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## *Vermont Legislative Research Service*

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### **Affordable Housing Density Incentives**

This report investigates how affordable housing programs in Maine, New Hampshire, and Vermont's policies differ in promoting housing density, and whether Vermont's policies uniquely deter density. In each state's Qualified Allocation Plan (QAP) and additional state-supported programs, affordable housing construction projects incentivize developers to prioritize unit density, with specific QAP scoring systems and subsidies designed to determine how funding is allocated.

The structure of this report will be as follows. First, we will explain the importance of density initiatives in the context of affordable housing. Next, we will outline what QAPs are, and analyze the specific provisions and differences between Maine, New Hampshire, and Vermont QAPs. Then, we will examine the non-QAP affordable housing programs in each state. Lastly, we qualitatively analyze the differences and similarities between each state's policies with a focus on how these programs encourage or discourage housing density for developers. We find that the differences observed across the three states reflect variations in policy design rather than a clear conclusion that any one state is uniquely deterring density.

### **Density Initiatives and Affordable Housing**

Vermont's current affordable housing supply does not meet the needs of Vermonters.<sup>1</sup> Exacerbated by the COVID-19 pandemic, this housing development and affordability crisis in Vermont follows trends across the New England region.<sup>2</sup> The factors that contribute to this housing shortage include rising material and labor costs, discrepancies between wages and rent prices, and exclusionary zoning practices.<sup>3</sup>

Exclusionary zoning regulations are instituted and controlled by state and municipal governments. Exclusionary zoning regulations—such as complicated project approvals and

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<sup>1</sup> Vermont Housing Finance Agency, *Vermont Housing Needs Assessment 2025-2029*, June 2024, [https://outside.vermont.gov/agency/ACCD/ACCD\\_Web\\_Docs/Housing/Housing-Needs-Assessment/2025-2029/VT-HNA-2025.pdf#:~:text=Data%20sources.%20The%20report%20draws%20largely%20from,April%202024%2C%20as%20noted%20throughout%20the%20chapters.](https://outside.vermont.gov/agency/ACCD/ACCD_Web_Docs/Housing/Housing-Needs-Assessment/2025-2029/VT-HNA-2025.pdf#:~:text=Data%20sources.%20The%20report%20draws%20largely%20from,April%202024%2C%20as%20noted%20throughout%20the%20chapters.)

<sup>2</sup> Danya E. Keene and Kim M. Blankenship, "The Affordable Rental Housing Crisis and Population Health Equity: A Multidimensional and Multilevel Framework," *Journal of Urban Health*, 100 (November 22, 2023): 1212–1223.

<sup>3</sup> Maria Massimo, "Housing as a Right in the United States: Mitigating the Affordable Housing Crisis Using an International Human Rights Law Approach," *Boston College Law Review*, 60 (2021): 273-314.

permitting processes, single-family unit zoning restrictions, and minimum parking requirements—reduce housing supply and increase development costs.<sup>4</sup> For example, in Vermont, complying with minimum parking requirements when developing a housing project added five thousand dollars to eighty thousand dollars per parking space to the project, depending on the location of the construction site.<sup>5</sup> Exclusionary zoning regulations increase development costs and reduce the number of units that can be built.

Initiatives that increase housing density in designated growth areas have proven to be effective in combating the effects of these zoning practices. These projects are more cost-efficient on a per-unit basis, can benefit local economies, and decrease traffic congestion.<sup>6</sup> “Density” refers to the number of people living on a fixed amount of land, whereas “crowding” refers to the number of people occupying a single housing unit.

Historically, environmental and neighborhood priorities shaped zoning policies under stringent rules that strictly regulate land use and housing density.<sup>7</sup> However, construction projects that have higher unit density reduce the costs of development. For example, a 2019 study conducted in Washington, D.C., found that multi-unit townhouses and condominiums, as opposed to single-family detached homes, resulted in decreased per-unit construction costs, while not having significant negative impacts on per-unit sales prices.<sup>8</sup> In Vermont specifically, construction projects that have higher total units have been found to be more cost-effective per unit.<sup>9</sup>

### Qualified Allocation Plans

Qualified Allocation Plans (QAPs) are part of the Low-Income Housing Tax Credit (LIHTC) program created by the federal government as part of the *Tax Reform Act of 1986*. To support affordable housing projects across the nation, the LIHTC program administers two kinds of affordable housing tax credits to states, 9% “Ceiling Credits,” and 4% “Bond Credits.” The 9% credits are given to new construction and rehabilitation projects that are not receiving federal subsidies and are allocated to each state based on its population. The 4% credits are allocated to projects that are financed by federally tax-exempt bonds.<sup>10</sup>

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<sup>4</sup> Mercatus Center, George Mason University, *Encouraging Local Governments to Lower Their Barriers to Housing Construction*: Testimony before the Subcommittee on Housing, Community Development, and Insurance of the US House Committee on Financial Services (2021) (statement of Emily Hamilton, Senior Research Fellow).

<sup>5</sup> Vermont Housing Finance Agency, *Parking requirements: Impacts on housing costs and availability in Vermont*, accessed December 4, 2025, <https://housingdata.org/toolbox/topics/parking>.

<sup>6</sup> Emily Hamilton, “Land Use Regulation and Housing Affordability,” in *Regulation and Economic Opportunity: Blueprints for Reform*, ed. Adam Hoffer and Todd Nesbit, (Center for Growth and Opportunity at Utah State University, 2020), 186-202.

<sup>7</sup> Joint Center for Housing Studies of Harvard University, *The State of the Nation’s Housing 2023*, President and Fellows of Harvard College, 2023.

<sup>8</sup> Leah Brooks and Jenny Schuetz, “Does Housing Growth in Washington, DC Reflect Land Use Policy Changes?” *Cityscape*, 25(2) (2023): 203-223.

<sup>9</sup> LSA Neighborhood Fundamentals, “Analysis of Vermont Affordable Rental Housing Development Cost Factors,” *LLC for VHFA*, December 1, 2019, [https://vhfa.org/sites/default/files/publications/final\\_analysis-vt\\_affordable\\_rental\\_housing\\_dvt\\_cost\\_factors\\_-\\_01.15.2020.pdf](https://vhfa.org/sites/default/files/publications/final_analysis-vt_affordable_rental_housing_dvt_cost_factors_-_01.15.2020.pdf).

<sup>10</sup> Mark P. Keightley, “An Introduction to the Low-Income Housing Tax Credit,” Congressional Research Service, July 11, 2025, <https://www.congress.gov/crs-product/RS22389#:~:text=There%20are%20two%20types%20of,up%20to%20a%2030%25%20subsidy>.

To qualify for these credits, all states are required to create a QAP outlining how and following what state housing priorities LIHTC applications will be scored, and credits will be awarded. QAPs are typically administered by a state housing finance agency. For each state to receive LIHTC, it must follow general federal credit regulations such as low-income occupancy rules and maximum rent levels.<sup>11</sup>

QAPs give the power to determine which housing projects receive preference for the allocation of these credits to the states. The LIHTC program states that each QAP must give preference to projects that serve families with the lowest income and projects that are structured to remain affordable for the longest period of time.<sup>12</sup> However, beyond these federal considerations, QAPs can establish additional state-specific credit allocation rules and credit programs.

These state-led requirements align closely with each state's own housing development goals. These can include energy efficiency requirements, geographic preferences for development projects, and specified occupancy income thresholds.<sup>13</sup> Projects that follow closest to these state-specific housing objectives are then given preference for credit award distribution.

Comparing QAPs across states can reveal similarities and differences between the housing priorities of each state, in terms of the types of housing projects that are prioritized and incentivized through tax credit requirements. This report will compare the QAPs of Maine, New Hampshire, and Vermont to see what requirements each state includes in its respective programs that incentivize increased unit density in affordable housing projects.

## **Maine's QAP**

Maine's QAP distributes both federal LIHTC and State Low Income Housing Tax Credits (SLIHTC). Federal credits alone do not generate adequate equity to cover rising construction costs in Maine.<sup>14</sup> In 2019, the Maine State Legislature passed the SLIHTC, providing \$80 million in affordable housing tax credits over eight years, or \$10 million per year.<sup>15</sup> The SLIHTC is combined with the federal 4% LIHTC to finance 60% of the cost of constructing a housing development project. In this way, the SLIHTC almost doubles the tax credit subsidy.

In 2021, Maine's Legislature amended *Title 36, §5219-WW* through *Public Law 2021, ch. 1* to restructure the SLIHTC.<sup>16</sup> Under the amendment, the SLIHTC is taken as a one-time credit in the year a project is placed in service, equal to the total federal LIHTC computed over its 10-year

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<sup>11</sup> Housing Resource Center, "Elements of Effective State Qualified Allocation Plans," *National Housing Conference*, accessed December 5, 2025, <https://nhc.org/policy-guide/low-income-housing-tax-credit-the-basics/elements-of-effective-state-qualified-allocation-plans/>.

<sup>12</sup> Housing Resource Center, "Elements of Effective State Qualified Allocation Plans."

<sup>13</sup> Housing Resource Center, "Elements of Effective State Qualified Allocation Plans."

<sup>14</sup> Maine State Housing Authority, *Maine Low Income Housing Tax Credit*, 2021. <https://legislature.maine.gov/doc/8479>.

<sup>15</sup> Maine State Housing Authority, *Maine Low Income Housing Tax Credit*, 2021.

<sup>16</sup> Maine Legislature, *Credit for Affordable Housing* (2019), 36 M.R.S. §5219-WW. <https://legislature.maine.gov/statutes/36/title36sec5219-WW.html>.

period.<sup>17</sup> This change allows Maine to maximize the uncapped federal LIHTC while using the state's capped SLIHTC to ensure credits are used efficiently and directly for high-priority projects (e.g., affordable housing).

The 2025-2026 Qualified Action Plan will keep 60% of the total Credit Units in a project occupied by persons with 50% area median income and keep SLIHTC apartments rent-restricted.<sup>18</sup>

Applicants to receive QAP funding must first meet general credit threshold requirements. Then, they are scored under a points system. Maine weighs high-priority projects with more points, because credits are given to developers with the highest-scoring eligible projects until the annual state ceiling is exhausted.<sup>19</sup>

The high-priority project characteristics consist of:

- Affordable housing units for households below 50% Area Median Income (AMI) and pledge affordability beyond the minimum of 45 years;
- Projects in designated growth areas or near services, such as public transportation, sewage systems, and power lines;
- Projects that replace or rehabilitate existing rental housing without displacing tenants or raising rents more than 10% or for converting or remediating structures not currently used for multifamily housing; and,
- Projects that align with municipal or regional revitalization strategies.<sup>20</sup>

By giving preference to projects that align with these characteristics listed above, such as being in designated growth areas and that follow rehabilitate/revalorization principles, Maine's high-priority project characteristics incentivize increased density for affordable housing construction by awarding more funding to developers who meet these guidelines.

## **New Hampshire's QAP**

New Hampshire's QAP solely distributes the 9% and 4% federal LIHTC. Like Maine, projects that meet the QAP general credit threshold requirements are scored against a detailed point system and are granted points based on how closely the project aligns with state priorities. These criteria include affordability, project readiness, financial feasibility, or location efficiency.<sup>21</sup>

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<sup>17</sup> Maine Legislature, *Credit for Affordable Housing* (2019), 36 M.R.S. §5219-WW.

<sup>18</sup> Maine State Housing Authority, *2025-2026 Low-Income Housing Tax Credit Qualified Allocation Plan*, June 18, 2024, accessed December 9, 2025,

<https://www.novoco.com/public-media/documents/maine-lihtc-qap-2025-2026-07162024.pdf>.

<sup>19</sup> Maine State Housing Authority, *2025-2026 Low-Income Housing Tax Credit Qualified Allocation Plan*

<sup>20</sup> Maine State Housing Authority, *2025-2026 Low-Income Housing Tax Credit Qualified Allocation Plan*.

<sup>21</sup> New Hampshire Housing Finance Authority, *2025-2026 Qualifies Allocation Plan*, April 2024, <https://www.nhhfa.org/wp-content/uploads/2024/04/2025-2026-Qualified-Allocation-Plan.pdf>.

All New Hampshire LIHTC projects must reserve at least 25% of the total units for households earning at or below 50% of Area Median Income (AMI), ensuring a baseline level of deeper affordability across funded developments.<sup>22</sup>

## Vermont's QAP

In addition to allocating federal LIHTC, Vermont's QAP administers state-specific credits which include "Rental Housing Credits," "Homeownership Tax Credits," and "Down Payment Assistance Credits."<sup>23</sup>

To receive both federal LIHTC and Vermont affordable housing tax credits, projects must meet certain threshold requirements. Relevant examples of these requirements for all projects include:

- Follow the "Historic Settlement Pattern of Compact Village and Urban Centers" and Smart Growth principles, which promote the efficient use of land for development projects maintaining the differing characteristics of the rural countryside and urban areas;
- Follow occupancy restrictions, which requires at least 20% of the units in a project being restricted only to tenants who are "at or below 50% of Area Median Gross Income (AMGI)," or at least 40% of the units being restricted to tenants who are "at 60% of AMGI";
- Comply with Vermont's Extended Use Agreement Period, which states perpetual affordability for the entire life of the property, surpassing the federal requirement of affordability for 15 years; and,
- Comply with 2016 Executive Order 3-73, which states that for all publicly subsidized housing, at least 15% of those developments are occupied by people who were formerly homeless.<sup>24</sup>

For developments with 20 units or more, projects must meet a "Mixed-Income Threshold," which requires a certain number of units to be "market rate units." The VHFA defines "market rate units" as units that do not have income restrictions or "are restricted to households above 60% AMI and are not included in eligible basis."<sup>25</sup> To meet the Mixed-Income Threshold, for projects that have 20-49 units, 5% of the units must be market rate, and for projects that have 50 units or more, 10% of the units must be market rate.<sup>26</sup>

Unlike Bond Credits, which are considered and awarded based on the financial strength of the project, Ceiling Credit funding is evaluated based on the extent to which a project meets the state's housing policy goals. Applicants for Ceiling Credits are given checkmarks based on the

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<sup>22</sup> New Hampshire Housing Finance Authority, *2025-2026 Qualifies Allocation Plan*.

<sup>23</sup> Vermont Housing Finance Agency, *State of Vermont Qualified Allocation Plan*, February 6, 2023, [https://vhfa.org/sites/default/files/documents/multifamily/Signed\\_VHFA%202024-25%20Vermont%20Qualified%20Allocation%20Plan\\_vf.pdf](https://vhfa.org/sites/default/files/documents/multifamily/Signed_VHFA%202024-25%20Vermont%20Qualified%20Allocation%20Plan_vf.pdf).

<sup>24</sup> Vermont Housing Finance Agency, *State of Vermont Qualified Allocation Plan*.

<sup>25</sup> Vermont Housing Finance Agency, *State of Vermont Qualified Allocation Plan*.

<sup>26</sup> Vermont Housing Finance Agency, *State of Vermont Qualified Allocation Plan*.

housing goals that it meets and are then assigned a weight based on its checkmarks. The weight of a project is then ranked, which determines the credits that that project is awarded.

Some of the project characteristics that are taken into consideration in credit allocation are:

- “Site Designation”: Projects located in Downtowns or Neighborhood Development Areas can receive four checkmarks, those located in New Town Centers can receive three checkmarks, and those located in Dense Infill Sites can receive two checkmarks;
- “Project Tenancy”: Projects that are of general occupancy and market-appropriate unit size can receive four checkmarks, while those that are age-specific developments for senior occupancy can receive between one to three checkmarks;
- Unit income diversity: Projects that have 20-24.99% of tax credit units at or below 30% Area Median Income (AMI) will receive two checkmarks, while those with 25% or more credit units at or below 30% AMI will receive three checkmarks; and,
- Public transportation accessibility: Projects that are built within a 0.5-mile radius of “local fixed routes” can receive two checkmarks, while projects that are built within 0.5 miles of interregional limited transportation can receive one checkmark.<sup>27</sup>

These specific checkmark evaluations provide incentives for housing developers to build projects that are located in designated urban growth areas, generally open to all occupancy groups with diverse incomes, and that are close to public transportation. These incentives promote the creation of bigger and denser affordable housing projects, with LIHTC funding being awarded to the projects with the highest number of checkmarks.

### **Additional Affordable Housing Policy**

This report will also compare additional policies of Maine, New Hampshire, and Vermont, apart from QAPs that can have an impact on density in affordable housing projects.

#### **Maine’s *LD 2003* and the Affordable Housing Density Bonus**

The Maine State Legislature passed *LD 2003* in 2022, which eased zoning and land use restrictions to increase housing opportunities in densely populated areas.<sup>28</sup> These lightened zoning restrictions include removing some requirements for building height, unit density, and allowing multi-unit housing in single-family zones. By promoting housing projects located closer to existing infrastructure, such as sewage and water systems, which can avoid excess spending on rural housing developments, *LD 2003* creates a more cost-efficient and streamlined construction process for developers.<sup>29</sup>

By building multiple affordable housing units on one lot, developers bypass Maine's property minimum for development, which drives the cost of each unit. *LD 2003* also mandates that

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<sup>27</sup> Vermont Housing Finance Agency, *State of Vermont Qualified Allocation Plan*.

<sup>28</sup> Maine Department of Economic and Community Development, *LD 2003 Guidance*, accessed December 9, 2025, [https://www.maine.gov/decd/sites/maine.gov/decd/files/inline-files/DECD\\_LD%202003\\_digital.pdf](https://www.maine.gov/decd/sites/maine.gov/decd/files/inline-files/DECD_LD%202003_digital.pdf).

<sup>29</sup> Maine Department of Economic and Community Development, *LD 2003 Guidance*.



municipalities must allow for increased housing density or lower minimum lot sizes for housing developments rented or sold to households earning less than 220% of the AMI.<sup>30</sup>

Included within *LD 2003* is Maine's Affordable Housing Density Bonus, which is a specific incentive for developers who qualify for QAP funding to build more housing units per lot than local zoning laws would normally permit. Under the Affordable Housing Density Bonus, developers are required to sustain affordability for lower- to moderate-income households for 30 years.<sup>31</sup>

## New Hampshire's Additional Policies

**Affordable Housing Fund:** Apart from the QAP, the New Hampshire Legislature created the Affordable Housing Fund (AHF) in 1988, to be administered by the New Hampshire Housing Finance Authority (NHHFA). The AFH provides loans and grants to support the construction of housing affordable to low- and moderate-income households.<sup>32</sup> Projects awarded funds may be used to finance land acquisition and site development costs.<sup>33</sup>

Projects supported through the AHF must meet one of several income targeting requirements:

- At least 20% of units affordable to households earning less than 50% of AMI;
- At least 40% of units affordable to households earning less than 60% of AMI; and,
- At least 50% of units are affordable to households earning less than 80% of AMI, with no more than 50% of all units occupied by households above 50% of AMI.<sup>34</sup>

To meet the AHF's requirements, rent plus utilities may not exceed 30% of the maximum income for the relevant AMI bracket.<sup>35</sup>

**Construction and Bridge Lending Program:** The Construction and Bridge Lending Program, created by the NHHFA in 2017, provides construction financing and bridge loans intended to expand the production and preservation of affordable rental housing in New Hampshire.<sup>36</sup> Projects must meet affordability requirements, which are developed on a case-by-case basis, comply with NHHFA underwriting and multifamily development policies, and secure a commitment for long-term financing to repay the loan.<sup>37</sup>

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<sup>30</sup> Maine Legislature, *An Act to Require Increased Housing Density or Lower Minimum Lot Sizes for Workforce Housing*, 132nd Maine Legislature, Legislative Document No. 1926, H.P. 1287, May 6, 2025. <https://trackbill.com/bill/maine-legislative-document-1926-an-act-to-require-increased-housing-density-or-lower-minimum-lot-sizes-for-workforce-housing/2721641/>.

<sup>31</sup> Maine DECD, *LD 2003: Housing Opportunities Act*, 2022.

<sup>32</sup> New Hampshire Housing Finance Authority, *HFA 113 Affordable Housing Fund Rules*, January 2025, <https://www.nhhfa.org/wp-content/uploads/2019/06/HFA-113-Affordable-Housing-Fund-Rules.pdf>.

<sup>33</sup> New Hampshire Housing Finance Authority, *HFA 113 Affordable Housing Fund Rules*.

<sup>34</sup> New Hampshire Housing Finance Authority, *HFA 113 Affordable Housing Fund Rules*.

<sup>35</sup> New Hampshire Housing Finance Authority, *HFA 113 Affordable Housing Fund Rules*.

<sup>36</sup> New Hampshire Housing Finance Authority, *HFA 110 Construction and Bridge Loan Program Rules*, September 2017, <https://www.nhhfa.org/wp-content/uploads/2019/06/HFA110.pdf>.

<sup>37</sup> New Hampshire Housing Finance Authority, *HFA 110 Construction and Bridge Loan Program Rules*.

By offering construction and bridge loans that cover development expenses and requiring a firm permanent-financing commitment before construction begins, the program provides developers with more reliable early-stage capital. This structure reduces upfront financial risk and can make larger, more capital-intensive projects more feasible.<sup>38</sup>

**Local-Level Density Incentives:** Local governments in New Hampshire have substantial discretion to adopt zoning tools that permit or encourage denser residential development, particularly for projects that include affordable or workforce housing. This authority is grounded in RSA 674:21, which allows municipalities to implement "innovative land use controls," including inclusionary zoning, density bonuses, and conditional-use flexibility designed to expand housing opportunities for low- and moderate-income households.<sup>39</sup> Under the statute, municipalities may offer regulatory incentives such as reduction to dimensional requirements, increased maximum density, or expedited review in exchange for a developer's commitment to produce a certain share of income-restricted units.<sup>40</sup>

For example, in Exeter, New Hampshire, municipal lawmakers implemented a Mixed-Use Neighborhood Development (MUND) ordinance in 2020, which removed density caps for developments that include at least 10% affordable units. This instead determined the number of units of a construction project to building height and parking requirements, rather than fixed density limits.<sup>41</sup> With the Exeter municipal government successfully enacting MUND, this demonstrates that local governments can adopt policies that encourage denser affordable housing.

### **Vermont's *HOME Act* and *Act 181***

In addition to their QAP, Vermont has state-wide policies, the *Housing Opportunities Made for Everyone (HOME) Act* (2023) and *Act 181* (2024), that affect density achievements of housing projects. With limiting zoning laws and land statutes being key influences on the density of development projects, these two bills changed previous housing policy norms set by *Act 250* (1970).

To balance development with the interests of Vermonters and the wellbeing of the environment, *Act 250* required housing development proposals to undergo lengthy review processes and restricted the number of units that could be built on certain lots. This often impeded the initiation of construction projects that could support Vermont's modern housing needs.<sup>42</sup>

When passed in 2023, the *HOME Act* provided exemptions to *Act 250* review processes in urban areas planned for growth. The *HOME Act* allows developers to construct more housing in areas where it is needed while still complying with municipal zoning laws and QAP requirements. For

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<sup>38</sup> Donald R. Eriksen, "Returns to Scale in Residential Construction: The Marginal Impact of Building," *Real Estate Economics*, 50 (2022): 534-564.

<sup>39</sup> New Hampshire Revised Statutes Annotates, RSA 674:21, *Innovative Land Use Controls*.

<sup>40</sup> N.H. RSA 674:21.

<sup>41</sup> N.H. RSA 674:21.

<sup>42</sup> Peter Hirschfeld, "Capitol Recap: Act 250 becomes political flashpoint as lawmakers tackle housing shortage," Vermont Public (Colchester, Vermont), April 14, 2023, <https://www.vermontpublic.org/local-news/2023-04-14/capitol-recap-act-250-becomes-political-flashpoint-as-vermont-lawmakers-tackle-housing-shortage>.



example, in designated growth areas, multi-unit dwellings and duplexes can be built where zoning previously had only permitted single-family homes, if they followed the same minimum lot size as the single-unit developments. Without establishing density caps, the act allows more units to be built in a designated area.<sup>43</sup>

*Act 181* continued to change housing development norms created by *Act 250* when the legislature passed it in 2024. Building from the *HOME Act*, *Act 181* establishes a tier-based permit review system based on the location of a project. The tier system guides development projects and incentivizes construction in the areas where it is most needed. For example, Tier 1A is designated to projects built in downtowns, village centers, and planned growth areas, and Tier 1B is designated to projects in village areas. Both can qualify for a more streamlined review process with *Act 250* exemptions.<sup>44</sup> The redistribution of housing projects still must adhere to municipal zoning regulations.

## Compare and Contrast Analysis

In this section, we qualitatively compare and analyze the QAPs in Maine, New Hampshire, and Vermont to understand the differences in how each state incorporates density incentives.

### QAP Compare and Contrast Analysis

When comparing the QAPs in Maine, New Hampshire, and Vermont, there are some qualitative differences that could indicate density incentives, or lack thereof, in affordable housing project policy.

First, differences in how each state's QAP distributes points show variance in ways that they promote density. As seen previously, all three states have some sort of point or checkmark system to give award preference to projects that meet the state's affordable housing goals. In Vermont and Maine, both QAPs specifically grant more points to projects located in urban growth areas, aligning with smart growth housing principles. These specific provisions in their point-distribution systems incentivize constructing affordable housing projects in concentrated growth areas with higher numbers of intended occupants per project.<sup>45</sup> New Hampshire's QAP point system instead focuses on land efficiency, feasibility, and cost management, which can inadvertently incentivize density, but not to the degree that Maine and Vermont's QAP points do.<sup>46</sup>

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<sup>43</sup> Agency of Commerce and Community Development, "Act 47 (S.100) Summary Version 2," *Vermont Department of Housing and Community Development*, June 28, 2023, [https://outside.vermont.gov/agency/ACCD/ACCD\\_Web\\_Docs/CD/CPR/Resources-and-Rules/DHCD-Planning-Act47-PreliminarySummary-v2.pdf?\\_gl=1\\*1fx5ql1\\*\\_ga\\*MTY3ODAyMTI4Ny4xNzU2NjYyMTcx\\*\\_ga\\_V9WQH77KLW\\*czE3NjQ5NjUzMTMkbzI4JGcxJHQxNzY0OTY1OTAYJGo0OSRsMCRoMA](https://outside.vermont.gov/agency/ACCD/ACCD_Web_Docs/CD/CPR/Resources-and-Rules/DHCD-Planning-Act47-PreliminarySummary-v2.pdf?_gl=1*1fx5ql1*_ga*MTY3ODAyMTI4Ny4xNzU2NjYyMTcx*_ga_V9WQH77KLW*czE3NjQ5NjUzMTMkbzI4JGcxJHQxNzY0OTY1OTAYJGo0OSRsMCRoMA).

<sup>44</sup> State of Vermont, *Act 181: Modernizing Land Use Review*, accessed December 5, 2025, <https://act250.vermont.gov/new-land-use-review-framework-act-181>.

<sup>45</sup> Maine State Housing Authority, *Maine Low Income Housing Tax Credit*; New Hampshire Housing Finance Authority, *Qualified Allocation Plan*; Vermont Housing Finance Agency, *State of Vermont Qualified Allocation Plan*.

<sup>46</sup> Eriksen, "Returns to Scale in Residential Construction."

Additionally, Vermont's QAP has a mixed income threshold requirement built into their QAP, but Maine and New Hampshire do not.<sup>47</sup> These thresholds are generally considered inclusionary zoning initiatives, which can allow for the construction of larger-unit housing projects which add costs to municipal budgets. However, research is currently divided on the efficacy of mixed income threshold requirements in affordable housing developments. Opponents of these policies state that these requirements can decrease the supply of housing units.<sup>48</sup> Recent research has determined that the effects of these requirements are highly dependent on the nature of local housing markets that vary in each town, city, and state. Inclusionary zoning requirements that include density incentives were found to be the most effective in promoting affordable housing construction that avoids the risk of additional construction costs.<sup>49</sup>

Lastly, Maine and Vermont have state-level low-income housing tax credits built into their QAPs, and New Hampshire does not. In Maine and Vermont, the embedded state credit programs strengthen the financing stack, close funding gaps, and make higher-density or more complex projects more feasible. Without a similar integration, New Hampshire developers have access to fewer QAP-based incentives tied to state credit support than developers in Maine or Vermont.

### **Additional Affordable Housing Initiatives**

Each of the three northern New England states have some sort of state-level land provision or state tax credit that impacts the size and density of affordable housing projects. Maine and Vermont have implemented legislation that encourages density by lightening zoning restrictions in the last five years. In Maine, *LD 2003* eases zoning restrictions by allowing developers to build multiple affordable housing units on the previous two-acre minimum lot requirement.<sup>50</sup> Additionally, *LD 2003* includes the Maine Affordable Housing Density Bonus, which further incentivizes denser projects.<sup>51</sup>

Vermont has implemented comparable legislation in the past few years. Both the HOME Act (2023) and Act 181 (2024) lighten zoning restrictions for affordable housing projects in designated growth areas, which are typically urban areas and city centers.<sup>52</sup> The HOME Act specifically permits multi-family units to now be developed in designated growth areas that previously only permitted the development of single-family homes, allowing for more units to be developed on the same plot of land. Additionally, the HOME Act does not include density caps or restrictions, allowing developers to take advantage of these new provisions.

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<sup>47</sup> Maine State Housing Authority, *Maine Low Income Housing Tax Credit*; New Hampshire Housing Finance Authority, *Qualified Allocation Plan*; Vermont Housing Finance Agency, *State of Vermont Qualified Allocation Plan*.

<sup>48</sup> Matt Dederer, "Mandatory Inclusionary Zoning: Is It Effective and Constitutional?" *Vermont Law Review*, April 26, 2024, <https://lawreview.vermontlaw.edu/mandatory-inclusionary-zoning-is-it-effective-and-constitutional/>.

<sup>49</sup> Emily Hamilton, "Inclusionary Zoning and Housing Market Outcomes," *Cityscape*, 23(1) (2021): 161–94.

<sup>50</sup> Maine DECD, *LD 2003: Housing Opportunities Act*.

<sup>51</sup> Maine DECD, *LD 2003: Housing Opportunities Act*.

<sup>52</sup> Agency of Commerce and Community Development, "Act 47 (S.100) Summary Version 2,"; State of Vermont, *Act 181: Modernizing Land Use Review*.

New Hampshire's Affordable Housing Fund and Construction and Bridge Lending Program do not seem to encourage density to the extent that the various legislation in Maine and Vermont do. Both funding programs in New Hampshire ease potential financial restrictions for land acquisition and development, which can make denser projects more feasible for affordable housing developers, but they do not explicitly encourage density.<sup>53</sup> However, New Hampshire allows municipalities to create local initiatives to encourage "innovative land use reforms," such as the previously mentioned MUND ordinance in Exeter, New Hampshire.<sup>54</sup>

## Conclusion

This qualitative review of the affordable housing programs in Maine, New Hampshire, and Vermont suggests that all three states incorporate some mechanisms that can support the development of higher-density projects, but they do so to varying degrees and with different policy emphases. Maine and Vermont have adopted more explicit state-level initiatives (*LD 2003*, the *HOME Act*, and *Act 181*) that directly ease zoning restrictions, allowing for denser development. Their QAPs also more clearly reward projects located in designated growth areas, creating stronger, more transparent incentives for density within the LIHTC allocation process.

While New Hampshire's programs, such as the AFH and the Construction and Bridge Lending Program, can indirectly support larger or more complex developments, they do not create the same density-specific incentives found in Maine and Vermont.

Our findings do not indicate that Vermont is uniquely discouraging density relative to its neighbors. Rather, the evidence shows that Maine and Vermont have taken more assertive steps to promote higher-density development in recent years, while New Hampshire provides more generalized support that may or may not translate into denser housing. Ultimately, the differences observed across the three states reflect variations in policy design rather than a clear conclusion that any one state is uniquely deterring density.

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Disclaimer: The material contained in the report does not reflect the official policy of the University of Vermont.

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<sup>53</sup> New Hampshire Housing Finance Authority, *HFA 113 Affordable Housing Fund Rules*; New Hampshire Housing Finance Authority, *HFA 110 Construction and Bridge Loan Program Rules*.

<sup>54</sup> N.H. RSA 674:21.