



Cost Considerations to Develop Affordable Housing

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COST CONSIDERATIONS

- **Affordable housing does not mean cheap housing!**
- **Owners restrict housing for low-income households for 15-30 years**
- **Most affordable housing financing restricts owners from refinancing with new equity for at least 15 years = need for long-term, durable construction**
- **Funders require high quality, physically sustainable building components and resident amenities**
- **Affordable developers use the same contractors as market-rate developers**
- **Rising material costs and tight labor market**

CHALLENGES TO AFFORDABLE HOUSING

- **High construction costs**
- **High acquisition prices**
- **Low, restricted rents with limited ability to increase over time**
- **Highly competitive financing resources**
- **Multiple layers of financing: more than market-rate housing**
- **Multiple application and underwriting timelines**
- **Multiple, sometimes differing, resident income requirements**
- **Complicated federal and state funders' requirements**
- **Long application review periods by some funders = long development process**
- **Long re-zoning and entitlement processes**
- **NIMBY-ism**

FINANCING INCENTIVES TO SUPPORT AFFORDABLE HOUSING

- **Grants and low-interest loans from cities and states**
- **Creation of “Affordable Housing Trust Fund” from portion of city taxes to contribute to the development of affordable housing**
- **Funds for affordable developers to purchase existing properties that are “NOAHs” = Naturally Occurring Affordable Housing and developers agree to maintain low rents**
- **Land banking for future affordable development**
- **Nominal ground leases for City-owned land**
- **Inclusionary zoning = require developers to include a % of units as affordable in exchange for allowing higher density**

FINANCING INCENTIVES TO SUPPORT AFFORDABLE HOUSING CONT'D

- **Waivers or reduction of building permit costs, impact fees, and/or tap fees**
- **Expedited permitting process**
- **Funding of on-site and off-site infrastructure improvements (roads, sewers, sidewalks, etc)**
- **Property tax abatement**
- **Contribute to building community will and support for affordable housing**



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