

<https://www.taxcreditadvisor.com/articles/the-guru-is-in-workforce-housing/>

So You Want to Be a Workforce Housing Developer?



By **David A. Smith**

June 2, 2026 9 min read

Colette: I know the Gusteau style code. In every dish, Chef Gusteau always had something unexpected. I will show you. I memorized all these recipes.

Linguini: *[taking notes]* Always do something unexpected –

Colette: No! Follow the recipe!

Linguini: But you just said to –

Colette: No. It was *his* job to be unexpected. It is *our* job to follow the recipe.

— *Excerpt from Pixar's Ratatouille*

Congratulations on your decision to become a workforce housing developer. You are embarking on something of vital importance for the United States as a whole, and for the rising nation of immigrants, Millennials, and Gen Zers who are rapidly forming into a “Yes in My Backyard” (YIMBY) militia. You will be producing something that America used to produce in bulk, that urban America forgot how to do, and that Low Income Housing Tax Credits (LIHTC) cannot do.

LIHTC has achieved much: over the past four decades of practice and across thousands of transactions, it has produced not only millions of units but also national, state, and local support infrastructure of both resources and participants. Our staple dish, LIHTC has spawned scores of tried-and-true recipes. But it leaves another group starving: the “missing middle income” households commonly shorthanded to workforce housing.

Today we forget that LIHTC didn't leap full-grown into the American affordable housing ecosystem. The industry took seven years just to get its footing ([the program wasn't made permanent until 1993](#)), early pricing was pathetically low (try 42 cents on the dollar in 1987), corporations and banks were incredibly stodgy about seeing it as a viable asset class, and both states and localities had yet to develop their own soft loan programs to supplement funding gaps. Now, it dominates to the point where in many people's minds, LIHTC is the *entirety* of affordable housing.

But it is not. LIHTC faces a hard income cap, above which are millions of households that earn too much for LIHTC, but not enough for their local housing market — generally, between 70 and 140 percent of Area Median Income (AMI). This middle-income housing is a dish for which states and municipalities hunger but that is seldom served to them because nobody knows how to cook it and there are few new recipes.

Middle-income housing is hard to develop today not because developers lack courage or imagination, but because the metropolitan and state-level subsidy infrastructure is either

latent or patchwork (e.g. housing trust funds). Middle-income housing needs an equivalent innovation, and that will come from those developers prepared to be pioneers.

It starts by whetting stakeholders' appetites. Many a mayor or city councilor has no idea that affordable first-time homeownership could be attainable, and yet neither would reject out of hand a proposal from someone who believes they can actually deliver it. It simply takes education and communication.

Writing new recipes, conjuring up the ingredients, and properly cooking up a middle-income housing proposal can be lonely work. You will have few allies and will face skepticism verging on disbelief. It may be months or years before you achieve your first groundbreaking. You will not be thanked for it until your first development is completed, and there are many ways to fail.

Chef Gusteau: You must be imaginative, strong-hearted. You must try things that may not work, and you must not let anyone define your limits because of where you come from. Your only limit is your soul. What I say is true — “anyone can cook” ... but only the fearless can be great.

But if you're ready to screw your courage to the sticking place, here's how:

Forget about Washington, DC — your apex focus is a state-metropolitan area combination. The shortage of middle-income housing isn't a national crisis, it's a local crisis scattered throughout hundreds of metro areas around the country. Often it hits first in a state's capital or its most populous city, and when the two are combined — as they are in sixteen states — there will a middle-income housing gap appear first, and widen fastest.

Choose your target city (and its state) carefully. You will need a combination of a motivated state government that sees housing affordability as a statewide problem, *plus* a city government that sees itself on the cutting edge of changemaking. States can give fiscal resources (e.g. state tax exemption), but cities control land and zoning. To cobble together a viable first deal, you'll need help from both.

Commit wholly to that metropolitan market. Move there, live there. If you have children, send them to school there. Immerse yourself in the city's rhythms, its cultural faiths and anathemas, its icons and villains, and its history proud and scurrilous. To be a middle-income housing developer requires rebutting the presumption that you're a fast-buck artist, house-flipper, or buy-to-rent carpetbagger, and nothing inoculates you better than being deeply embedded in the community where you want to build. (Bonus points for growing up in the city and living there for ages.)

Size the metropolitan affordability gap. It lies between (a) the LIHTC income cap (sixty percent of AMI) and (b) the lowest income that will deliver an affordable market home (ownership or rental).¹⁴ Estimate how many households have incomes in this middle range — the number will surprise you, and it may be eye-popping.

Find or create local political consensus on what “workforce housing” means. “Middle-income housing,” also often called “workforce,” “moderate-income,” and “missing middle” housing, arises as a political imperative for governors, mayors, and city councilors

long before it has a precise definition. Tell these folks: “If we want the economy to grow, we have to house the workers who will make it grow, and that’s not happening in our market now.” Make this a centerpiece of your messaging.

Personify your target population by choosing a worthy subset within it. People understand statistics intellectually, but what hits emotionally is the plight of other people — *especially* people they see every day in their neighborhood or workplace. Middle-income households have breadwinners, they have daily commutes, they work in the metro area, and the jobs they do — plumbers and pipefitters, hospital workers, teachers, waiters, grocery store workers — need to be done.

Find the statistics about each group — how many over the age range, how large their families tend to be, their range of wages, their largest employers. Calculate the highest rent (or home purchase price) they can afford,^[2] and compare that with the affordability thresholds already established. You can now put both numbers and faces to the scale of the housing crisis in your target metropolitan area.

Choose your tenure model and your offtake strategy. Nothing in the term ‘workforce housing’ precludes homeownership, whether of a bungalow, a fixer-upper, or a condominium. Four times out of five, a middle-income homeownership delivery will have a higher required minimum income than a middle-income rental delivery – but in many communities, homeownership will have much more political appeal, including to city or state civil servants. Personify your poster-child families, make them into advisors and spokespeople, and doors will open.

Master your metropolitan supply-side and demand-side housing value chains for your target population. Affordable housing is a manufactured product of [two value chains](#): the supply-side value chain (vacant or shell to occupied dwelling) and the demand-side value chain (household need and effective demand to lease or loan). Whether they’re overtly visible or not, these value chains operate everywhere in the world,^[3] at every level of law and government.

If you want to mobilize resources to deliver market quality housing at an affordable price or rent, you need a framework for identifying and uncovering cash and non-cash resources (we’ve classified them into [sixteen types, eight cash and eight non-cash](#)) applicable to that specific market. You want to know who has what (whether they know it or not), who controls what (whether they’re initially willing to give it to you or not), and how much each one helps you bring deal feasibility closer.

Inventory local campus-based institutions that need workforce housing for their employees and befriend them. In the twenty-first century, cities all around the world want sustainable urban employment growth, and these jobs come in in a four-plus-one package. Education, high-tech, health care, and government: these four fingers of the modern economy are complemented by the opposable thumb of leisure, because people with education, income, and aspirations want to relax near where they live. Their employers want their employees to be happy at work, and they have an enormous interest in housing delivery. When you point this out to them, they’ll instantly recognize it.

Many employers will initially shy away from the unstated implications of their responsibility – they don’t want to build the housing, own it, nor operate it. But they *do* have substantial resources that they take for granted: cash resources (e.g. borrowing capacity) and non-cash resources (e.g. land, campus-based infrastructure, higher density to create mixed-income cross-subsidy, [as in Bunker Hill](#)). Therefore, turn the question around for them: “What if we built housing for your workforce? What then would you be willing to contribute to the overall solution?” If they don’t know their own resources (and they may not), [point out to them what resources they have](#).

Ultimately and throughout, recruit helpful friends by focusing on outcomes and impact for worthy households not being served by the current system. Government wants outcomes and impact but cannot produce these directly, because government is a factory that manufactures only two product types – laws and money. It’s up to private actors, for-profit or non-profit as they may be, to have the vision, tap the laws and money, unearth the latent resources, and deliver a real property that changes people’s minds. It is cooking without a recipe.

Anton Ego: The world is often unkind to new talent, new creations. The new needs friends. Not everyone can become a great artist; but a great artist *can* come from *anywhere*.

Go and do thou likewise.

[1] Ignore the 80-percent-of-AMI option; because that has to be paid for with deeper below-sixty affordability, its delivery in any given market is minuscule.

[2] Rather than use the old 30-percent-of-income standard, use a stretch definition such as 35 percent. The policy case will be stronger, and the pent-up need will still be enormous.

[3] As of now, we’ve [worked in over seventy countries](#).

David A. Smith is founder and Chairman of the Affordable Housing Institute, a Boston-based global nonprofit consultancy that works around the world (70+ countries so far) accelerating affordable housing impact via program design, entity development and financial product innovations. Write him at dsmith@affordablehousinginstitute.org.