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The Complexity of Financing Low-Income Housing Tax Credit Housing in the United States

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Introduction

Since it was established by the Tax Reform Act of 1986, the Low-Income Housing Tax Credit (LIHTC) program has produced more than 3 million homes, making it the most important source of funding for affordable housing in the United States.¹ The program was designed to leverage tax credits to provide a much-needed source of equity for developers building affordable housing. By bringing private capital to the table through the credits, developers can take on less debt, which in turn translates into lower rents.

However, the equity generated from the tax credit is rarely sufficient to close the gap between the costs of development and the rents that would be affordable to households with low to moderate incomes. Since the program's inception, developers have made LIHTC work through a complex system of financing, where multiple sources of funding are "stacked" to make a deal financially feasible. Analysis in the early years of the program found that nearly a third of LIHTC developments had six or more separate sources of funding in their "capital stack."² Decades later, our analysis of LIHTC properties in California found that between 2008 and 2019, 80 percent of developments layered between four to eight sources of funding (including equity), while another almost 9 percent relied on more than eight funding sources.³

The multiple sources of financing that LIHTC properties often require to make the math work can impose inefficiencies that add to a development's total costs in both direct and indirect ways. The price tag of LIHTC development has come under increasing scrutiny in recent years, especially as it has continued to climb in

already high-cost states such as California.⁴ While funding complexity is not a primary driver of development costs, the costs and inefficiencies that stem from managing multiple funding sources work against the need to stretch limited production subsidies to maximize new affordable housing production. In addition, the costs of financing complexity are difficult to quantify because detailed, consistent, and comprehensive data on the costs of LIHTC developments are not publicly available, and costs associated with identifying and layering funding sources are often not explicitly tracked.

In this brief, we draw on multiple sources of project-level data as well as interviews with dozens of stakeholders across the country to better understand financing complexity across different markets and types of properties, and to identify challenges associated with the fragmentation of funding. We also explore promising approaches that can help to streamline the ways in which the capital stack gets built. The brief concludes with a discussion of implications and key takeaways from our quantitative and qualitative analysis as well as recommendations for steps federal, state, and local actors can take to help increase efficiencies and minimize unnecessary costs associated with funding LIHTC development.

This report is part of the Turner Center's [cost of building housing research series](#) that examines the different cost factors that layer together to comprise the total costs to build housing. Previous research in this series includes an in-depth analysis of [the costs of building 9% LIHTC housing](#) in California and an assessment of trends in [hard construction costs](#) in affordable and market-rate developments in California.

Methods

Despite the fact that LIHTC has been in place for over 30 years, there is still no comprehensive database that tracks LIHTC development costs or key characteristics that influence those costs (e.g., materials used, LEED certification, presence of prevailing wage). Part of the challenge in assembling this information—which is critical for assessing the implementation of the program—lies in the way the tax credit is administered. Although LIHTC is run through the Department of the Treasury, the credits are distributed by state agencies (and in some cases counties and cities) that have control over both the policy priorities for the credit—which are established through each state’s Qualified Allocation Plan—as well as the application materials.

As a result, there is little consistency in what data are collected as part of the application process. While a few states provide significant detail on applications and funded developments online (including California), the majority do not, making it difficult to build a comprehensive database on LIHTC costs and financing.⁵ In addition, when documentation is shared online, inconsistencies among allocating agencies in the collection, definition, and format of key variables (let alone that most of the documentation is provided in PDF formats) constrain the analysis and oversight of LIHTC development costs. A 2018 report by the Government Accountability Office identified significant variation in the collection of data on key variables such as square footage, prevailing wage,

energy efficiency requirements, building type, and the number of stories, as well as a complete lack of reporting on cost variables (including syndication costs).⁶

For this paper, we rely on several different sources of data to paint a picture of how LIHTC developments assemble permanent financing. (Permanent financing sources are distinct from construction financing. Construction loans are typically shorter-term and often higher-interest loans that are either paid off or converted to longer-term permanent loans once construction is complete.) First, in partnership with Capital One, we collected data, including project costs and some information on project characteristics (e.g., number of units, city and/or ZIP code), from 11 syndicators. Nine syndicators also provided information on the number of sources used to finance the developments. We merged these data with records in the U.S. Department of Housing and Urban Development’s (HUD) LIHTC property database, which includes information such as credit type (e.g., 4%, 9%, or both), allocation amount, and project type (e.g., new construction, acquisition/rehabilitation, or both). The matched data includes a sample of 3,029 properties across all 50 states that began construction between 2000 and 2018.

In addition, we scraped data from 2019 9% tax credit applications for California, Georgia, Ohio, and Virginia, four states that make their applications readily available online. However, we quickly found that gaps in information—as well as idiosyncrasies in what variables

were reported and how—limit the extent to which those data can be used for comparable analysis. For instance, applications in Ohio list individual funding sources by amount, but sources are labeled as “Other 1”, “Other 2”, “Other 3” and so on, making it difficult to identify the range of entities and types of funding being layered together. Applications can also vary in terms of how they report land costs for a project. As such, we are limited to using these data for illustrative, rather than analytical, purposes.

To supplement this quantitative analysis, as well as to learn what strategies hold promise in addressing funding fragmentation, we interviewed 30 stakeholders with a broad range of experience and roles in the field of affordable housing nationwide. These stakeholders included affordable housing developers, consultants, staff at State Housing Finance Agencies, LIHTC syndicators, lawyers, and national industry group leaders. Interviews included questions about a) the challenges of building a capital stack, b) the inefficiencies and costs associated with the complexity of financing a LIHTC deal, and c) the policies and practices that different states use to streamline the funding process as well as lessons learned from the implementation of these approaches.

Background

How LIHTC Developments Are Financed

Before turning to the findings of our analysis, we first provide a brief primer of how LIHTC developments are financed, and what makes them different from a market-rate real estate deal. In many respects, market-rate development is easier than affordable development, because a devel-

oper generally relies on just two primary sources of capital: private equity and debt. The amount of debt a development can take on is based on the amount of income that can be generated by tenants’ rental payments minus expenses—in a market-rate deal, the development is feasible when the cash flow from rents can cover enough debt, along with contributed equity, to meet the costs of development and yield an acceptable rate of return.⁷

However, to bring rents down to levels that low- and moderate-income households can afford, developers need to find various forms of subsidy to close the gap between the market-rate rents needed to make the project feasible and the rents that would be affordable to households with lower incomes. The lower the target income of the population served by the housing project, the larger the subsidy needs to be and the more complicated the financing tends to become.⁸ These subsidies can come in many different forms to fund capital and operating costs—including grants from public or private sources, loans from county or state government agencies (which are often structured as “soft loans” that may have lower interest rates and where payment is due only when there is sufficient cash flow), project-based Section 8 vouchers, historic or state tax credits, and inclusionary zoning fees.

Since the early 1990s, the most important source of subsidy for new affordable housing construction has been LIHTC. LIHTC was created by the Tax Reform Act of 1986 to provide an incentive for private capital to support the development and rehabilitation of affordable rental housing. LIHTC includes two types of federal tax credits—referred to as the 9% and 4% tax credit. The 9% credit provides roughly 70 percent of a project’s eligible cost basis

over a 10-year period. The 4% credit traditionally has covered 30 percent of the present value of a project's qualified basis (and closer to 40 percent now, after Congress adopted a fixed floor rate for 4% deals in the second federal COVID-19 relief package). Deals using 4% LIHTC pair credits with federally-funded debt in the form of tax-exempt private activity bonds.⁹

At its most basic level, the LIHTC program works as follows. A developer—which can be either nonprofit or for-profit—identifies and secures a site, and creates the plan for an affordable housing development. This plan includes a proposed capital stack, in which the developer demonstrates how they plan to finance both construction as well as the long-term operations of the property. The capital stack takes into account how much equity they think they will generate through the LIHTC program and how much debt they think the deal can afford. Once the plan is in place, the developer applies to the state agency for

credits. States tailor the LIHTC program through their Qualified Allocation Plan (QAP), which sets forth the regulations and criteria on which a developer's application for credits will be judged. If the developer is successful in receiving an allocation, they market their deal to various investors who bid on purchasing the tax credits with equity that will be used to fund the transaction. The developer can either work with an investor who invests directly into a partnership (or LLC) or work with a LIHTC syndicator (See Box 1).

The Determinants of the Capital Stack for a LIHTC Deal

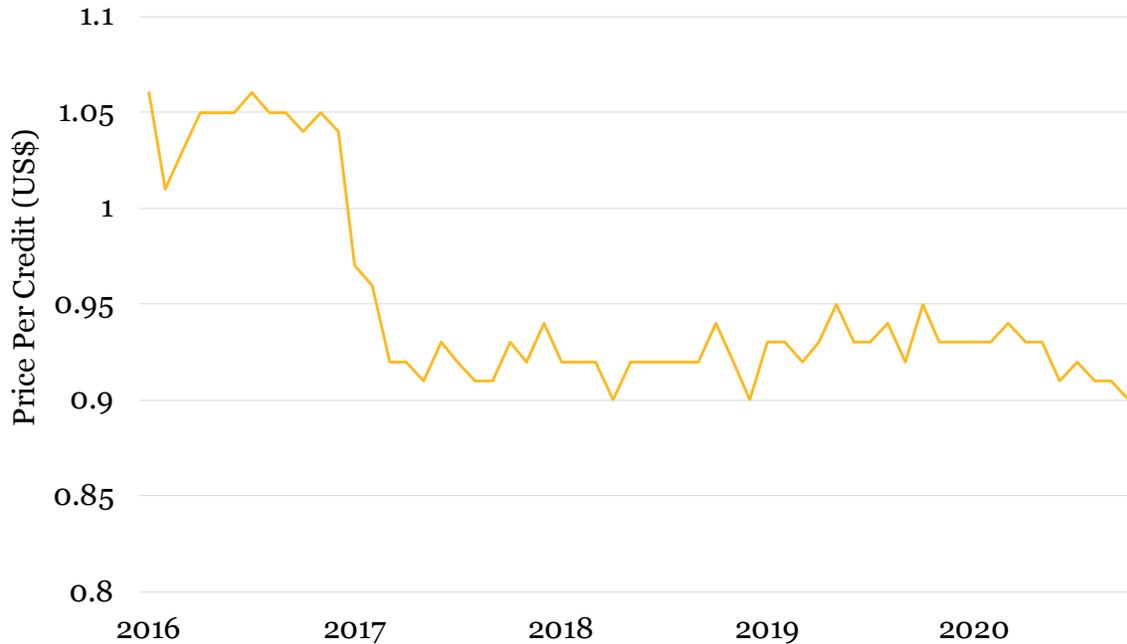
How many additional sources of funding, and how much, goes into the capital stack for a project is influenced by a number of factors, including total development costs, the price a developer can get for their allocated tax credits, the targeted resident population, and the affordability levels for the project. It is also contingent on the availability and policies that govern other sources of subsidy. All of these factors can affect the size of the capital stack “gap” developers need to fill and how they do so, as are moving pieces that make it difficult to pin down a “typical” LIHTC deal. In this section, we consider each of these factors in more detail.

Part of the reason for greater funding complexity is that it has gotten more expensive to build LIHTC housing. In 2018, a report by the federal Government Accountability Office (GAO) found that typical development costs for new LIHTC developments in 12 states under review rose by about 7 percent between 2011 and 2015, after adjusting for inflation, with properties in California driving much of the increase.¹⁰ Our subsequent research found that costs in California continued to rise over the rest of the decade. Between

Box 1: The Syndication of Tax Credits

Syndicators act as an intermediary between the developer and companies who may be interested in purchasing the tax credits. Syndicators may pool several properties into one LIHTC equity fund, and then market the fund to investors. This spreads the risk across the various developments in the fund among multiple investors. Syndicators may also sell one or more transactions to one investor, commonly referred to as a single-investor or proprietary fund. Investors look to the credits and taxable losses, which are used to offset their income tax liabilities, as their return on investment, and are often motivated for reasons beyond the financial return (for example, to satisfy their Community Reinvestment Act (CRA) obligations).

Figure 1. Impact of Tax Reform on Tax Credit Pricing



Source: Novogradac LIHTC Pricing Trends, January 2016 - October 2020. Retrieved from: <https://www.novoco.com/resource-centers/affordable-housing-tax-credits/data-tools/lihtc-pricing-trends>.

2016 and 2019, the costs to develop a new LIHTC unit in California increased from \$425,000 a unit on average to more than \$480,000 a unit, an increase of 13 percent in just four years (after accounting for inflation).¹¹ These increases are not unique to affordable housing production: the research found that hard construction costs—specifically the costs of materials and labor—explain much of the increase in costs for both affordable housing and market-rate developments.¹² State and local policies (e.g., design requirements, increasingly stringent building codes, impact fees, parking requirements, and permitting processes and timelines) also add to costs.

The need for additional gap financing can also vary as a result of changes in the value of tax credits. Tax credit pricing can vary across geographic regions as well as over time based on a number of factors that affect market demand. For instance, most tax credit investors select geographic target areas based on their institution's

Community Reinvestment Act priorities, often driving up prices in large urban areas such as New York City, Los Angeles, and Chicago. Another example is when the Trump Administration's Tax Cuts and Jobs Act of 2017 lowered the corporate tax rate, reducing the value of the credit substantially as banks and other LIHTC investors reduced their tax liability (Figure 1). Developers suddenly needed to confront much lower levels of equity for their credits than they had counted on. For some developments, this led to delays as developers scrambled to fill in the gap, while some deals proved to not be feasible at lower equity prices and did not move forward.¹³ In contrast, recent changes to the 4% credit program are likely to increase equity for developments in the future.

The erosion of federal programs that have traditionally been part of a LIHTC capital stack have also required developers to seek new and different sources of funding. For example, the federal HOME and CDBG programs are often leveraged as part of a

LIHTC capital stack. The 2018 GAO study found that approximately 1 in 3 LIHTC deals included funds from the federal HOME program. However, inflation-adjusted funds for HOME declined from \$2.4 billion in 2000 to \$1.36 billion in 2020, and CDBG dropped from \$7.2 billion to \$3.4 billion over that same period.

In addition to changes in funding streams at the federal level, state and local governments also influence what sources of funds are used in a LIHTC deal. As noted above, states set the rules for LIHTC development through their QAPs. States typically use three mechanisms to guide the allocation of tax credits. First, threshold requirements set minimum standards for LIHTC developments, for example, preliminary financial feasibility. Second, states use “set asides” to allocate a portion of tax credits to specific types of properties, for example, those in rural areas or those targeted for permanent supportive housing. Third, states establish point-based scoring criteria which are used to rank qualifying development proposals based on state affordable housing priorities.

Within this framework, there are a couple of concrete ways that the QAP influences the composition of the capital stack. For one, many QAPs include preferences for developments that leverage other government funds. In 2001, 46 states gave preference to applications that secured matching funds, such as grants, from sources other than the LIHTC program, with 14 giving preference to developments that received USDA 515 Rural Housing Service Grants.¹⁴ This stipulation can be used to help align credits with the priorities of other funding sources, and to help leverage public funds for new affordable housing. But it can also create the imperative for developers to identify and secure multiple additional

funding sources to be competitive for LIHTC even when it may not be necessary for financial feasibility or when it may work against cost containment. Per project funding caps—either within the QAP or as part of gap financing sources—can further necessitate the need to find additional sources of funds.

QAPs can also dictate the developer’s contribution to the capital stack. LIHTC projects allow developers to charge a fee to develop and/or operate the property. (In comparison, market-rate developers are generally compensated through rental income or from the sale of their developments.) In the GAO study, developer fees represented about 11 percent of development costs at the median (and many states set a maximum threshold of 15 percent). Often, developers “defer” a portion of this fee to cover all or a portion of a funding gap. This deferred fee then becomes one of the sources in the capital stack, to be paid back to the developer from future capital contributions, cash flow (rents), or refinancing proceeds after a project is placed in service. In addition, some QAPs cite preference for applications where the developer commits some of their own equity to the project. States award points if owner equity exceeds 10 percent of total development costs, or if the developer commits a percentage of allowable developer fees to project development.

In addition to these considerations, state policy objectives can also influence the financing needs and number of sources going into a project. For instance, QAPs often incentivize developers to build more housing in higher opportunity areas, near transit, or using sustainable building techniques to reduce the project’s environmental impact. These policy objectives influence total development costs, and

can contribute to the need for additional subsidy and financing sources. In addition, states sometimes shape what deals are possible based on what sources of gap funding they provide. For example, California has been developing special funding streams to spur development of housing near high quality transit as well as the production of permanent supportive housing, which in turn can influence the pipeline of development projects.

Beyond the QAP, states and localities also differ in terms of the number of funding sources available. A growing number of states now provide their own state tax credit¹⁵ to augment the federal. Some states, including Massachusetts and California, also make multiple sources of soft funds available. California, in particular, has seen the number and variety of housing-oriented funding sources grow in recent years. Figure 2 shows that after

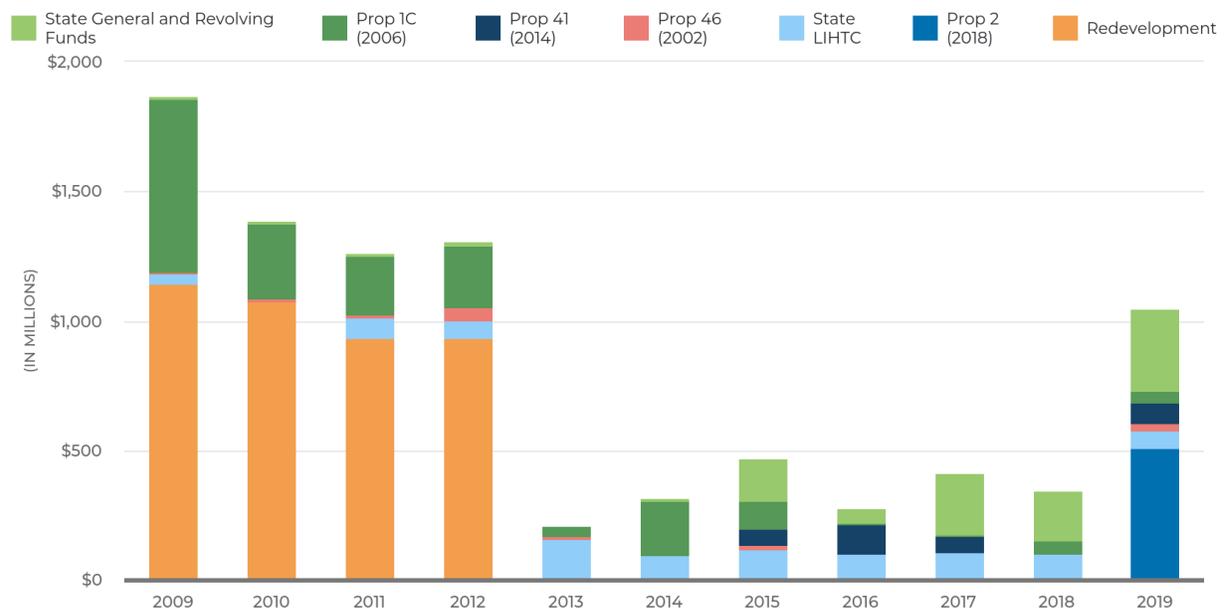
closing the state’s Redevelopment Agencies—and eliminating that significant source of funding—the state has earmarked new funding for housing, but across many more programs and agencies.

In addition, an increasing number of counties and municipalities have created their own funding sources to aid housing production, whether through bond measures or affordable housing impact fees. While this growing number of funding sources signals a commitment to addressing the state’s housing shortfall, it also means the funding landscape is shifting from year to year, as is the bevy of requirements to access different pots of money. These programs—and others like them around the country—all provide much-needed gap financing for deals, but the lack of coordination and integration of these funding sources adds to complexity and costs.

Figure 2. Changing Composition of Funding Streams for Affordable Housing in California

STATE FUNDING

State housing investments from FY 2008-09 to FY 2018-19.



California Housing Partnership | chpc.net/housingneeds

Source: California Housing Partnership (CHPC). (2020). Housing Needs Dashboard. Retrieved from: chpc.net/housingneeds. See CHPC’s methodology for more detail about specific programs reflected in the graphic: <https://chpc.net/housingneeds-methodology>.

Findings

Analysis of our sample of project data and interviews with industry stakeholders reveals a great deal of variation in the financing of LIHTC by location and project type and over time, and points to a number of ways financing structures can affect a project's capital stack and bottom line.

On the whole, the average number of financing sources layered in a LIHTC project has ticked upward in recent years, but the patchwork of funding sources used tends to vary by credit type, project location, and target population.

In the syndicator data we analyzed, developers layered an average of 3.5 permanent sources to finance developments built between 2000 and 2018.¹⁶ One in four layered at least 5 (and in some cases as many as 11) sources. However, the funding composition of developments varies based on a number of factors.

Among properties included in the syndicator data, 4% developments tended to have a slightly higher average number of permanent sources than the more deeply subsidized 9% developments, whether the

credits were used for new construction or acquisition/rehabilitation.¹⁷ Deals that combined both 4% and 9% credits (which are becoming more frequent) required the fewest additional sources on average for new construction (Table 1).

As total development costs have fluctuated over time, so too has the average number of sources layered in the capital stack. Among 9% new construction developments in our sample, the average number of permanent hard and soft loans used to finance these buildings doubled from 2 in 2000 to 4 in 2017, mirroring trends in the average per-unit cost of development (Figure 3). While these data represent just a slice of all tax credit properties, the analysis nevertheless points to the association between rising costs and funding complexity over time, whether because rising costs lead developers to layer more sources or because the addition of sources leads to higher costs—or a combination of the two.

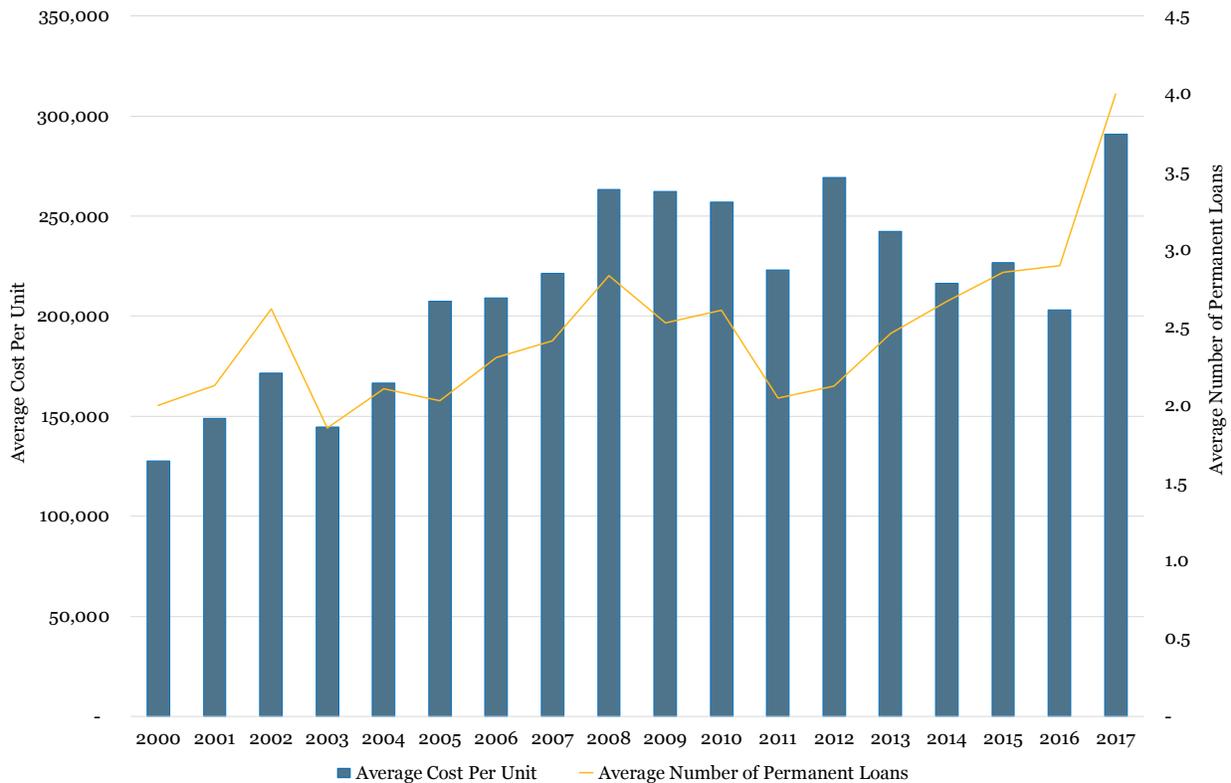
Differences in funding complexity also emerge based on location and population served. Some of that variation is driven by differences in development costs across markets but, as noted above, state and

Table 1. Average Number of Permanent Sources Used by Tax Credit and Construction Type, 2000 to 2018

	Average Number of Permanent Sources in New Construction	Average Number of Permanent Sources in Acquisition/Rehab
4% Developments	4.2	4.1
9% Developments	3.3	3.4
4% & 9% Developments	2.6	3.4

Source: Turner Center analysis of syndicator and HUD LIHTC data; N=894

Figure 3. 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; N=537

local policy contexts matter as well. For instance, average development costs are lower in Arizona than in California, and so is the average number of financing sources. One developer interviewed noted that it is possible to do a project in Arizona without soft funds, given that land costs are lower than in California and the state allocates more equity to a deal. In contrast, a national syndicator working in California observed that multiple funding sources are needed to close a deal, even on transactions where that would not be expected, in part because leveraging other public financing is a tie breaker consideration in the QAP.¹⁸

Comparing detailed capital stacks for developments in different states illustrates these variations in geography and implementation. Table 2 provides three

examples of 9% new construction, large family properties in Virginia, Georgia, and California, based on applications for developments awarded allocations in 2019. Not only do projected total development costs differ across these markets, but so does the share of the capital stack that comes from equity (Figure 4). And while the Alexandria and Atlanta developments list two additional non-equity permanent sources, the Los Angeles project has five.

Certain types of developments also tend to weave together more funding sources than others. Developments serving populations with special needs, including supportive housing for residents with extremely low incomes, tend to layer more sources on average than senior or family buildings, given the deeper income targeting and the fragmented nature of funding streams

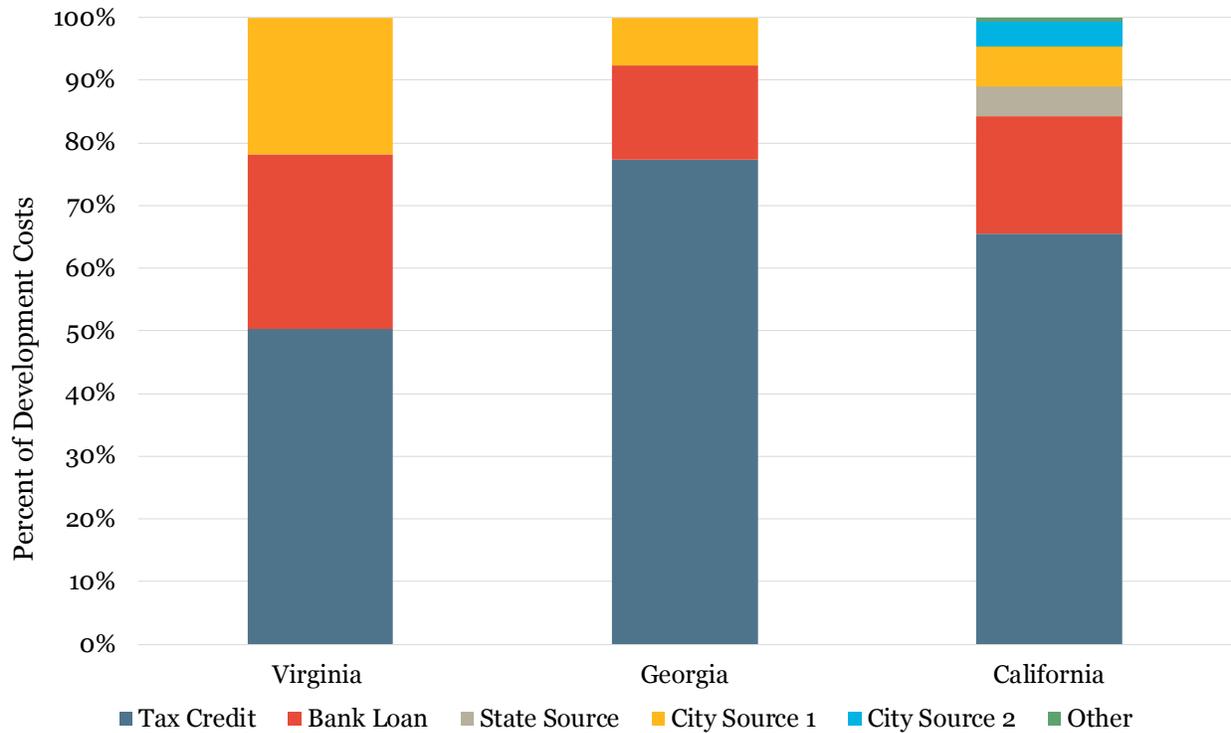
Table 2. Financing for Three 9% New Construction Large Family Properties Awarded in 2019

Virginia Example		Georgia Example		California Example	
Location	Alexandria, Virginia	Location	Atlanta, Georgia	Location	Los Angeles, California
Units	81	Units	84	Units	80
Income Mix (Percent AMI)	30/50/60	Income Mix (Percent AMI)	50/60/market (9 reserved for residents with physical disabilities)	Income Mix (Percent AMI)	30/40/50/60/80/market
Bedroom Mix	0 to 3	Bedroom Mix	1 to 3	Bedroom Mix	1 to 4
Permanent Financing		Permanent Financing		Permanent Financing	
Source	Amount	Source	Amount	Source	Amount
Bank Loan	\$ 9,796,000	Bank Loan	\$ 2,400,000	Bank Loan	\$ 8,063,000
Alexandria City Loan	\$ 7,650,000	Invest Atlanta	\$ 1,200,000	Housing Authority of the City of Los Angeles (HACLA) Ground Lease	\$ 2,800,000
Federal Tax Credit Equity	\$ 17,701,952	Federal Tax Credit Equity	\$ 7,552,521	HACLA Loan	\$ 1,750,000
		State Tax Credit Equity	\$ 4,720,326	HCD - Infill Infrastructure Grant Program Loan	\$ 1,999,268
				Accrued/Deferred Interest	\$ 220,000
				Federal Tax Credit Equity	\$ 11,222,438
				State Tax Credit Equity	\$16,973,008
Total	\$ 35,147,952	Total	\$ 15,872,847	Total	\$ 43,027,714
Total Per Unit	\$ 433,925	Total Per Unit	\$ 188,962	Total Per Unit	\$ 537,846

Source: Data scraped from applications posted online.

Notes: California combines state and federal tax credit amounts in the permanent financing fields of its application. They have been broken out here for comparability with other states.

Figure 4. 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.

targeted to that population. That need for additional layering can create even greater complexity in states where layering multiple financing sources is already the norm.

To illustrate this, we compared the large family project from Los Angeles referenced above with a permanent supportive housing project in the same city (Table 3). Both have the same number of units, both use 9% credits, and are new construction. However, instead of five non-equity funding sources, the supportive housing project layered nine permanent sources on top of tax credit equity (Figure 5).¹⁹ (By way of context, in 2019 all new construction large family developments that received 9% allocations in the state averaged 4.3 additional non-equity permanent financing sources, while supportive housing properties averaged 6.3.) Not only does this example demonstrate the

complexity of navigating the financing of supportive housing, it also illustrates that, as the number of sources layered onto a project grows, it is common to see those additional sources make up relatively small shares of the capital stack.

Deals can become even more complex when they bring in operating subsidies in the form of Project Based Section 8 voucher allocations (as is the case in both of the examples above). Yet this source of subsidy is not often listed as part of the permanent financing information on the application—even though it influences debt capacity and financial feasibility—pointing again to the difficulty of using application data to paint a complete picture of funding streams.

This complexity has become the norm: developers and syndicators we spoke with referred to needing and closing multiple

Table 3. Permanent Financing Sources Listed for a 9% Large Family Versus a 9% Supportive Housing Development in Los Angeles, 2019

Large Family, New Construction		Supportive Housing, New Construction	
Location	Los Angeles, California	Location	Los Angeles, California
Units	80	Units	82
Income Mix (Percent AMI)	30/40/50/60/80/market	Income Mix (Percent AMI)	30
Bedroom Mix	1 to 4	Bedroom Mix	SRO/Studio to 1*
Square Footage**	133,956	Square Footage**	48,215
Permanent Financing		Permanent Financing	
Source	Amount	Source	Amount
Bank Loan	\$ 8,063,000	Bank Loan	\$ 3,167,765
Housing Authority of the City of Los Angeles (HACLA) Ground Lease	\$ 2,800,000	Los Angeles-Ground Lease Value	\$ 1,825,379
HACLA Loan	\$ 1,750,000	Los Angeles County Development Authority (LACDA) - Affordable Housing Trust Fund	\$ 2,000,000
HCD - Infill Infrastructure Grant Program Loan	\$ 1,999,268	LACDC - Mental Health Housing Program	\$ 3,000,000
Accrued/ Deferred Interest	\$ 220,000	Housing and Community Investment Department of the City of Los Angeles (HCIDLA) - HOPWA	\$ 1,470,740
Federal Tax Credit Equity	\$ 11,222,438	HCIDLA - HOME	\$ 2,600,000
State Tax Credit Equity	\$16,973,008	HCD - Recast California Housing Rehabilitation Program	\$ 1,834,621
		Federal Home Loan Bank - Affordable Housing Program	\$ 810,000
		Deferred Developer Fee	\$ 63,117
		Federal Tax Credit Equity	\$ 11,729,978
		State Tax Credit Equity	\$ 12,983,804
Total	\$ 43,027,714	Total	\$ 41,485,404
Total Per Unit	\$ 537,846	Total Per Unit	\$ 505,920
Total Per Sq. Ft.	\$ 321	Total Per Sq. Ft.	\$ 860

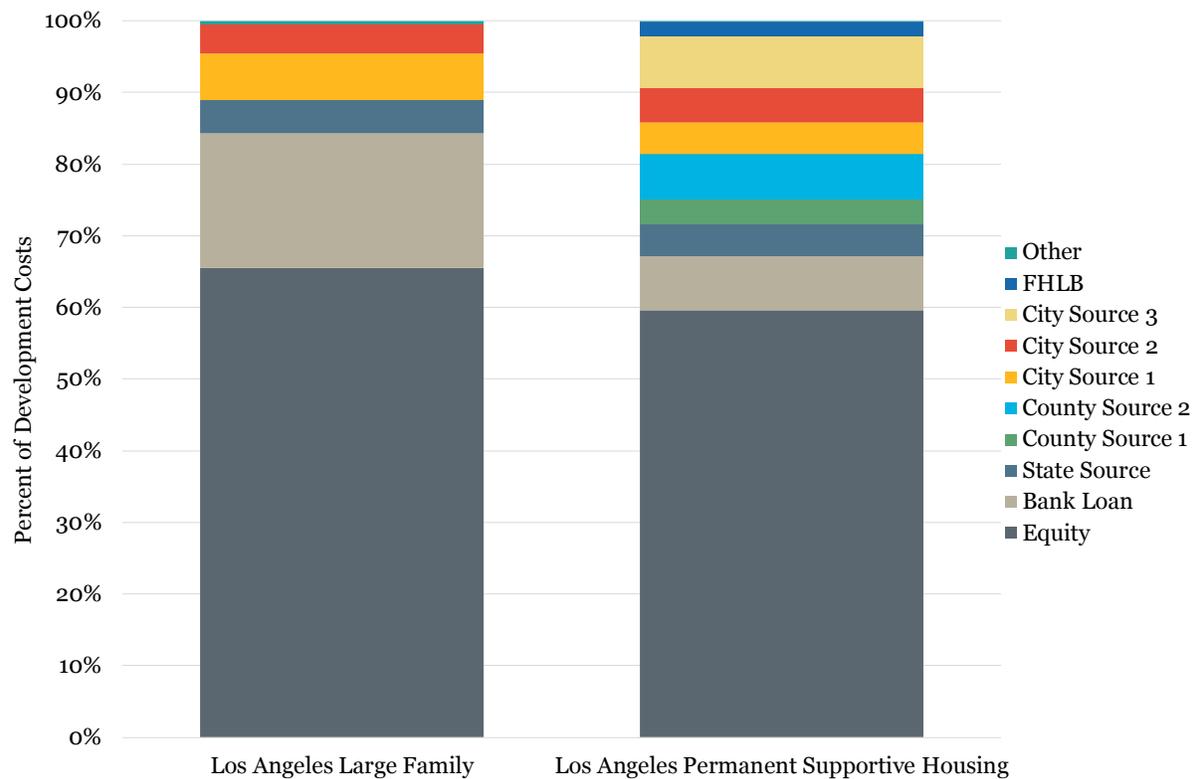
*Manager's unit is a 2 bedroom

**Project square footage does not include commercial or retail

Source: Data scraped from applications posted online.

Notes: California combines state and federal tax credit amounts in the permanent financing fields of its application.

Figure 5. 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.

funding sources to get LIHTC deals done as a “way of life” in the LIHTC world, and part of the “cost of doing business.” However, these “costs”—ranging from staff time to legal fees—are rarely measured, making it difficult to precisely estimate the association between complexity and costs. And not all sources may incur the same costs or level of complexity (e.g., deferred developer fees are arguably less onerous than external sources that come with additional administrative fees and their own requirements and compliance costs). One syndicator estimated that for deals with five or more sources, “you’re getting to probably a couple hundred thousand or so in transactional costs,” while another put the cost of multiple soft sources at perhaps a 10 percent incremental cost factor. Those ballpark estimates track with our earlier research on 9% LIHTC new construction in California, which found that each

additional source was associated with an increase of roughly \$6,500 on average, or 1.7 percent, per unit.²⁰

In addition to the direct costs of funding complexity, specialized requirements and uncoordinated funding cycles associated with additional sources can also have indirect project costs.

As much as interviewees acknowledged funding complexity as something that has become a part of doing business, they also identified a number of ways in which that complexity can affect how long it takes to put a deal together, what that deal ends up looking like, and ultimately the total costs of a project—issues not directly quantified or tracked in balance sheets but potentially consequential for how far limited subsidies can stretch.

For instance, one syndicator working in California noted that the need to routinely layer four or more sources of gap financing increases the development timeline. Not only does this delay the production of much-needed housing, but that added time to secure multiple funding sources results in “additional carrying costs associated with having an active development going. They might have a land acquisition loan, they might have pre-development loans that are outstanding. All those become the costs of the development, whether the developer is financing that cost internally or going out and getting third party sources.”

Another respondent reflected on a project they worked on in Washington, DC, “where it took over a year to close due to the complex financing structure. It had two Housing Authority soft loans, LIHTC equity...and [the] construction and permanent loan was a syndicated transaction between [two financial institutions]. With the various parties involved, closing of the loan construction was delayed by over a year from the original estimated completion date, driving up costs and lengthening the timeline.”

Multiple interviewees pointed to the lack of alignment of deadlines among key funding sources as a key contributor to longer timelines and associated cost increases. One interviewee offered an example of the Affordable Housing Program in Chicago’s Federal Home Loan Bank region, which has a different set of application dates that do not align with the LIHTC allocation cycle. In Southern California, a respondent noted that they were able to obtain local capital funding relatively quickly, but when it came to securing a local allocation of Project Based Vouchers, they had to go through three application rounds, a

process that took 18 months. The respondent referred to a fundamental mismatch in strategies between the different local sources: the city elected to disburse capital funds early in the process to help the project be competitive for state funds, while the housing authority’s approach was to prioritize project “readiness”—meaning projects further along in the development process—rather than holding vouchers in reserve for developments that accessed city funding.

Another interviewee gave an example of how the fragmented system has made it more difficult for providers in Illinois to deinstitutionalize people in nursing homes who could live independently, something that the state is under three consent decrees to accomplish and which would lower overall costs and improve quality of life for these residents. But this population tends to have very low incomes, making it so that “in order to find a place for them to go, you really would love to be able to pair them with Section 8 from a housing authority. But the housing authority has its own waiting list...Each organization, each agency has a legitimate interest in providing for a population that they need to serve, and yet those don’t necessarily mesh. So getting those to work together is not so simple.”

Relying on more funding sources also layers on more funding-specific requirements. In addition to mismatched allocation cycles, one interviewee pointed out that part of what lengthens the timeline, and thus contributes to cost increases, on more complex deals is that “with so many sources, each lender has their own requirements for funding.” That sentiment was echoed by a nonprofit developer who said that, in an effort to get more application points for leveraging more non-tax credit

funds, “you have to apply and fit into a box that the deal doesn’t quite work in...and then you spend another whole year fixing it” and closing dates get pushed out, which increases holding and other costs.

Navigating the requirements of multiple funders can be challenging in part because, as one developer observed, “The difficulty of any given agency is more related to how painful it is to close the deal rather than strictly the number of sources. Some agencies are harder to deal with than others... Some agencies are more bureaucratic than others. Some are more sort of customer-focused.” Another industry stakeholder noted that “negotiating with various sources can be tricky because everyone wants to be near the top of the pecking order for cash flow or sale proceeds, and not everyone can be at the top of that list... [I]f not coordinated between agencies then each one underwrites the deal on their own, requires their own reliance letters for appraisals, environmental, etc. It’s nice when they share in the same underwriting process...but for ‘turf’ reasons, primarily, this is hard.”

Interviewees also pointed to the likelihood that, the more sources a project adds, the more likely it will run into “strings attached” to a funding source. One developer noted that difficulties arise from “the varied agencies that disburse those sources and the individual policy goals...Part of the reason that an incremental source will increase costs is, for example, that fourth source of money has a different requirement for income requirements. So if I need to do more low-income units, like very low-income units below 60 percent, then I may get a million dollars, but the offset to that is I lose \$300,000 of debt capacity.” Another interviewee noted, “There are all kinds of implications on the structure of the transaction once a new source is

added...and it changes the composition, potentially, of the tenant population that’s being served at a particular project.” They offered a hypothetical example of a developer who has found a site that can fit 50 family units, “and I get all my entitlements and get all my local approvals [for a family project] and then I go submit to the state. And I say...I need \$5 million in gap financing and the state says, ‘Well, I’ve got gap financing for homeless veterans. So instead of building 50 family units how about you build 50 studio units?’ It doesn’t really work from a development process perspective.”

The capital stack for the supportive housing project in Los Angeles described above provides an example of this specific targeting—and resulting fragmentation. For instance, the permanent financing sources include two different pots of funding from the Los Angeles County Development Authority (the Affordable Housing Trust Fund and the Mental Health Housing Program), both of which can only be used for Special Needs units and the latter only for people living with mental illness and their families. That project also layered two federal sources administered through the city’s Housing and Community Investment Department: HOPWA, which is dedicated to the housing needs of people living with HIV/AIDS, and HOME dollars, which, when used for rental housing, must target very low-income and low-income families (i.e., at least 90 percent of families served must have incomes below 60 percent of the Area Median Income (AMI) and the remaining 10 percent must have incomes below 80 percent of AMI).

HOME funds—as well as other sources of federal funding—can also trigger Davis-Bacon Act prevailing wage rates,

which LIHTC does not otherwise require. Multiple respondents noted this consideration, with one suggesting that “the hardest thing with HOME, I think, is that if you have more than eight HOME units, it requires Davis-Bacon [wages].” That respondent highlighted the tradeoff of deciding between the labor requirements associated with more HOME dollars (and the additional costs and associated compliance measures associated with prevailing wage), or a lower HOME allocation that leaves a larger gap to fill with other sources.

Formalized structures to coordinate and streamline the allocation of multiple funding sources can help to shorten development timelines and contribute to cost containment.

While the number of different funding entities and types of sources—and the variable landscape of those financing options across markets and states—can lead to timing and cost inefficiencies, interviewees pointed to a number of examples of ways that stakeholders across the country are trying to mitigate those challenges. Whether by routing disparate funding sources through one allocating entity, creating a more coordinated application process to organize across multiple funders, or streamlining the closing process, these efforts seek to more seamlessly braid together an often complex and fragmented financing system.

Working through Housing Finance Agencies

One promising policy effort is to consolidate different funding streams within a single agency. The inefficiencies and higher costs associated with soft funding sources are sometimes less a function of the number of sources and more about

the number of providers. As one developer reflected, “it becomes much more complicated when you start to layer in different agencies...[If] it’s all coming from a single agency with a common application...it’s not particularly painful to add the additional sources in.” Another noted, “If I can submit my application to a single agency to secure four different sources of funding I don’t care so much that it’s four different sources. What I do care about is the probability of getting those sources and the probability increases if it’s one single agency and I know their rules.” Interviewees pointed to states such as Arizona and Texas as examples where HFAs administer some soft funds alongside tax credits. In Illinois, the state’s Housing Development Authority (IHDA) administers both tax credits and other soft sources (e.g., HOME, the Illinois Affordable Housing Tax Credit, Illinois’ Housing Trust Fund Program), and disburses these additional resources in a manner that doesn’t require LIHTC applicants to choose which soft sources to pursue.

Similarly, Pennsylvania’s HFA (PHFA) administers roughly one-third of the state’s HOME allocation (targeted to non-entitlement jurisdictions) and the state’s allocation of National Trust Fund dollars. The PHFA also administers state trust fund dollars through its PHARE (Pennsylvania Housing Affordability and Rehabilitation Enforcement) program, which allocates both the Marcellus Shale Fund (i.e., impact fees from shale oil extraction) and funds from the state’s Realty Transfer Tax. As one interviewee noted, the PHFA thinks of itself as “a one-stop shop.” The interviewee continued, “When someone is applying for [9%] Low-Income Housing Tax Credits, they are also indicating that they’re seeking HOME funds, they’re seeking National Housing Trust Funds.”

The PHARE dollars can be used for more than multifamily development purposes, but, to the extent they are used for development, they are reserved for 4% developments. The respondent noted, “The [state trust fund] resources...are run under a different department [within PHFA] but there’s a lot of interface with the development work group and trying to align the deployment of resources” so that it is happening at the same time.

Importantly, the PHFA also takes the alignment among funding sources beyond the allocation process, in that all of the sources it administers “have the same terms and conditions, similar program requirements, [and] monitoring is substantially similar.” Moreover, the PHFA does not use vendors or contract out its compliance reviews, physical inspections, or payouts. Instead, they do all of that in-house so that the staff undertaking those duties “know all of the different program requirements.”

Coordinating across funding entities

As much as stakeholders see benefits from working through a single agency, in practice it is often the case that multiple agencies administer housing-related funds (e.g., economic development, corrections, health and human services agencies), making coordination of funding allocations both more useful and more challenging.

Some states convene task forces or interagency working groups to facilitate broader communication and coordination among funding entities. Illinois offers one example. By Executive Order, and later codified through legislation, the Governor’s Housing Task Force began convening in 2003 with the charge of developing an “Annual Comprehensive Housing Plan and mak[ing] sure that it includes goals for the

number and type of housing units to be constructed, rehabilitated and preserved, funding recommendations, recommendations on State actions to promote housing, and specific suggestions and options for local governments and municipalities.”²¹ Although it does not directly determine project funding decisions, it has provided a venue for all agencies to understand state priorities and to communicate and plan for housing needs across public and private funding entities. For example, the Task Force has weighed in on the design of specific provisions (e.g., pertaining to construction costs and architectural design standards) within the state’s QAP. And, given that multiple public fundings sources often layer together to fund common projects, the Task Force has also worked together to produce an unduplicated count of units produced and preserved each year—insights into the combined impact of these funding sources that had not been available previously.

In Maryland, interagency working groups or interagency agreements have gained some traction. For instance, memoranda of understanding have allowed non-housing agencies to keep funding streams in their budgets while giving authority to the Department of Housing and Community Development to administer the funds. This approach was used in efforts to house low-income senior residents in tax credit units rather than in nursing homes. Another example emerged from efforts to address the Supreme Court’s *Olmstead v. L.C.* decision in 1999, which guards against discrimination of people with disabilities. The Maryland Department of Housing and Community Development and the Department of Health initiated ongoing policy discussions that, as one respondent recalled, “evolved over the years into priorities within a Qualified

Allocation Plan, special funding incentives to create housing for the disabled within tax credit properties. It sort of culminated in a lot of ways when the [Department of Housing] was...able to start administering some money in conjunction with the Department of Health...The collaboration among the agencies has remained strong. There's an interagency group that meets on a regular basis that includes the Department of Health, Department of Disabilities, Department of Housing. They use that kind of collaboration as the vehicle to go to HUD to get additional tranches of funding.”

One interviewee noted that, in Pennsylvania, a number of different avenues have emerged over time to help state funding administrators coordinate sources across agencies. For instance, the Department of Community and Economic Development (DECD) also gets HOME funds (in addition to the PHFA) and administers CDBG, Emergency Support Grants, and any disaster relief funds. One way the PHFA and DCED facilitate coordination is that the secretary of DCED, or their designee, sits on PHFA's board. The current designee is the head of the department that deals with multifamily affordable programs. In another example of cross-agency coordination, the PHFA has an office of supportive housing to interact with non-housing agencies that disburse housing-related funds for that population. In turn, those agencies have a housing office or housing staff person with which to coordinate.

Consolidating applications and closing documents

Some states have further formalized their

coordination and collaboration by creating mechanisms that streamline the process of applying for, or closing, multiple sources of funding across institutions.

For instance, Minnesota created a Consolidated RFP in 1994 to “provide ‘one-stop shopping’ by consolidating and coordinating multiple housing resources within a single application process.”²² Currently, the HFA, the Metropolitan Council (the regional policy-making body), and the Metro Housing and Redevelopment Authority administer resources through the RFP. One respondent noted that a valuable feature of this process is that it regularly brings together multiple funders who do not contribute resources through the RFP—including the cities of Minneapolis and St. Paul, surrounding counties, USDA Rural Development, the state Department of Economic Development and Employment (DEED), the Federal Home Loan Bank, and philanthropy—to discuss specific deals and financing structures, “including some vouchers being made available via this process.” They went on to add that this structure and tool for coordination is especially helpful given that Minnesota has three sub-allocators of LIHTC, and that this process has helped to better align timing among them. They also observed that communication with a broad range of funders, even if they are not providing resources through the RFP, helps everyone understand partner priorities, so that, “Now almost all projects that receive a LIHTC award are fully funded.”

As a part of the Consolidated RFP process, developers receive technical assistance from the state early in the process, where they meet with staff to talk through each

project and its competitiveness. One interviewee noted how “helpful and practical” the feedback from this engagement is as they are compiling their application. To ensure maximum flexibility, each project is encouraged to submit multiple applications using different funding scenarios. Interviewees pointed out that seeing multiple application pathways at the same time (e.g., 9%, 4%, or Housing Infrastructure Bonds) enables more deals to get funded. But interviewees also reflected that, even though many of the attachments for each scenario are the same, it can still feel burdensome to submit all three. Some stakeholders are encouraging the state to use the early technical assistance to identify the most viable scenario and “put them in one lane” earlier in the process to further reduce administrative burdens and time to closing.

Massachusetts has also undertaken efforts to coordinate across multiple agencies and soft sources of funding. Massachusetts adopted a “one-stop” application process in the early 1990s, and has gone further to develop a single set of loan documents through its MassDocs program. A collaboration among the state’s Department of Housing and Community Development, MassHousing, the Massachusetts Housing Partnership, and the Community Economic Development Assistance Corporation,²³ MassDocs provides a single loan agreement, mortgage, and affordable housing restriction document, along with separate promissory notes (of equal priority) for each program, all of which are automatically generated through its web-based system. A Global Participation Agreement establishes relationships between lenders. Municipalities can also join by executing a “Joinder.” In addition,

a single counsel is assigned to represent all of the public sources of soft financing. By 2018, more than 20 sources of public funds had been routed through this process (e.g., state bond programs, locally-administered federal funds, and local programs) with more than 90 municipalities participating.

MassDocs does not change the underlying fragmentation of funding sources. For instance, one respondent referred to a deal that had eight layers of subordinate financing, and each still had different riders and required third party reports that needed to be updated for each agency. However, multiple interviewees agreed that, given the fragmented nature of funding sources in the state, MassDocs makes the process more efficient and “allows developers to get to closing quicker.”

In terms of cost savings, the state estimates that, for a deal with three funding sources, public subsidy lenders now pay more like \$12,500 to \$18,500 at closing versus the \$37,500 to \$55,000 they would have paid pre-MassDocs. Over the course of 12 years, those savings on individual deals added up to between \$12 and \$18 million. While harder to quantify, interviewees also believe savings extend beyond those on the state’s side. One interviewee pointed to the predictability MassDocs creates and the clarity it brings to base terms and what to expect when layering multiple sources. They said that, without MassDocs, everyone would spend a lot more time trying to get different agencies to align. Because everyone is working from the same information that has been certified by all the agencies, it helps to reduce transaction costs for developers and investors.

The need for leadership, staff capacity, and ongoing engagement

The broader and deeper the level of coordination across multiple funding sources, the greater the potential time and cost efficiency gains, but also the more challenging to achieve given the number of actors that need to get (and stay) on board. While the level and nature of coordination and collaboration varies across the examples noted above, common threads emerged across interviews about the critical components needed to make more aligned and streamlined financing effective. The elements that were repeatedly pointed to in describing successful efforts (or in explaining the stumbling blocks that stand in the way of successful execution) were: leadership, staff capacity and buy-in, and the need for ongoing engagement.

In many cases, successful efforts were shepherded by a “champion” who invested years of ongoing engagement and communications across departments, agencies, or institutions to foster relationships and build and sustain collaborations. One interviewee summarized a common sentiment in saying, “Institutional knowledge and relationships do go far to making it work,” although “it can still be a struggle at times.”

Another interviewee reflected, “From the outside it may seem like state agencies should be able to cooperate really easily with each other but they really don’t. They all tend to have their own culture and their own...set of incentives that don’t necessarily align.” They noted that there needs to be a champion at a high level to say “this is important to get done.” In addition to that signal from leadership, “you need somebody within the agency...an operations person who knows where the levers are...to make it a priority at their level...

If all you have is the leadership at the top level it just kind of becomes a talking point and eventually it withers and dies. If you only have the leadership within the agency, down in the line staff, it can never become a priority.”

Multiple respondents noted that a lack of staff capacity within agencies can be a real stumbling block to standing up these kinds of models. Turnover and retirements among key staff and leadership with institutional knowledge can also have implications for the longevity of collaborative efforts. One respondent said, “You do need to have those people inside the agency who have been there a while and will hopefully be there awhile afterwards to kind of keep it going. Because the programs are complicated, there’s lots of compliance and reporting that has to happen, and it can take a number of years before it just becomes rote within the agency. And so you need that person to keep resuscitating the program for the first few years especially.”

Formalized structures can help cement these kinds of models, although they are not immune to shifting staffing and policy priorities. For instance, the number and range of partners contributing resources to the Consolidated RFP in Minnesota has narrowed in recent years. Minnesota’s DEED used to contribute resources to the RFP directly but now disburses its resources in a parallel process. The RFP used to include philanthropic dollars, but as priority repayment among the partners has shifted, the need to mitigate risk and recycle grant dollars more quickly has led philanthropy to administer its funds separately. However, because of the formal structure of the RFP, both partners are still at the collaborative “table” and part of discussions on project and funding priorities.

Recommendations

While it will take more than addressing financing complexity to curb LIHTC development costs, taking steps to streamline financing, cut down on administrative burdens, and speed time to closing deals should be part of a multi-tiered approach to ensure the LIHTC program works as effectively as possible. Steps to mitigate the inefficiencies associated with financing complexity should work to:

Reduce fragmentation where possible.

One path to reducing the negative impacts of funding complexity is to reduce the complexity itself. Or as one developer put it: “One way to decrease costs is to have fewer sources with the same amount of money going in there.” Another suggested that any effort to consolidate sources should start “at the very top,” saying that “if we could consolidate those buckets [of affordable housing funding] at the [federal level]...that’s a more efficient way to transact.” These calls echo findings from the GAO, which has written extensively on the fragmentation and overlap among federal housing programs and similarly called for consideration of consolidation.²⁴ And they are in keeping with multiple recent proposals aimed at reforming and strengthening federal housing policy and supply-oriented strategies.²⁵

But while considerations for consolidation should start at the federal level, they must extend to lower levels of governance as well. Not all states face the same level of funding fragmentation, but for those that have more complex financing regimes, reviewing existing funding streams to identify areas for consolidation would be the most direct way to increase administrative efficiencies and costs savings. One

interviewee noted that, “if we could reduce the agencies through which these funds come...and expand on existing rather than creating new,” it would help to “put the money in what’s the most efficient path.”

However, consolidation efforts can be fraught given the different mechanisms and authorities under which various funds are allocated. Where consolidation is not feasible in the near term, better coordination is necessary.

Better align disparate funding streams to facilitate more seamless layering.

The federal government can play a leading role in efforts to better align requirements and deadlines across the multiple production-oriented funding programs administered by federal agencies. It can also encourage states and localities to follow suit, offering resources and technical assistance to encourage adoption of strategies that reduce funding complexity and the inefficiencies that arise from it.

There are a number of steps states and localities can take to better coordinate disparate funding sources, which can be tailored depending on where each state is starting from in terms of funding fragmentation and existing avenues for coordination.

Create a one-stop-shop approach that allows developers to access multiple funding sources through a coordinated process.

As multiple interviewees noted, dealing with several financing sources is less cumbersome when one agency is in charge of allocating multiple programs. In particular, stakeholders noted that when the entity responsible for allocating tax credits also administers soft sources of funding,

the applicants benefit from the fact that those sources are being coordinated by an agency that understands the requirements associated with LIHTC developments.

Where it is not feasible to route funding sources through a single entity, states could consider collaborative agreements, like the MOUs Maryland has used, that allow different agencies to keep individual program line items “on the books” but grant allocating authority to a lead agency. Such agreements could achieve the more seamless integration offered by the single-agency model, without significantly shifting operating structures.

Consolidated applications offer another mechanism for streamlining the allocation of multiple sources administered by different entities. The effectiveness of such a tool depends on how broad and deep the coordination goes. The extent to which consolidated applications can coordinate, not just across state-administered funding streams, but also across local and/or philanthropic funding streams, the greater the benefit. Bringing more funding partners to the table increases the ability to effectively layer multiple sources and avoid scenarios where projects receive tax credits but stall in moving forward because other funding sources do not come through or take multiple cycles to secure.

In addition, more states should consider pairing a consolidated application with the kind of streamlined loan documents Massachusetts has achieved with Mass-Docs. That degree of alignment requires a deeper level of coordination, but also stands to deliver greater time and cost savings in the closing process. Again, the degree to which coordinated documentation extends to local sources, the greater the efficiency gains.

Large cities or regions like Los Angeles or New York that already receive their own allocation of tax credits, or others that may have the capacity and scale to take on that authority, are also well-positioned to adopt and advance these coordinated measures even if they are located in states that have not.

Align deadlines and program requirements across sources and make requirements and expectations transparent.

At minimum, states and localities should work toward reducing the complexity that comes from differing timelines, levels of transparency, and requirements across disparate sources. To that end, the issue of out-of-sync application cycles came up repeatedly for stakeholders working across the country. One respondent recognized that “each agency is going to have its own priorities just by virtue of the fact that they serve different constituencies, but to the extent that they can coordinate, like on...a common calendar, would certainly be helpful.”

Another recurring theme from interviews was the challenge that comes from the lack of transparency among soft source administrators. A lawyer we spoke with said that, in many states the program requirements for the soft funding sources are not published, so they often have to track down individual RFPs to figure out what will be required and make sure their client can comply. Another interviewee said, “Every agency should explain what it is they want so that you don’t spend hundreds of thousands of dollars and time just to have a deal fall apart because of some unwritten rules.” Creating a centralized resource of available funding sources (e.g., on a state government-hosted webpage) and an explanation of application guidelines and

timelines would be one way to provide better transparency and process clarity in the near term.

More states and localities should also take steps to apply and expand on Pennsylvania's HFA efforts to align terms and conditions, program requirements, and monitoring processes across multiple funding sources. Even if states were not able to fully implement a one-stop-shop model, that kind of programmatic alignment, especially when paired with better-synchronized calendars and more transparent application expectations, would target the facets of financing complexity most often identified by stakeholders as drivers of indirect cost increases.

In that vein, a recent audit of housing programs in California found that the state “does not have a coordinated and effective approach to planning and financing the development of affordable housing at both the state and local levels,” and that the state’s four housing agencies “have misaligned and inconsistent program requirements that can create unnecessary obstacles for developers, slow down or discourage development, and drive up costs.”²⁶ The report recommended the creation of an interagency working group to develop consistent requirements across programs and remove administrative burdens. As in the Illinois and Maryland examples cited above, task forces and working groups can provide useful formalized structures to address issues of coordination and alignment. With the appropriate authority, such entities could review QAPs and other funding sources to identify requirements that unintentionally

contribute to financing complexity and project costs, whether that be reconsidering parameters around financing (e.g., per-project subsidy caps or leveraging requirements that contribute to funding fragmentation) or restrictive requirements that impact the capital stack (e.g., narrow income or population targets).

Invest in the infrastructure and staff capacity necessary to sustain coordination.

Effective coordination across multiple funding sources and entities requires attention to and investment in the structures that support and sustain collaboration. Especially given turnover in staff and leadership and a constantly evolving policy and funding landscape, formalized structures can help to preserve and entrench institutional knowledge and coordination.

Whether through consolidated application and closing processes or via task forces, working groups, or MOUs, it is essential that an “owner” is identified at senior levels to keep such coordination prioritized amid political and organizational change. In addition, it is critical to invest in the staff capacity (whether “in-house” agency staff or a third party coordinator) that will be required to implement at the operations level. Creating those structures takes time and resource investment up front, but the work is never really done, in that it requires ongoing attention, communication, and effort to keep initial partners at the table and bring in new partners as new funding sources become available or organizational change remaps department functions.

Conclusion

The analysis presented here underscores the ways in which funding complexity, where it exists, adds to administrative costs and can create other inefficiencies that work against the goals of containing costs and stretching subsidies further to house more people. The insights from the developers, syndicators, investors, lawyers, consultants, and other stakeholders who contributed their perspectives to this analysis also point to ways to mitigate those inefficiencies and illustrate how challenging it can be to undertake such efforts. Federal, state, and local stakeholders should prioritize strategies to streamline financing, cut down on administrative burdens, and speed time to closing loans as part of a multi-tiered approach to ensuring the LIHTC program works as effectively as possible.



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17. These basic patterns hold whether using syndicator data reporting all sources or data that reported only permanent debt sources.
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19. The higher per-square-foot cost of the permanent supportive housing project is consistent with findings of prior Turner Center research on LIHTC construction costs. Permanent supportive housing developments tend to be composed of smaller units, like studios, which are more expensive to build given that kitchens and bathrooms are more expensive to construct than bedrooms. Developers also noted that they tend to use more durable materials in producing supportive housing, and that the multiple funding sources needed for supportive housing properties often take longer to close. See: Reid, “The Costs of Affordable Housing Production.”
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