DEED-RESTRICTED HOMEOWNERSHIP 101

The Policy Tradeoff Between Long-Term Affordability and Individual Wealth Building

BOSTON INDICATORS

MAY 2025

ABOUT BOSTON INDICATORS

Boston Indicators is the research center at the Boston Foundation, which works to advance a thriving Greater Boston for *all* residents across *all* neighborhoods. We do this by analyzing key indicators of well-being and by researching promising ideas for making our city more prosperous, equitable and just. To ensure that our work informs active efforts to improve our city, we work in deep partnership with community groups, civic leaders and Boston's civic data community to produce special reports and host public convenings.

ABOUT THE COMMUNITY WEALTH PATHWAY AT THE BOSTON FOUNDATION

The Community Wealth pathway guides TBF's work to expand, preserve, and enhance opportunities for Greater Boston residents in three areas: affordable housing, business equity, and arts and creativity. Working with community-based organizations, nonprofit partners and state and municipal agencies, we aim to disrupt harmful displacement processes and support thoughtful development and expansion of opportunities. Our overarching goal is to help Greater Boston residents, artists, creatives, and small business owners live, work and thrive in the communities of their choice. We do this by investing in people and in community assets.

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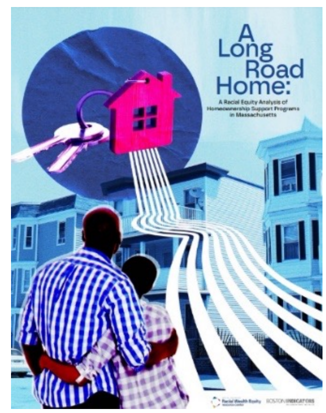
CONTENTS

OVERVIEW

To help make homeownership attainable for families who might otherwise be priced out of the market, state and local governments in Massachusetts have developed a range of subsidized homeownership programs—many of which have become national models.

As outlined in A Long Road Home, a September 2023 report from Boston Indicators, these efforts include down payment assistance and affordable loan programs, subsidies for affordable housing development, inclusionary zoning policies that require private developers to include income-restricted units, municipal homeownership acquisition programs, and Community Land Trusts (the 2023 Greater Boston Housing Report Card offers a deeper dive into CLTs).



A Long Road Home, a September 2023 report from Boston Indicators

This short report was developed by Boston Indicators in partnership with the Community Wealth pathway team at the Boston Foundation, and aims to clarify the purpose, goals, and policy tradeoffs of one particular tool used across many of these homeownership programs: affordability deed restrictions. These are legal stipulations placed on below-market-rate, owner-occupied homes that limit the future resale price and cap how much equity a homeowner can accumulate over time. While they are often framed as a step toward individual homeownership, they are also about building shared and community assets—a central focus of the Community Wealth pathway. In that sense, deed-restricted affordable homes are not just about helping a single household access the market, but also about stabilizing neighborhoods, preserving affordability, and ensuring that public investments benefit multiple generations over time.

Tough tradeoffs are inherent to these programs. In high-cost, supply-constrained markets like Greater Boston, the public investment required to create or acquire a single deed-restricted home can run into the hundreds of thousands of dollars per unit. That high cost reflects the underlying structural problem: Housing supply has not kept pace with demand, pushing home prices well beyond the reach of most low- and moderate-income families. The ideal solution is not to increase subsidies indefinitely, but to build enough market-rate housing so that more families can achieve homeownership without large public intervention. Until then, however, tools like deed restrictions remain essential for providing stability and long-term affordability.

Because they aim to advance multiple goals, affordability deed restrictions are often misunderstood and contested. This tension came to the forefront in a recent Boston policy debate over whether to loosen resale restrictions on city-assisted affordable homes—including shortening the period during which any resale must be at a restricted price. Supporters argued that the changes would allow homeowners to realize more financial gain, while critics warned that it would undermine the lasting affordability of the city's limited stock of below-market-rate homes.

By laying out how deed restrictions work, what they aim to achieve, and where the tensions lie, this white paper hopes to inform future decision-making and contribute to a more grounded public conversation about the role these tools can play in equitable wealth building and neighborhood stability.

The Basics on Deed Restrictions

A deed restriction is a legal covenant recorded with a property's deed—the official document that establishes ownership—which places conditions on the use of the property. In this context, we're looking specifically at affordability deed restrictions, which place conditions on the sale of a home, ensuring that when it's resold, it will go to another income-qualified buyer at an affordable (below-market) price. While this caps potential windfall gains in hot housing markets, it is necessary to preserve affordability over time. These restrictions operate within a "shared equity" framework, meaning that while homeowners can build some wealth through homeownership, a portion of the home's appreciation is limited or recaptured to keep the property affordable for future buyers.

Under these programs, buyers benefit from large public subsidies, but in return they agree to resale conditions that prioritize long-term affordability. The intent is to ensure that public investments continue to serve multiple families over time rather than benefiting only the initial homeowner. Without these restrictions, homes made affordable through public subsidies could quickly revert to market-rate prices, undermining the long-term impact of public funding.

Deed restrictions come in many forms, but most share a common set of features. One of the most important distinctions is between perpetual and fixed-term restrictions. Perpetual restrictions remain in place indefinitely, while fixed-term restrictions expire after a set number of years. When restrictions are time-limited, homes that were initially price-restricted can eventually be sold at full market value. Because these homes are unlikely to be made income-restricted again, their expiration leads to a permanent loss of affordable homeownership opportunities—mirroring the "expiring use" challenge commonly discussed in rental housing. In contrast, perpetual deed restrictions help maintain long-term affordability and neighborhood stability by ensuring homes remain protected from full market resale.

While the specific design of deed restrictions varies across jurisdictions, most share an element of these features:

- **Length of Restriction** – Many deed restrictions are perpetual, meaning they remain in place indefinitely, ensuring long-term affordability. Others remain in effect for a fixed term, such as 30, 50, or 99 years, after which a homeowner can sell at full market value.
- **Cap on Equity Appreciation** – To balance wealth building with future affordability, deed-restricted homes typically have limits on resale prices. Common approaches include:
    - Capping appreciation at a fixed percentage per year of ownership (e.g., 3 percent).
    - Tying the resale price to Area Median Income (AMI) growth, so homes remain affordable to future income-qualified buyers.
    - Using a resale formula that allows sellers to recoup some value from home improvements while maintaining affordability.
- **Income Requirements** – Buyers must meet income eligibility requirements based on Area Median Income (AMI), typically earning 60 to 120 percent of AMI, though thresholds vary by program. This ensures access for moderate-income households who may struggle with market-rate prices but excludes the lowest-income families, who often lack the financial stability needed for a down payment and mortgage, even at reduced rates.
- **Resale Restrictions & Buyer Eligibility** – When a homeowner decides to sell, the home must be resold to an income-qualified buyer (typically earning 60–120 percent of AMI, depending on program rules). Some programs include a right of first refusal, allowing the city or a nonprofit to purchase the unit if no eligible buyer is found.
- **Primary Residence Requirement** – Deed-restricted homes must be owner-occupied, preventing them from being used as rental or investment properties.
- **Property Tax Adjustments** – Some municipalities provide tax relief to account for the limited resale value of deed-restricted homes.
- **Maintenance & Home Improvement Policies** – Homeowners are responsible for maintenance, but major improvements (e.g., renovations, additions) may require program approval. Some deed restrictions dictate how much of the cost of improvements can be recouped at resale.
- **Inheritance Rules** – In many cases, homeowners cannot pass their property to their children, as deed restrictions require resale to an income-qualified buyer. Responding to concerns about how this makes it hard to keep homes within a family, the City of Boston recently revised its policies to allow deed-restricted homes to be transferred to immediate family members, even if they don’t have incomes low enough to otherwise qualify for the program.

Per Unit Cost Estimates

Building or purchasing homes as a policy mechanism to create affordable homeownership opportunities comes with significant public costs, especially in expensive markets like Greater Boston. Tabulating these costs can be tricky, as funding often comes from multiple levels of government. In addition to direct public funding, some affordable homeownership opportunities are made possible by cross-subsidies from market-rate sales in mixed-income developments (i.e., inclusionary zoning). They sometimes also receive philanthropic support, although those private contributions typically represent a small share.

So, what is the total subsidy that the public typically spends on producing these units? Actual amounts vary based on factors such as land and labor costs, as well as affordability targets, but the public cost is often in the hundreds of thousands of dollars per unit, as evidenced by some of the examples in the list below:

- In Boston, the City's local contribution to affordable homeownership projects typically ranges from $150,000 to $200,000 per unit. In recent years, these funds have often been supplemented by CommonWealth Builder (CWB), MassHousing's affordable homeownership production program that complements local efforts. CWB provides up to $150,000 or $250,000 per unit, depending on target AMI, and up to $10 million per project. As a result, the total public subsidy per unit in Boston has frequently reached $300,000 or more.[1]
- Between 2016 and 2024, the affordable housing fund in the town of Falmouth subsidized 37 ownership units at an average cost of $114,631 per unit, covering about 15 percent of total development costs. (Typically, towns will supplement money from an affordable housing trust fund with funding from other public sources.)
- New York City's Open Door program provides subsidies of up to $190,000 per unit.[2]
- Philadelphia's 2022 "Turn the Key" initiative allocated $400 million to produce 1,000 homes, leading to an average subsidy of $400,000 per unit.
- The City of San Francisco, a very expensive housing market, has not established a maximum limit, but has funded a project at a subsidy of over $500,000 per unit.

The Central Policy Tradeoff: Long-Term Affordability Versus Wealth Building for One Family

Deed restrictions come with some clear downsides. In addition to inheritance limitations, prohibitions against renting one's home restrict flexibility for the homeowner, making it difficult for owners to relocate temporarily. At the individual level, resale restrictions can also discourage investment in maintenance or home improvements, as homeowners may be less inclined to upgrade a property when they cannot fully recoup the costs. Financing can be another challenge, as some lenders hesitate to offer refinancing options for deed-restricted properties, limiting homeowners' ability to tap into home equity for major expenses.

There's also a broader public challenge that's particularly acute in high-cost housing markets: While the need for homeownership support is greatest in these places, the high cost of subsidies limits the number of households that can be assisted. This amplifies a central policy dilemma around affordability deed restrictions: Should the policy prioritize wealth building for a single household or long-term neighborhood affordability for multiple potential families?

Traditionally, the goal has been to prioritize long-term neighborhood affordability for multiple families over time, with most affordable homeownership programs including deed restrictions that last in perpetuity. But there has been growing pressure to scale these back, with Boston shifting to a 30-year deed restriction. And the state's relatively new CommonWealth Builder program has an even more limited deed restriction that gradually phases out after year 15. There are calls to scale them back even further.

To illustrate the impact of deed restrictions on affordable homeownership, and contrast that with what would happen if deed restrictions were relaxed further, let's consider a home sold with $150,000 in public subsidy. We'll compare the same home with two hypothetical scenarios: one where the deed restriction continues in perpetuity, with resale limits capping the home's appreciation (often around 3 percent per year) to keep it affordable for future buyers; and another where the restriction expires after 20 years, allowing it to be sold at a full market price and thus be lost from the subsidized housing stock.

- **SCENARIO 1: Perpetual Deed Restriction With Resale After 20 Years** – The home is sold at an affordable price with a standard resale restriction that limits appreciation in perpetuity at 3 percent annually (compounding).
- **SCENARIO 2: Unrestricted Resale After 20 Years** – The same home is initially subsidized but is allowed to be resold at market rate after 20 years.

INITIAL SALE:

- Market Value of Home in 2004: $350,000
- Public Subsidy: $150,000
- Affordable Sale Price for Eligible Buyer: $200,000

At the time of purchase, both homebuyers receive an immediate benefit—being able to buy a $350,000 home for just $200,000, due to the public subsidy.

SCENARIO 1: PERPETUAL DEED RESTRICTION WITH RESALE AFTER 20 YEARS

Under a standard resale restriction, the home's appreciation is capped (often around 3 percent per year) to keep it affordable for future buyers.[3]

- Capped Resale Price in 2024 ($200,000 subsidized purchase price, compounding at 3% annually for 20 years): $361,000
- Homeowner's Financial Gain:
  $361,000 - $200,000 = **$161,000**

The home remains below market rate for the next qualified buyer at $361,000, ensuring that the public subsidy stays with the house to benefit future homeowners. Meanwhile, the original homeowners still build meaningful equity through mortgage payments—more than they would have as renters—while also saving money compared to purchasing a market-rate home. But the $161,000 in equity that they gain is far less than under Scenario 2.

SCENARIO 2: UNRESTRICTED RESALE AFTER 20 YEARS

Without a deed restriction, the homeowner can sell at full market price. From 2004 to 2024, real home values in Boston increased by roughly 110 percent, so let's use that appreciation level for this scenario. Applying this to the original $350,000 market value:

- Sale Price (Market Value) in 2024 (after 110 percent appreciation): $735,000
- Homeowner's Financial Gain:
  - Full Market Appreciation:
    $735,000 - $350,000 = $385,000 (or $535,000 above the initial subsidized sale price)
  - Public Subsidy Gained at Initial Purchase:
    $350,000 - $200,000 = $150,000
  - Total Gain to Homeowner:
    $535,000 ($150,000 subsidy + $385,000 appreciation)

In Scenario 2, the homeowner receives two large financial benefits—the full $385,000 market appreciation, plus they effectively pocket the initial $150,000 public subsidy. And the affordable unit is lost from the system. A large windfall of over half a million dollars is of great benefit to this one family. But this is a large amount of public funding to be captured by a single fortunate family.

In contrast, Scenario 1 allows for some wealth building while also preserving affordability for future buyers.

Regardless of the length of deed restriction, homeowners in both subsidized ownership scenarios also benefit from significantly lower monthly mortgage payments compared to what they would have paid for a market-rate home—savings that can add up to tens of thousands of dollars over time. For example, the City of Boston highlighted a case in Mission Hill where a home purchased through the City's affordable homeownership program resulted in a monthly mortgage payment of $796, compared to $1,822 for a market-rate mortgage on the same home—an ongoing savings of $1,026 per month. However, in most cases, these families would not have been able to purchase a home at all without the public subsidy. So, we don't include estimates of monthly savings from reduced mortgage payments in these two scenarios.

SUMMARY

	SCENARIO 1: Deed-Restricted Resale	**SCENARIO 2: Unrestricted Resale**
Homeowner's Financial Gain	$161,000 (+ *monthly savings from reduced mortgage payments*)	$535,000 (+ *monthly savings from reduced mortgage payments*)
Public Subsidy Preserved?	Yes	No
Affordability for Next Buyer?	Yes	No
Future Public Cost?	Low—an income-restricted unit is preserved	High—public funds are needed to replace the lost affordable unit

Examples of Deed Restrictions in Massachusetts (and Elsewhere)

Several municipalities in Greater Boston—including Boston, Cambridge, Somerville, and Newton—have deed-restricted affordable homeownership programs. While they share the same broad goals, the specific restrictions they impose—such as affordability term limits, appreciation caps, and inheritance rules—vary across cities. Key details are organized in the table below, which pulls heavily from a June 2023 report from the City of Boston's Housing Innovation Lab, "Making Homeownership Affordable: A Survey of Affordable Homeownership Strategies in Neighboring and Other High-Cost Cities."[4]

CommonWealth Builder is a relatively new state-level affordable homeownership program that includes affordability deed restrictions. Launched by the quasi-public state agency MassHousing, this initiative provides subsidies for the construction of affordable homes, with a particular focus on Gateway Cities and historically disinvested areas. Homes developed under CommonWealth Builder are only subject to a short 15-year deed restriction, after which an "equity sharing" provision applies for years 16 to 30. During this period, 50 percent of the resale price—minus the permissible sale price at year 15—is shared among public funders, ensuring that some portion of home price appreciation is reinvested into affordability initiatives. While CommonWealth Builder homes come with affordability restrictions, they also must comply with local municipal deed restriction policies, meaning that state and city-level rules often interact to shape the long-term affordability of these units.

RECENT CHANGES TO BOSTON'S DEED RESTRICTIONS

In 2022, Boston significantly changed its deed restriction policies to focus more on individual wealth building and less on long-term affordability. Changes include:

- Shortening the deed restriction length to 30 years (if the property is still owned by the original buyer), eliminating the option for the city to extend it for an additional 20 years (previously up to 50 years).
- Raising the appreciation cap to 5 percent of the purchase price per year of ownership (previously 3 percent).
- Expanding resale price considerations to allow capital improvements up to 3 percent of the purchase price per year (previously 1 percent).
- Allowing property transfers to immediate family members without requiring them to meet income qualifications (previously, heirs had to qualify based on income).

These revisions followed a local debate over how deed restrictions should be structured. By loosening affordability restrictions, Boston's new policy prioritizes wealth building for homeowners more than previous policies had, while still maintaining modest limits on appreciation and resale conditions. It also prioritizes families living in Boston across multiple generations, regardless of income, at the expense of lower-income newcomers. Notably, the new 5 percent appreciation cap is not much different from the typical annual market appreciation rate of 4 to 7 percent. This appreciation rate is only applied to the subsidized sale price, though, not the full market value, so it does still serve to limit appreciation somewhat.

These adjustments were also made to help align Boston's policies more closely with those of MassHousing's CommonWealth Builder, which has less restrictive affordability requirements but must also comply with local municipal affordability rules.

Compared to other Greater Boston municipalities, Boston's recent changes place it at one end of a spectrum between prioritizing individual wealth building and emphasizing long-term affordability. A summary from the City of Boston's Housing Innovation Lab highlights key differences: Boston now has some of the most lenient affordability restrictions in the region, including a fixed 30-year affordability term, whereas Cambridge, Somerville, and Newton enforce perpetual affordability to ensure homes remain income-restricted indefinitely. Additionally, Boston is the only city that allows heirs to inherit deed-restricted homes without income qualifications or first-time homebuyer status, while other municipalities require heirs to meet affordability criteria to retain ownership.

Subsidized homeownership programs also exist elsewhere in the country, all with different sorts of affordability restrictions. New York City's restrictions range from 20 to 40 years, with the longer restrictions kicking in when the amount of city funds invested exceeds $190,000. The City of Seattle has 50-year deed restrictions, which can be extended. Denver's restrictions are 99 years. All have appreciation caps of between 1 and 3.5 percent. The US Department of Housing and Urban Development's HOME grants require an affordability restriction of at least 20 years when funding is used to construct a new unit or acquire a newly constructed unit. On the other end of the spectrum, regardless of where they are, it is typical for community land trusts or co-ops to feature permanent affordability restrictions. While these features vary, in broad strokes they all do more to prioritize long-term affordability than the current approach in the City of Boston.

SELECTED LOCAL DEED RESTRICTIONS:

CITY	BOSTON	CAMBRIDGE	SOMERVILLE	NEWTON
Term	30 years	In perpetuity	In perpetuity	In perpetuity
Resale Formula	Purchase price + appreciation + capital improvements – depreciation	*Newly adopted changes by the city*) Purchase price + appreciation + (capital improvements – depreciation)	Pegged to affordable price for next buyer in same AMI tier – housing debt not to exceed 28% of income	100% AMI for a 4-person household at time of resale x (Initial sales price / 100% of AMI for a 4-person household at time of first sale from developer to initial buyer) + capital improvements – depreciation + resale fee + marketing expenses
Appreciation Cap	5% of purchase price compounding each year of ownership	2.5% of original affordable price annually, not compounding	N/A (resale price dependent on affordable price for next buyer at same AMI tier)	N/A (resale price dependent on affordable price for next buyer at same AMI tier)
Cap on Eligible Capital Improvement Costs	3% of the purchase price per year of ownership, compounding	$5,000 per year	N/A (capital improvements not factored into resale price)	Not capped
Income Eligibility for Next Buyer	Up to 100% AMI	Most are 80-100% of AMI, some are up to 120%	Between 80-110%, depending on specific terms	Up to 120% AMI
Property Transfer Rules	Transfers permitted to immediate family members, so long as they are (or become) owner-occupants. Heirs do not need to be income eligible.	Property may be transferred to an income-eligible heir.	Property may be transferred to an income-eligible heir who is also first time homebuyer.	Units may only be transferred to a spouse. Otherwise, they must be sold to an eligible buyer.

Conclusion

Despite the widespread use of affordability deed restrictions, they remain an understudied policy tool. While there is extensive literature on their intended effects, few studies have systematically evaluated their real-world impact. One of the most comprehensive analyses to date is "Balancing Affordability and Opportunity: An Evaluation of Long-Term Affordable Homeownership Programs with Long-Term Affordability Controls," a 2010 Urban Institute study by Temkin, Theodos, and Price.[5] This study analyzed client-level data from seven shared-equity homeownership programs, assessing how well these policies preserved affordability, supported wealth building, and impacted homeowner mobility and tenure stability.

The study found that the programs generally struck a reasonable balance between maintaining long-term affordability and allowing for modest wealth accumulation. The affordability of deed-restricted units remained largely intact over time, yet homeowners were still able to build equity. In Dos Pinos, a limited-equity co-op in Davis, California, homeowners who resold their units achieved a better return than they would have by renting and investing an equivalent down payment in stocks or treasury bonds. Additionally, shared-equity homeowners sold their homes at rates similar to market-rate homeowners, and two-thirds of them went on to purchase a market-rate home after selling their limited-equity unit—suggesting that deed-restricted homeownership can serve as a stepping-stone to traditional homeownership.

The Urban Institute study is just one analysis and includes a limited number of programs, but its findings provide encouraging evidence that deed restrictions can effectively balance the competing priorities of affordability and wealth creation. More research is needed to expand upon these findings, particularly in the context of today's housing market and the evolving landscape of shared-equity homeownership models.

Endnotes

1. The maximum per unit subsidy is $250,000 per unit for units with an income eligibility requirement of 70-100% area median income, and $150,000 for units with an income eligibility requirement of 110-120% area median income.
2. Maximum is either $165,000 or $190,000 depending on the project's income eligibility criteria and whether the site is public or private. https://www.nyc.gov/assets/hpd/downloads/pdfs/services/open-door-term-sheet.pdf
3. Some municipalities cap the sale price according to limited rate of appreciation on the sale price. Others peg the sale price to the area median income.
4. Making Homeownership Affordable: A Survey of Affordable Homeownership Strategies in Neighboring and other High-Cost Cities, City of Boston Housing Innovation Lab, June 2023
5. Temkin, K., Theodos, B., & Price, D. (2010). Balancing Affordability and Opportunity: An Evaluation of Long-Term Affordable Homeownership Programs with Long-term Affordability Controls. Urban Institute.

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