Recorded Regulatory Restriction:** The regulatory use agreement must encumber the property through a deed restriction or other legal instrument to help ensure the affordability commitment runs with the land and remains enforceable through ownership changes, refinancing, or transfer of ownership. This creates durability, transparency, and accountability by making the public benefit a binding property obligation rather than a voluntary or short-term commitment.
2) **Defined Affordability Commitment:** The regulatory agreement should clearly establish the required share of units that must remain affordable, the applicable rent limits for those units, and the term during which the affordability restrictions will remain in effect.
3) **Ongoing Compliance and Reporting Requirements:** Establishing ongoing compliance and monitoring requirements ensures that a property is continuing to meet its affordability obligations throughout the regulatory compliance period. These requirements typically include verifying a tenant's income eligibility, confirming that rents remain within approved limits, maintaining records and tenant files, submitting periodic compliance reports, and allowing the responsible public agency or designated third-party monitor to review documentation or inspect the property as needed.
4) **Remedies for Noncompliance:** Clear remedies for noncompliance are important because they provide enforceable accountability while aligning with established multifamily investment standards, helping protect the public benefit without creating unnecessary uncertainty for property owners, lenders, and investors.

5) **Transfer and Approval Rights:** Establishing approval rights and pre-conditions for a sale, recapitalization, or ownership transfer are important because they help ensure the affordability commitments remain enforceable and financially viable through major property transactions.

V. The Property Tax Abatement

The actual property tax abatement should be aligned directly with the program's regulatory agreement and affordability commitment so that the public benefit and the tax benefit move together. This alignment helps ensure that the tax benefit to the property owner matches the intended affordability outcomes and does not produce a benefit that is disconnected from the program's affordability goal. It also gives public officials, property owners, and investors a clear framework for underwriting, reporting, enforcement, and the long-term stewardship of the property.

1) **General Areas of Alignment:** The duration, eligibility criteria, and monitoring and compliance requirements of the property tax abatement must correspond to the terms and conditions of the regulatory use agreement.
2) **Sizing the Tax Abatement:** The amount of the property tax abatement must also be appropriately sized to align with the affordability requirements of the regulatory use agreement.

> *One of the most effective ways to calculate a property tax abatement is to use a pro rata approach that ties the value of the tax abatement directly to the percentage of units at the property that are made available at the affordable rent levels under the regulatory use agreement. For example, if 40% of the units are subject to affordability restrictions, then 40% of that property's tax value would receive the abatement.*

This approach works because it creates a clear and proportional relationship between the public cost of the abatement and the public benefit of the affordability commitments. It avoids an all-or-nothing

structure, gives policymakers and taxpayers greater confidence that the tax benefit is aligned with actual affordability outcomes, and allows mixed-income properties to participate without requiring every unit to be restricted.

VI. General Program Design

1) **Local Oversight and Authority:** It is essential that the governmental body foregoing the tax revenue have the approval and oversight authority over the affordable housing property tax abatement program. This ensures that property tax abatements are awarded only to projects that meet local housing priorities, comply with affordability commitments, and produce measurable public value. It also increases transparency for taxpayers, establishes clear accountability for public officials, and reduces the risk that tax benefits will be granted without sufficient local review or ongoing oversight.
2) **Eligible Ownership Structures:** State and local governments may be concerned that some organizations with a specific ownership structure might find ways to use a property tax abatement in a manner that runs counter to the public benefit of the program.

> *We believe that if an organization is able and willing to comply with the terms of the regulatory agreement, they should not be excluded from a property tax abatement program based on their ownership structure. Instead of making all organizations with that ownership structure ineligible, state and local governments should design the program to remove the incentive for abuse.*

3) **Ongoing Compliance and Monitoring Process:** A clear and consistent compliance and monitoring process is essential to ensure that the program's affordability commitments are implemented, documented, and maintained over time.

> *Compliance and monitoring are essential to protecting affordability commitments, but asking state and local governments to invest their limited resources to support additional compliance workload for every new housing program is not the most effective or efficient use of public resources, particularly in states that do not already have the staffing, systems, or property-level oversight capacity to administer compliance at scale today. If housing finance agencies and county assessors are not positioned to conduct ongoing affordability reviews, the program risks becoming either administratively burdensome, excessively expensive, or simply ineffective.*

4) **Use of Third-Party Service Providers:** A more practical approach would be to create a qualified third-party accountability framework that helps state and local governments leverage the expertise and capacity of existing private and non-profit third-party service providers.

> *Such a framework would define what constitutes a Qualified Compliance Partner with standards for housing experience, financial stability, audited operations, independent governance, compliance certification, and tenant or public benefit responsibilities. The framework should also recognize that LIHTC and Section 8 properties already operate within established federal compliance systems, while non-federally subsidized workforce housing properties often have a larger accountability gap that will require a new oversight and compliance layer.*

5) **Streamlining the Application and Approval Process:** A quick and consistent application and approval process is critical because it creates a clear and predictable path for property owners to underwrite and raise capital for affordable housing developments and acquisitions. By leveraging existing building, zoning, and permitting requirements, state and local governments can avoid duplicative reviews, reduce administrative costs, and align affordability approvals with processes that local governments and market participants already understand. This helps shorten development timelines, improve transparency, and make the most efficient use of taxpayer funds.
6) **Reducing Regulatory Risk and Uncertainty:** Clear rules, predictable approval and compliance processes, defined affordability obligations,

and transparent remedies for noncompliance provide investors, lenders, and property owners with the comfort they need to make long-term investment commitments in a community.

> *When program requirements are ambiguous, subject to frequent change, or disconnected from normal business practices, they can create perceived risk that discourages private investment and increases the pressure on public subsidy. By providing clarity, consistency, and durability, a well-designed affordable housing program can attract mission-aligned private capital while protecting the public interest and ensuring that affordability commitments are honored over time.*