

A photograph of a row of townhouses with solar panels installed on the roof. The townhouses have light-colored siding and white trim. The image is slightly faded to allow the text to be read clearly.

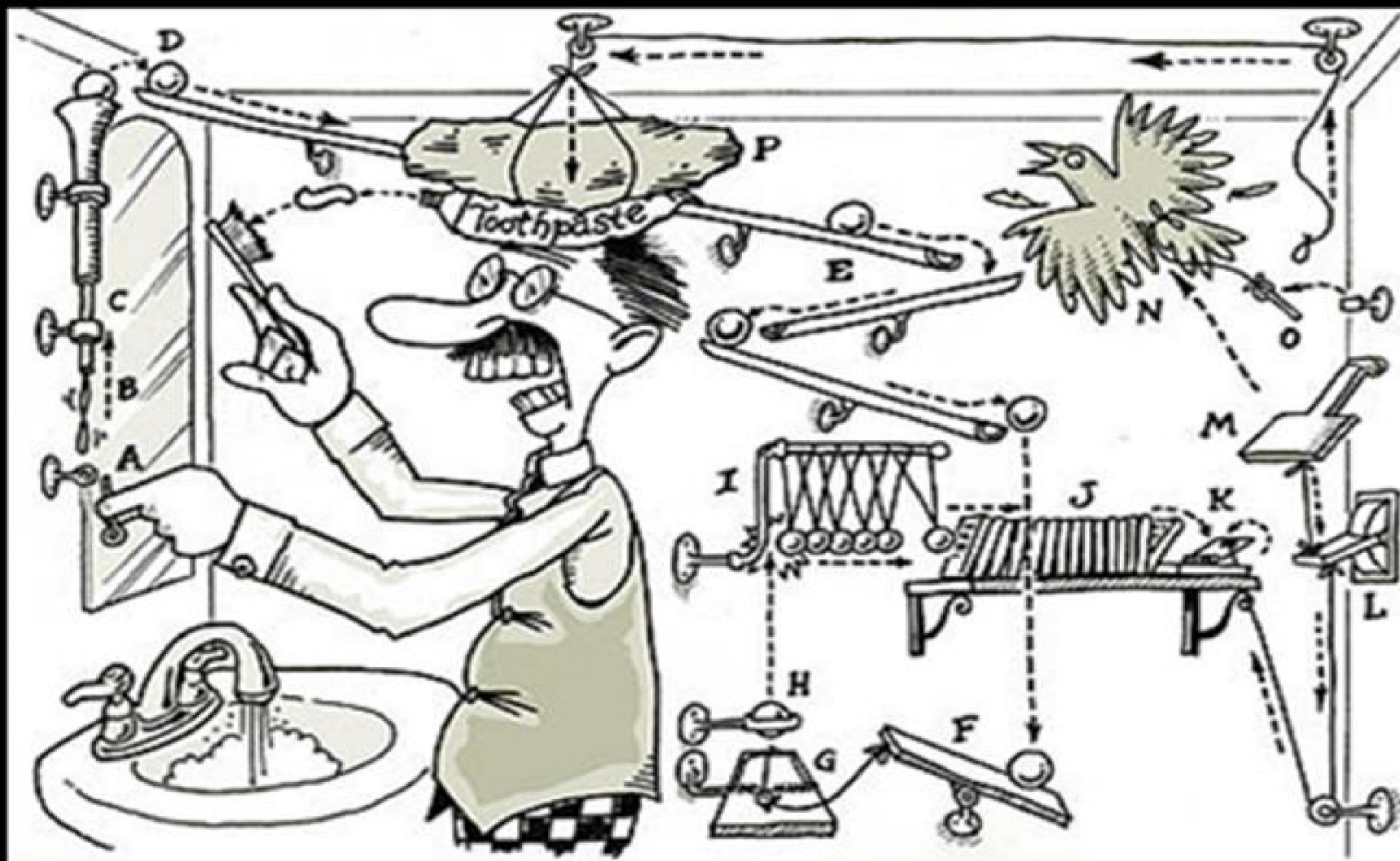
Affordable Housing Financing Basics

Laura Shufelt

Assistant Director of Community Assistance

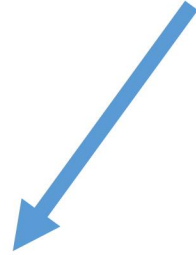
November 7, 2019

Our Housing Delivery System: As Simple as Getting Toothpaste on a Brush



The Need for Affordable Housing

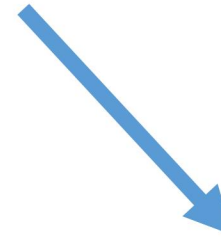
“affordable” vs. “Affordable”



**Naturally occurring
affordability, with no
restrictions on income or rent**

**“Woah I can’t believe what a
good deal this apartment is!”**

**Anyone can live there, as long
as you make it past the
landlord’s checks.**



**Built or preserved with local,
state, or federal funds, or uses
these funds to operate.**

**Has restrictions on maximum
incomes and maximum rents.**

**Only people earning less than a
certain max income can qualify to
live there.**

Affordable Housing Financing Basics

The **Cost** of constructing affordable housing exceeds the **Revenue** affordable housing produces. Therefore, subsidies are necessary to bridge the funding gap.

Types of Subsidies:

- Federal Subsidies: flow to state or town to award
- State Subsidies: Rental only
- County Subsidies: HOME funds from HUD
- Local Subsidies: CPA, AHTF, general fund

Low Income Housing Tax Credits (LIHTC) are the primary subsidy for affordable rental housing. Due to fixed costs and complexities, LIHTC projects must be 30 units or more and must use a variety of subsidies in addition to LIHTC.

Smaller projects must piece together sources, all with per unit and per project limits. The most feasible are those with 5-10 units.

2019 Income and Rent Limits for Barnstable County MSA

2019 Income Limits for Affordable Housing Units Barnstable County, MA MSA

Area Median Income (AMI)	1 Person	2 Person	3 Person	4 Person
30% AMI	\$19,250	\$22,000	\$24,750	\$27,450
50% AMI	\$32,050	\$36,600	\$41,200	\$45,750
60% AMI	\$38,460	\$43,920	\$49,440	\$53,220
80% AMI	\$49,700	\$56,800	\$63,900	\$70,950

2019 Maximum Allowable Rents for Affordable Housing Units

Area Median Income (AMI)	SRO	Studio	1BR	2BR	3BR
30% AMI	\$360	\$481	\$515	\$618	\$720
50% AMI	\$600	\$801	\$858	\$1,030	\$1,190
60% AMI	\$720	\$961	\$1,029	\$1,236	\$1,428
80% AMI	\$960	\$1,281	\$1,373	\$1,647	\$1,903

**Area Median Income:
\$91,300**

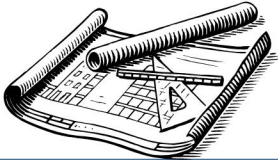
Scenario for 4 Person
'Very Low Income'
household:

50% AMI: \$45,750
Monthly affordable rent
including utilities for 3
bedroom unit: **\$1,190**

Fair Market Rent: \$1,931

Project Feasibility: A Balancing Act

Land Costs
Construction Costs
Design Requirements
Infrastructure
Site Work
Legal/Zoning
Financing Costs
Operating Expenses
Debt Payments



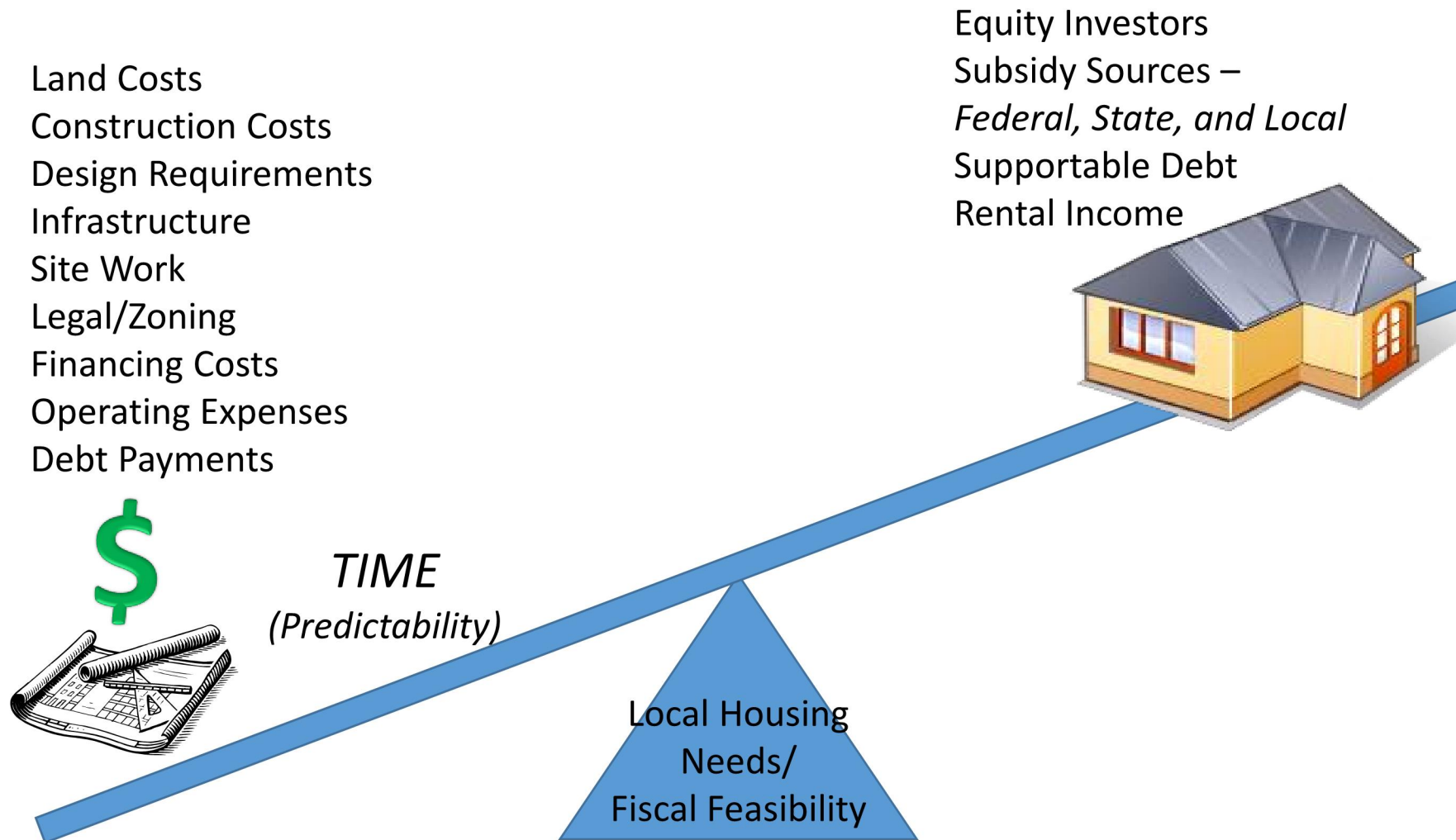
TIME
(Predictability)

Equity Investors
Subsidy Sources –
Federal, State, and Local
Supportable Debt
Rental Income



Local Housing
Needs/
Fiscal Feasibility

Project Feasibility: A Balancing Act

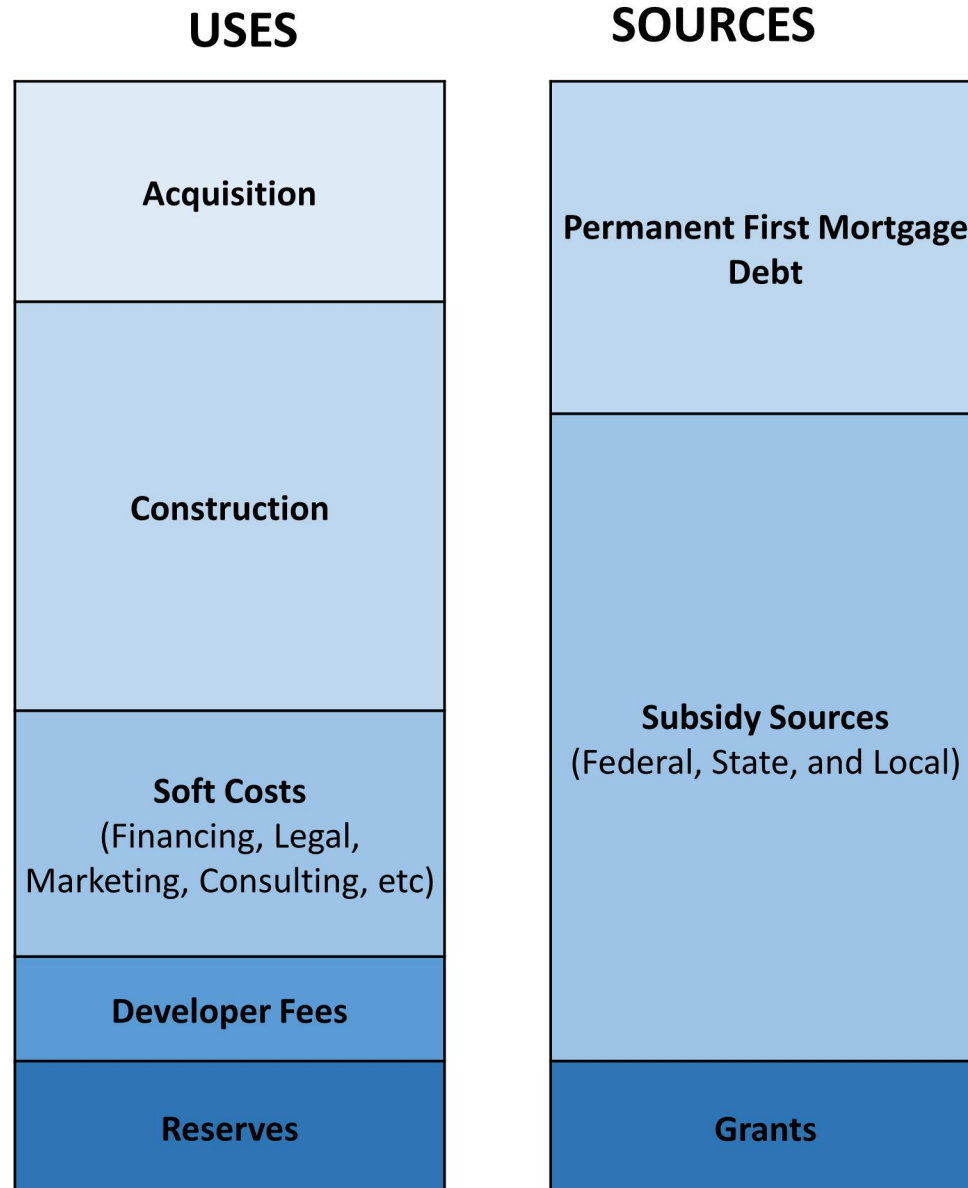


Project Feasibility: A Balancing Act

Budget Basics for New Construction

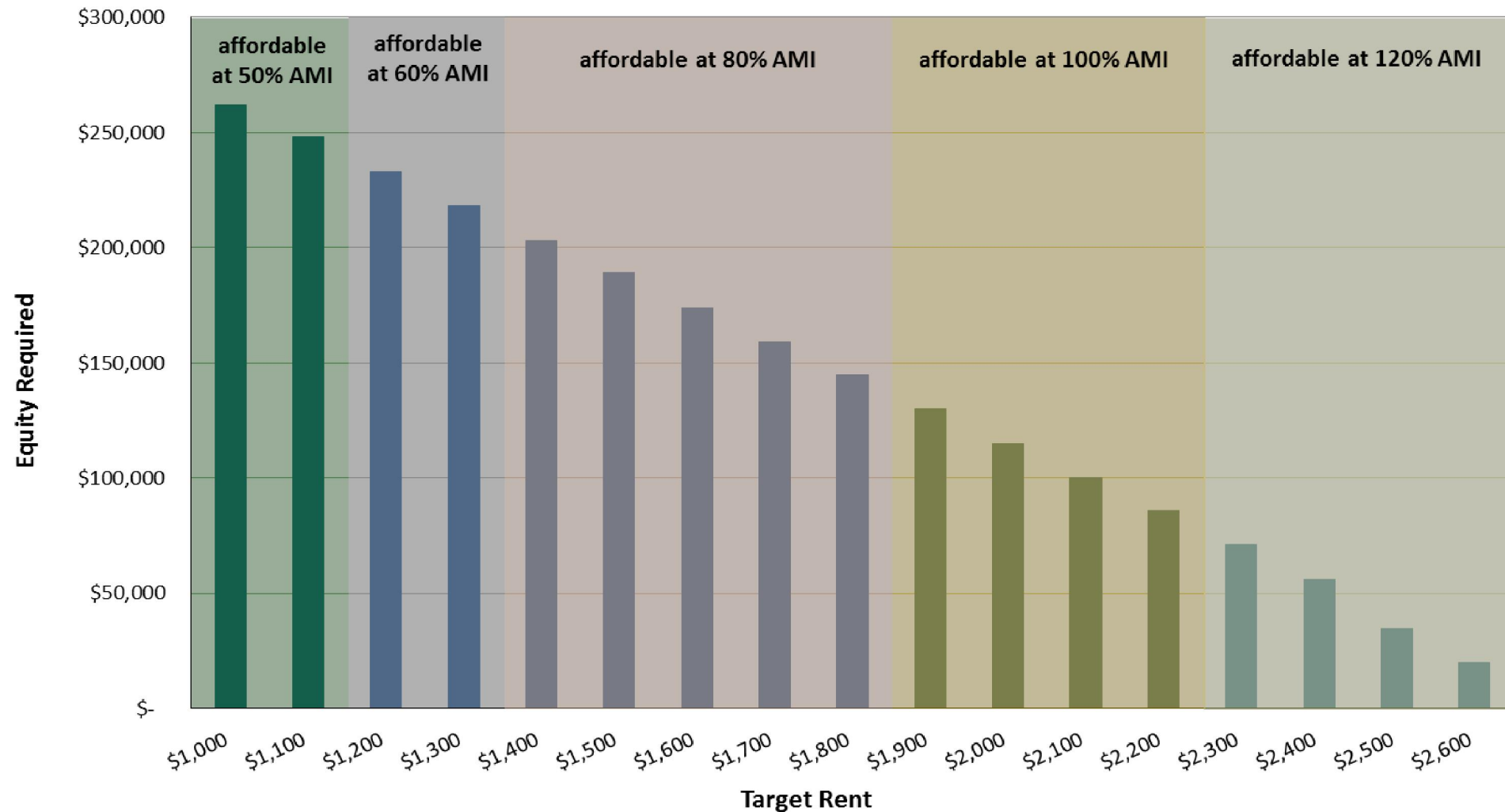
Development Budget:

Total Sources must equal
Total Uses!



Project Feasibility: A Balancing Act

**Massachusetts: Equity Required to Achieve
Various Rent Levels at TDC of \$300,000**
(assuming 80% LTV, 1.20x DSC, 5% vacancy, \$8,500/unit op expenses)



How do subsidy resources get awarded to projects?

FUNDING ROUNDS:

The state's Department of Housing and Community Development holds funding rounds, usually once a year. These rounds are used to award federal and state Low Income Housing Tax Credits, state HOME funds, and most state housing bond funds to eligible affordable, rental housing using project proposals.

SCORING:

Proposals are competitively scored based on the state's priorities outlined in the Qualified Allocation Plan (QAP) each year.

What is a QAP? As the state allocating agency for the Federal LIHTC program, DHCD is required publish a plan describing how it intends to award the credit, including selection criteria and project preferences.

In Massachusetts, the priorities included in the QAP also apply to the state's other housing programs.

What can a town do to support increased Affordable housing?

1. Zone appropriate areas to increase density, allow multi-family developments, & require some % of Affordable units
2. Dedicate local resources to affordable housing
 - A. Public Land
 - B. Community Preservation Act funds
 - C. Affordable Housing Trust funds
3. Make Affordable Housing a top priority in town
4. Share data to support the need for Affordable housing





Laura Shufelt
Assistant Director of Community Assistance

lshufelt@mhp.net

857.317.8582

