
The Complexity of Financing Affordable Housing Development

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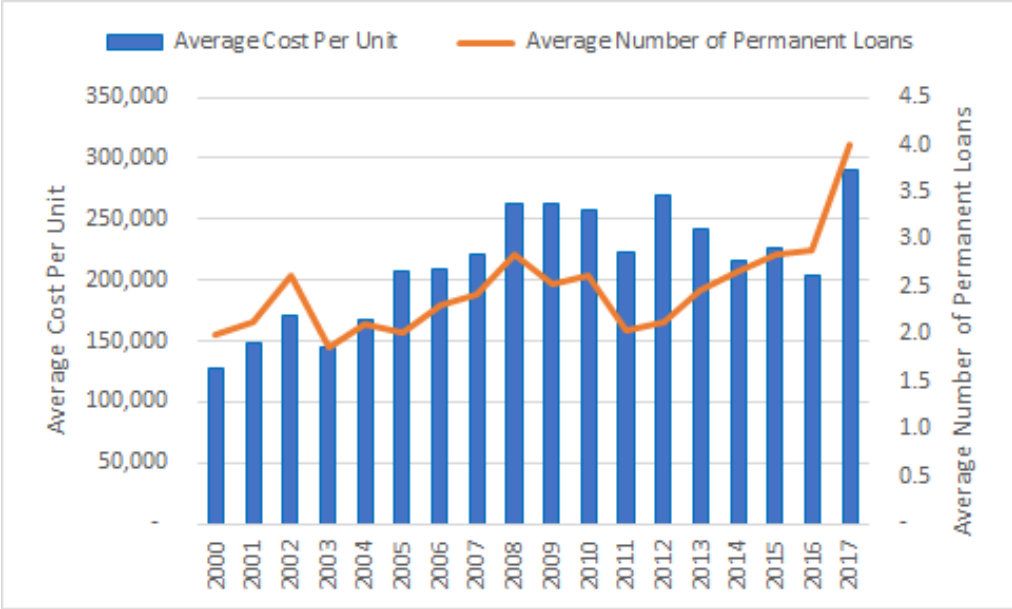


The building blocks of financing affordable housing construction



Financing complexity has grown over time

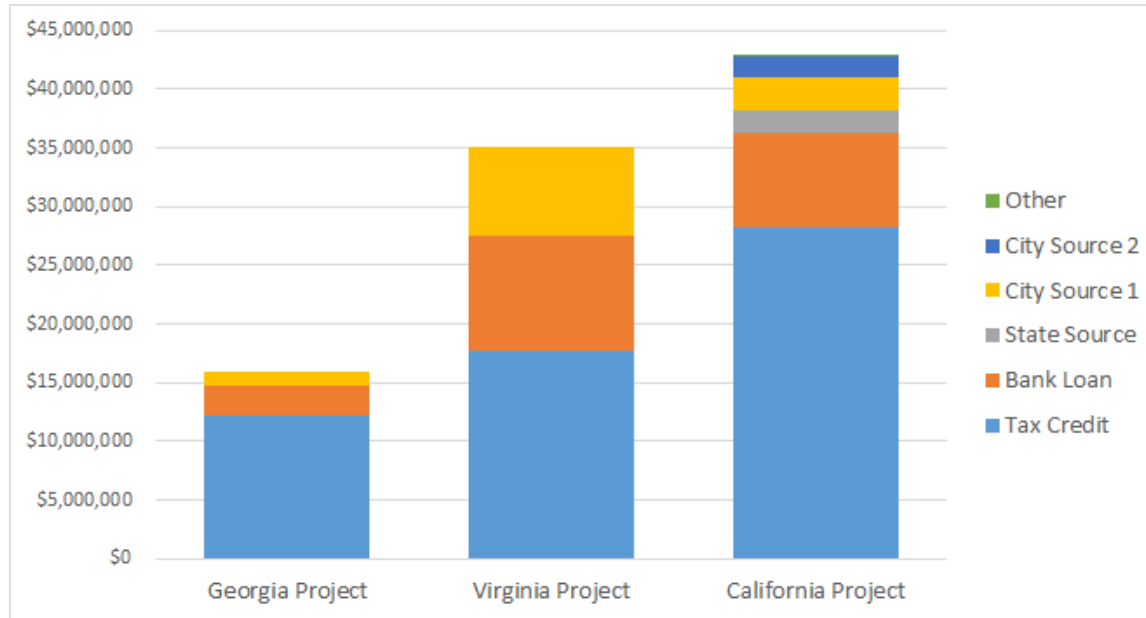
Average Per-Unit Development Costs and Number of Permanent Loans for 9% New Construction Properties, 2000 to 2017



Source: Turner Center analysis of syndicator and HUD LIHTC data ([See: Kneebone and Reid 2021](#))

Complexity is more pronounced in certain parts of the country

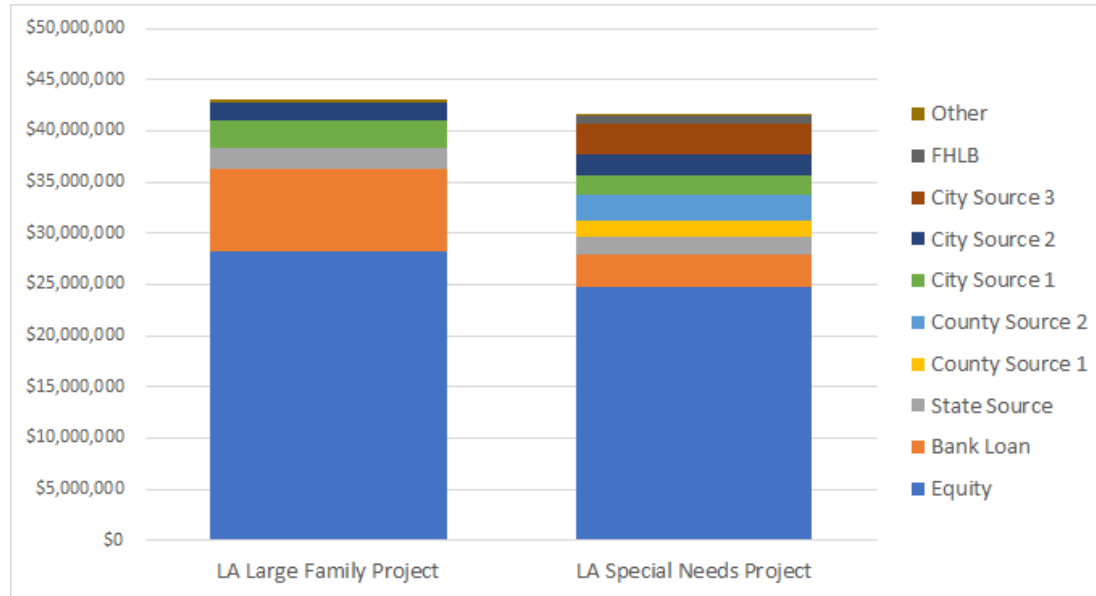
Capital Stack Composition for Three 9% New Construction Large Family Properties Awarded in 2019



Source: Data scraped from applications posted online. State and federal tax credits have been combined into one category to represent total tax credit equity.

And for certain kinds of developments

Capital Stack Composition for Two 9% New Construction Developments in Los Angeles Awarded in 2019



Source: Data scraped from applications posted online. State and federal tax credits have been combined into one category to represent total tax credit equity.

Complexity carries direct and indirect costs

- ❖ **Additional** staff time, legal fees, and other transactional costs associated with needing and closing multiple funding sources
- ❖ **Increased** development timelines and total costs because of:
 - Delays associated with layering multiple sources of gap financing
 - Lack of alignment of deadlines among funding sources
 - Layers of funding-specific requirements from each lender
 - Specificity of eligibility requirements/policy goals of each lender

Stakeholders across the country are working to address complexity and increase efficiencies

Different strategies have emerged to address complexity pain points depending on the state, including:

- ❑ Working through a single administering agency
- ❑ Coordinating across funding entities
- ❑ Consolidating applications and closing documents
- ❑ Recognizing the importance of leadership, staff capacity, and institutionalizing ongoing engagement

Whether through existing funding sources or new ones, lessons learned point to the need to:

- ❑ **Reduce** fragmentation where possible
- ❑ **Better align** funding streams to facilitate more seamless layering
- ❑ **Invest** in the infrastructure and staff capacity necessary to sustain coordination