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# The Cost of Fragmentation

## A Comparison of State Affordable Housing Finance Governance Systems

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## Executive Summary

Affordable housing finance is complex and often involves the layering of multiple different sources of public funding in order to make projects financially viable. This public funding is necessary because the rents that low-income households can afford do not fully cover the cost of developing and operating affordable housing. However, in the current system, affordable housing developers have to navigate convoluted systems to pull public funding sources together.

This fragmentation of multiple entities being involved in financing affordable housing can contribute to project delays and add to total development costs for subsidized affordable rental housing.<sup>1</sup> When effective governance is not in place, states can also face conflicting deadlines, duplicated review processes, and increased project carrying costs—all of which represent critical barriers to building affordable housing in high-cost, high-demand housing environments.<sup>2</sup>

Fortunately, many states are now tackling the fragmented, inefficient administration of affordable housing finance. In this report, we examine how states across the country structure the governance of their affordable housing finance systems, with the goal of lifting up best practices. To do so, we first conducted a landscape scan of all 50 states to understand key features of states' affordable housing finance systems. We then profiled the affordable housing finance systems in six case study states—Maryland, Massachusetts, Minnesota, New York, North Carolina, and Oregon—and conducted interviews with key stakeholders with expertise navigating their affordable housing finance systems. The interviews identified both challenges related to fragmentation and ingredients for governance success.

### Findings from our national landscape scan and case studies indicate that:

- On average, states have 2.5 entities that administer five main affordable housing finance programs: the Low-Income Housing Tax Credit program (LIHTC); HOME Investment Partnerships Program (HOME); National Housing Trust Fund Program (NHTF); Community Development Block Grant Program (CDBG); and tax-exempt, private activity bonds. In 78 percent of states, the housing finance agency (HFA) administers at least three of these programs. Only two states do not have their HFA allocate LIHTC.
- Massachusetts, New York, and Oregon have undertaken reforms to consolidate their housing functions to improve administrative efficiencies and streamline the funding award process. For instance, Massachusetts Governor Maura Healey recently established a cabinet-level office dedicated to housing policy and appointed a housing secretary in order to clarify responsibilities over core housing functions.
- Several case study states have embraced structural integration of their housing functions. For instance, the majority of key affordable housing finance functions in Maryland are housed within the cabinet-level Maryland Department of Housing and Community Development.
- Massachusetts, Minnesota, North Carolina, and Oregon have implemented a one-stop shop, a single application process to apply for financing from multiple public funding sources.

**Findings from stakeholder interviews indicate that:**

- Structural fragmentation negatively impacts the delivery and cost of affordable housing, as it can add uncertainty to the development process and prolong the development timeline.
- Fragmentation can also result in duplicative or competing funding requirements, resulting in developers having to tailor projects to multiple (and sometimes contradictory) standards to be competitive for funding.
- Stakeholders largely agreed that a one-stop shop solution with a single point of contact for underwriting, compliance, and monitoring—whether within an agency or across agencies—is essential.
- Stakeholders noted the importance of states developing a clear and consistent housing policy vision and encouraging staff collaboration across agencies to reduce bureaucratic silos.
- Consolidating housing functions within a single agency can bring significant benefits. However, some stakeholders noted that reduced governmental fragmentation alone cannot bring greater efficiencies without well-trained, high-capacity staff who embrace collaboration.

The most effective states show that done right, strong governance translates over time into lower costs, faster execution, and greater stakeholder confidence. To implement governance best practices, states should consider 1) consolidating their housing functions under one roof, 2) investing in staff capacity and systems, and 3) creating unified processes.

# 2.5

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**entities on average administer affordable housing resources in most states**

# 78%

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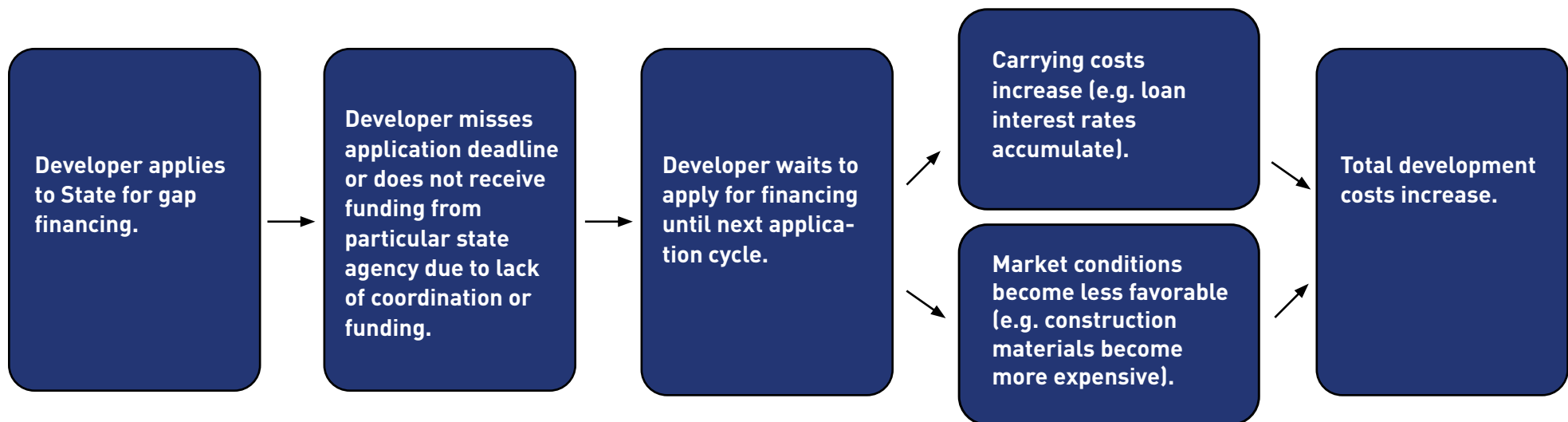
**of states have their housing finance agency overseeing at least three of the main affordable housing finance resources**

## Introduction

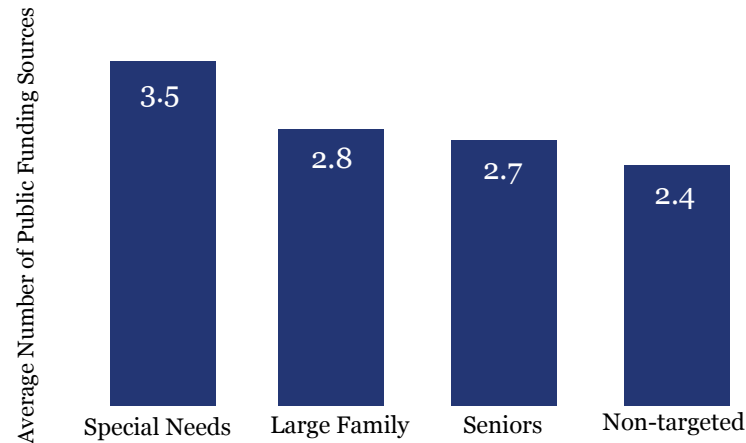
To secure financing to build affordable rental housing, developers frequently need to apply for funding from multiple entities that each administer different housing subsidy programs. This fragmentation can introduce project delays and raise total development costs (Figure 1).<sup>3</sup> During predevelopment, developers must continue to fund carrying costs, such as insurance and interest payments, which can increase the overall cost of development.<sup>4</sup> Market conditions can also become more unfavorable during this period if, for example, interest rates rise or construction materials become more expensive—potentially requiring the developer to complete a new underwriting process.

The Low-Income Housing Tax Credit program (LIHTC) is the largest source of federal assistance for affordable rental housing.<sup>5</sup> Through the program, state housing entities—typically a state’s housing finance agency (HFA)—allocate tax credits to developers through a competitive process. Developers in turn sell these tax credits to investors to generate equity to build new housing. However, tax credits are often not enough to fully fund a project; developers frequently need to secure gap financing from other local, state, or federal sources (often referred to as the “capital stack”). For instance, in California, the average LIHTC development includes three different public funding sources.<sup>6</sup> Recent Turner Center research shows that, on average, each additional funding source is associated with adding four months to the timeline for starting construction and an increase of \$20,460 per unit in total development costs.<sup>7</sup>

**Figure 1: How Does Fragmentation Introduce Project Delays and Add to Total Development Costs?**



**Figure 2: Average Number of Public Funding Sources by Project Type, LIHTC New Construction Awards 2020 – 2023**



**Source:** Analysis of LIHTC project application data. Shazia Manji, Pratih Patel, Carolina Reid, and Quinn Underriner (2023). "California Low-Income Housing Tax Credit Database, 2020 – 2023," Cal Poly, San Luis Obispo, and Terner Center for Housing Innovation, Berkeley, California.

This report examines how states across the United States have approached the governance of their affordable housing finance systems. It is guided by two motivating questions. First, how does the governance of affordable housing finance vary across states? And second, what lessons emerge from how different states approach housing governance?

To answer these questions, we conducted a national scan, compiling information on the entities in each state that administer different state and federal affordable housing subsidy programs. We then conducted a deep-dive into affordable housing finance systems in six states: Maryland, Massachusetts, Minnesota, New York, North Carolina, and Oregon. We conducted 33 interviews with key stakeholders, including affordable housing developers, state officials, and those with expertise navigating the affordable housing finance systems in these states.<sup>8</sup>

Nationally, we find that states have on average 2.5 entities that administer key affordable housing finance resources. The majority of states rely on their HFA to allocate major funding pools: in 78 percent of all states (39 total), the HFA administers at least three of the major affordable housing finance funding streams. Only two states—California and Massachusetts—have a separate agency allocate LIHTC. In the remaining nine states, the HFA allocates the tax credits, while another government entity is responsible for the majority of the gap financing programs.

Additionally, we find that fragmentation in organizational structure alone does not determine ease of navigating affordable housing finance systems; underlying governmental capacity is equally important. States that successfully maximize affordable housing resources have well-trained, high-capacity staff with good data systems who embrace collaboration both within and across organizations and have a strong customer service ethic. Having a more consolidated governance structure is facilitative of such an outcome, but not determinative.

In this report, we describe how states across the country approach the governance of their affordable housing finance systems, share primary findings from interviews, and conclude with a discussion and policy recommendations.

**Each additional funding source in California is associated with adding four months to the timeline for starting construction and an increase of \$20,460 per unit in total development costs.**

## How Do Different States Govern Housing Finance?

To understand how different states approach the governance of their affordable housing finance systems, we conducted a national landscape scan. We examined which entities retain authority over five key affordable housing finance programs: the Low-Income Housing Tax Credit program (LIHTC); HOME Investment Partnerships Program (HOME); National Housing Trust Fund (NHTF); Community Development Block Grant Program (CDBG); as well as which entities issue volume-capped, tax-exempt bonds.

Many states have consolidated the administration of affordable housing funding into their housing finance agency (HFA). The National Council of State Housing Agencies describes HFAs as “state-chartered authorities” whose responsibilities vary widely from state to state but whose primary responsibility is to administer affordable housing resources. State HFAs initially emerged in the 1960s (although some were created in later decades) and have gradually taken on added responsibilities for administering key federal subsidy programs.<sup>9</sup> Each state has an HFA, although its specific relationship to state government varies.<sup>10</sup> Many HFAs are independent entities that operate under a board of directors appointed by each state’s governor.<sup>11</sup> However the degree of independence varies. Of the HFAs in the 50 states, 38 possess some measure of independent authority. Twelve HFAs are under the governor’s direct supervision, though 14 HFAs are in the governor’s budget.<sup>12</sup>

We find that in 78 percent of states, the HFA administers at least three of the main affordable housing finance resources: LIHTC, HOME, and NHTF. We exclude volume-capped, tax-exempt bond debt from our analysis of what constitutes a state in which the “HFA predominates” (Figure 2) because this debt is frequently allocated by a separate state entity to pay for a variety of uses, including but not limited to housing. CDBG funding likewise is frequently allocated by a separate entity due to the fact that it subsidizes a variety of uses and not housing exclusively.

In 9 percent of states, the HFA allocates tax credits and another entity allocates either HOME, NHTF subsidies, or both. Neither California nor Massachusetts falls into either of these categories, as the HFA does not administer LIHTC in those states. Figure 2 presents which states retain authority over the key affordable housing finance resources described above.

Additionally, we examined the total number of entities involved in administering the five different programs.<sup>13</sup> On average, states have 2.5 entities administering these key programs (Figure 3). Only Georgia has one entity that administers all of its housing subsidy programs.

While the predominant model of state affordable housing finance governance consolidates resources within the state HFA, there are many variations of successful models, including some with different systems to streamline resources. For example, Massachusetts is not considered a state in which the “HFA predominates,” but it recently underwent a reorganization to successfully consolidate its fragmented system, as we describe below.

**Figure 3: State Typologies of Entities Responsible for Key Affordable Housing Finance Resources**

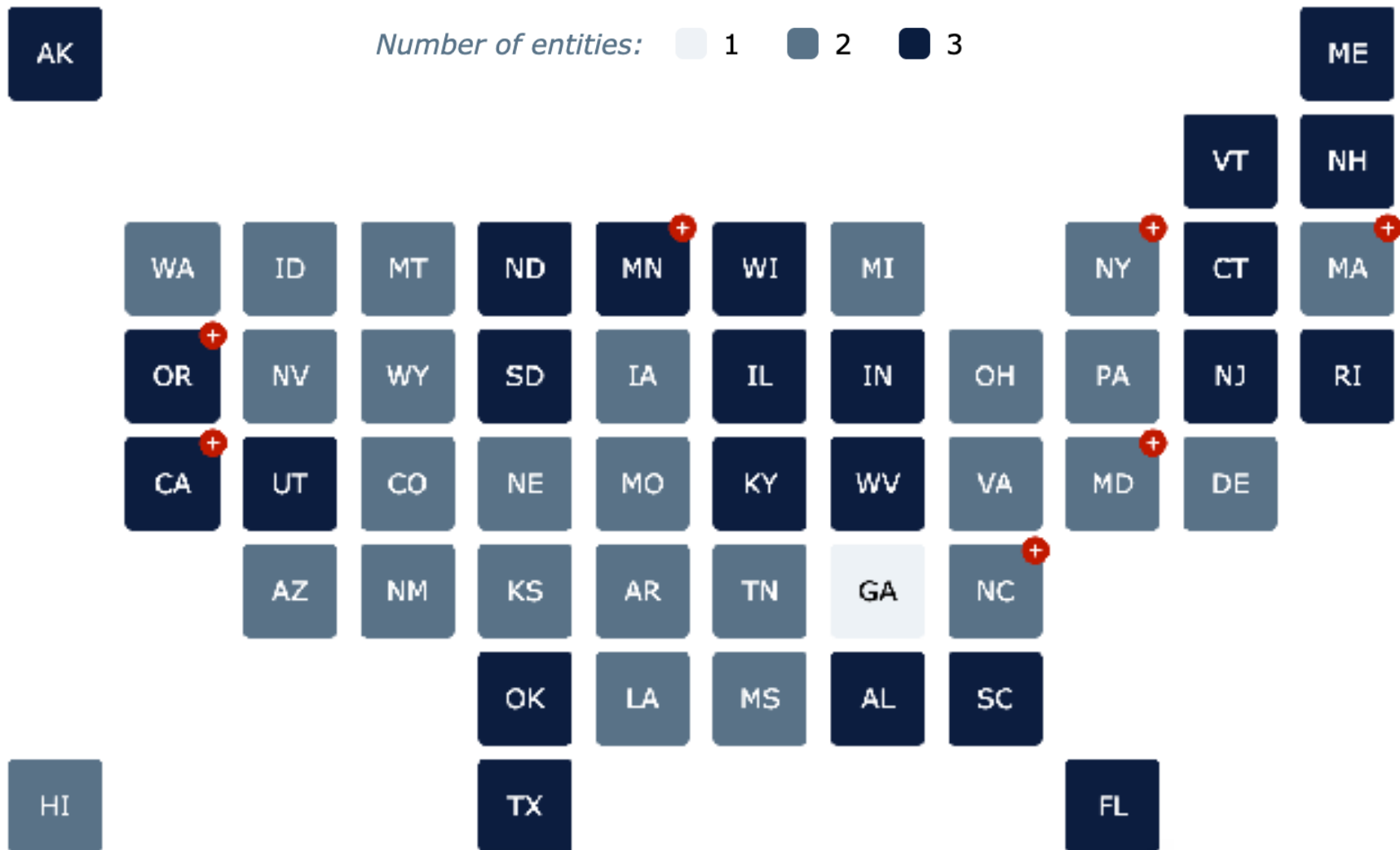


**+** Indicates that the state is a case study state.

[Access the web interactive to see the data](#)

Sources: [The National Council of State Housing Agencies](#), State HFA Factbook: 2023; NCSHA Annual Survey Results; and [HUD’s Low-Income Housing Tax Credit Database](#).

**Figure 4: Number of Entities Involved in Administering Five Key Affordable Housing Finance Programs per State<sup>14</sup>**



**+** Indicates that the state is a case study state.

[Access the web interactive to see the data](#)

Sources: **The National Council of State Housing Agencies**, State HFA Factbook: 2023; NCSHA Annual Survey Results; and **HUD’s Low-Income Housing Tax Credit Database**.

# Housing Finance Systems: State Case Studies

The following section describes key features of selected states, highlighting innovative aspects of each state’s approach to governing its affordable housing finance system.



Maryland

[View Case Study](#)




Massachusetts

[View Case Study](#)



Minnesota

[View Case Study](#)



New York

[View Case Study](#)



North Carolina

[View Case Study](#)



Oregon

[View Case Study](#)

# Maryland's Housing Finance System

## At a Glance

In 1987, Maryland was one of the first states to consolidate various housing programs and regulatory powers—ranging from affordable housing financing to building code regulation—into its cabinet-level Department of Housing and Community Development (DHCD). Within DHCD, the Community Development Administration (CDA) serves as the state's housing finance agency, overseeing LIHTC, bond programs, and other state-funded initiatives.

DHCD administers both federal and state grants, provides rental and homeownership assistance, and supports broader community and economic development programs.

Maryland's system is highly centralized: apart from the Department of Commerce's role in allocating tax-exempt bonds, DHCD manages virtually all housing finance functions. Unlike many states, DHCD's secretary is appointed directly by the governor rather than by a board—a structure that interviewees noted fosters accountability and facilitates securing legislative appropriations.

## Key Features

### Highly centralized system

Nearly all housing programs consolidated within the Department of Housing and Community Development (DHCD) since 1987.

### CDA as HFA

The Community Development Administration, housed in DHCD, administers LIHTC, bond programs, and other key subsidies.

### Governor-appointed leadership

DHCD Secretary appointed directly by the governor, fostering accountability and access to legislative appropriations.

### Broad mandate

DHCD also manages homebuyer assistance, rental subsidies, weatherization, revitalization, and community/economic development support.

## Maryland Overview

In 1987, Maryland was one of the first states to consolidate various housing programs and regulatory powers—ranging from affordable housing financing to building code regulation—into its cabinet-level Department of Housing and Community Development (DHCD). This consolidation sought to bridge a disconnect between community needs and existing government programs for economic development.

The Community Development Administration (CDA), the state’s housing finance agency, is a quasi-governmental organization within DHCD. The CDA oversees the LIHTC program, bond programs, and several other state-funded programs.

DHCD is responsible for administering federal and state grants to encourage affordable housing construction. It also provides homebuying assistance, rental subsidies, weatherization funding, and revitalization funding.<sup>16</sup> In addition, it provides funding and support for small businesses,<sup>17</sup> nonprofit organizations, and local governments to broadly support economic development throughout Maryland.<sup>18</sup>

## Distinguishing Features of Maryland’s System

Maryland has consolidated nearly all of its functions within DHCD. Apart from DHCD and the Department of Commerce’s role in allocating tax-exempt bonds, there are no other governmental departments or organizations that have a significant role in housing production or financing. DHCD’s secretary is appointed by the governor and not accountable to a board.<sup>20</sup>















One interviewee noted that this approach to DHCD leadership is important in receiving additional appropriations from the state legislature—for example, if the legislature doesn’t agree with how DHCD is expending appropriated dollars, they can hold the governor accountable:

You have a state agency [that] can create funds, request appropriations from the State, and they’re already leveraging money they’re getting from the federal government... The other piece of that is leadership ... [as] that secretary is beholden to the governor. So, if the governor says, ‘This is my priority, and I want you all to work together,’ that’s a pretty easy thing for him or her to do.<sup>21</sup>

**Table 1: Entities Involved in Affordable Housing Finance in Maryland**

Entity	Entity Description
<p><b>Maryland Department of Housing and Community Development (DHCD)</b></p>	<p>In Maryland, the Department of Housing and Community Development is the cabinet-level agency responsible for most affordable housing financing. It was founded in 1987, and its leader is appointed by the governor. <b>Most programs</b> have been consolidated into this department, including LIHTC credits, bond financing, NHTF, HOME, and CDBG. The vast majority of HOME and CDBG funding is allocated to local governments designated as “participating jurisdictions” (under HOME) or “entitlement areas” (under CDBG). Maryland is one of the few states where the HFA is located within a cabinet-level housing department.<sup>22</sup></p>

**Table 2: Entity Authorities Over Key Affordable Housing Finance Functions in Maryland**

Entity	Allocates LIHTC Credits	Issues 9% LIHTC Credits	Issues 4% LIHTC Credits	Administers State Subsidies	Allocates Volume-Capped, Tax-Exempt Bonds	Issues Volume-Capped, Tax-Exempt Bonds	Administers Federal Block Grant Programs
Maryland Department of Housing and Community Development							
Maryland Department of Commerce							

 Entity administers this resource  Entity does not administer this resource

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# Massachusetts' Housing Finance System

## At a Glance

Massachusetts recently streamlined its housing governance by creating the Executive Office of Housing and Livable Communities (EOHLC) in 2023. This cabinet-level agency now leads statewide housing policy, taking over the former Department of Housing and Community Development. EOHLC manages federal programs like HOME and CDBG, state gap financing, LIHTC allocations, and the Massachusetts Rental Voucher Program.

In total, Massachusetts has five major agencies that administer affordable housing finance. Together, these agencies coordinate to deliver housing finance, subsidies, and development support across the state.

Despite the multiple entities, Massachusetts is recognized for strong collaboration across its housing agencies and for systems that streamline financing. Since the 1990s, the state's OneStop+ application has allowed developers to apply for multiple federal and state gap financing programs through a single portal, making it easier to combine funding sources. The creation of MassDocs further simplified the process by standardizing legal documents and using one attorney for all "soft" financing, reducing costs and speeding projects through the pipeline. Stakeholders also cited the recent elevation of the cabinet-level housing secretary in the EOHLC as a positive shift, noting that it strengthens policy alignment, minimizes conflicts across initiatives, and underscores Massachusetts' commitment to housing as a top state priority.

## Key Features

### Decentralized but coordinated system

Five different agencies play major roles in housing finance, supported by mechanisms for interagency collaboration.

### OneStop+ portal

Consolidated application for state and federal gap financing since the 1990s.

### MassDocs

Standardized loan documentation across agencies, reducing legal costs and expediting deals.

### Cabinet-level leadership

Housing elevated to the governor's cabinet through EOHLC, improving policy alignment and signaling priority status.

## Massachusetts Overview

Massachusetts has five major agencies that administer affordable housing finance. They include:

1. EOHLC, which oversees policy and key subsidy programs.
2. MassHousing, the state's housing finance agency, which raises capital through bond sales, finances affordable and mixed-income housing, and runs the Affordable Housing Trust Fund and Neighborhood Hub.
3. MassDevelopment, the state's development finance agency, which supports economic development, workforce housing, and mixed-use projects through tax-exempt bonds and the Transformative Development Initiative.
4. Massachusetts Housing Partnership (MHP), which provides permanent financing for affordable housing and specialized mortgage products for low- and moderate-income first-time homebuyers.
5. Massachusetts Executive Office for Administration and Finance, which allocates tax-exempt bonds in Massachusetts.

Massachusetts has recently undertaken reorganization efforts to clarify responsibilities over core housing functions. The Massachusetts Executive Office of Housing and Livable Communities (EOHLC) is the state's housing and community development agency. Governor Maura Healey established the EOHLC in 2023 as an executive office with a cabinet-level secretary dedicated to carrying out housing policy.<sup>23</sup> The EOHLC assumed all responsibilities of the former Massachusetts Department of Housing and Community Development.<sup>24</sup>

Currently, the EOHLC administers various federal subsidy programs, including HOME and CDBG.<sup>25</sup> Further, it administers various state gap financing programs and allocates 9 percent LIHTC tax credits. Additionally, the EOHLC offers its own state-funded Massachusetts Low-Income Housing Tax Credit program, which provides tax credits to taxpayers who invest in low-income housing projects or donate properties to nonprofits that develop low-income housing projects.<sup>26</sup> Further, EOHLC administers the Massachusetts Rental Voucher Program, a state program which provides tenant-based or project-based vouchers.<sup>27</sup>

In addition to the EOHLC, MassHousing serves as the state's housing finance agency, allocating 4 percent tax credits in conjunction with MassHousing's tax-exempt bond financing. MassHousing raises capital by selling bonds and lending the proceeds to low- and moderate-income homebuyers and developers that build or preserve affordable or mixed-income rental housing.<sup>28</sup> MassHousing also administers the state's Affordable Housing Trust Fund, which supports rental, homeownership, and mixed-use projects for households whose incomes are below 110 percent of the Area Median Income (AMI), as well as projects for people with a disability or people experiencing homelessness.<sup>29</sup> Finally, MassHousing also administers the Neighborhood Hub, which provides technical assistance grants in Massachusetts' Gateway Cities.<sup>30</sup>

Massachusetts has two additional entities that bolster its affordable housing development capacity. MassDevelopment is a quasi-public agency founded in 1998 that serves as Massachusetts' development finance agency and land bank.

MassDevelopment is distinct from MassHousing in that it primarily finances economic development projects. However, the tax-exempt private activity bonds that it issues can be used to finance mixed-use development and workforce housing. Specifically, MassDevelopment issues tax-exempt bonds in conjunction with federal 4 percent LIHTC credits.<sup>31</sup> In 2014, MassDevelopment launched its Transformative Development Initiative (TDI), which concentrates development efforts, resources, and technical capacity in housing and economic development in Gateway Cities, which are regionally important mid-sized cities with weaker markets.<sup>32</sup>

The Massachusetts Housing Partnership, founded in 1985, provides permanent financing for affordable, mixed-use housing. It also provides affordable mortgage options with lower interest rates for low- to moderate-income homebuyers across Massachusetts.

### **Distinguishing Features of Massachusetts' System**

Although several agencies are involved in administering key state and federal subsidy programs, Massachusetts is highly regarded as a state where personnel across different housing agencies work collaboratively. Massachusetts has undertaken several measures to help coordinate across agencies and multiple sources of funding.

Massachusetts implemented a one-stop shop solution in the 1990s, in which there is a consolidated process for applying for gap financing through the state's OneStop+ application process. The OneStop+ application allows affordable housing developers to apply for state and federal gap financing—such as funding from the Massachusetts Affordable

Housing Trust Fund, HOME, and the National Housing Trust Fund—through one application portal. Stakeholders noted that staff are “pretty good at figuring out mixes and matches” of different funding sources.<sup>34</sup>

Additionally, four agencies (the former Department of Housing and Community Development, Massachusetts Housing Partnership, MassHousing, and the Community Economic Development Assistance Corporation) developed MassDocs, which provides a single set of loan documents, a mortgage, an affordable housing restriction document, and separate promissory notes.<sup>35</sup> Before MassDocs was implemented, each loan would have its own document and individual attorney. With MassDocs, one attorney represents all sources of “soft” financing and the loan documents are generated through an online portal.<sup>36</sup> Using a single attorney and set of loan documents reduces transaction costs and provides a heightened level of coordination that stakeholders say improves efficiency and helps move projects through the funding pipeline faster.

Stakeholders also cited the recent elevation of the cabinet-level housing secretary in the EOHLC as a positive shift. According to one stakeholder, having this cabinet-level secretary is “essential” to “aligning policies across multiple goals” and ensuring that various housing policies do not “undercut” one another.<sup>37</sup> Others noted that it also carries symbolic power, showing that the State views housing as a critical policy area.

**Table 3: Entities Involved in Affordable Housing Finance in Massachusetts**

Entity	Entity Description
<p><b>Massachusetts Executive Office of Housing and Livable Communities (EOHLC)</b></p>	<p>Established in 2023, the Massachusetts Executive Office of Housing and Livable Communities (EOHLC) is the principal office for carrying out housing functions across the Commonwealth. A new <b>secretary</b> serves in the governor’s cabinet.<sup>39</sup> EOHLC oversees federal gap financing programs, including the <b>HOME Investment Partnerships Program (HOME)</b><sup>40</sup> and the <b>Community Development Block Grant (CDBG) Program</b>.<sup>41</sup> Additionally, the EOHLC administers various state gap financing programs and 9 percent tax credits.</p> <p>EOHLC also administers the <b>Massachusetts Rental Voucher Program</b>, which provides tenant- and project-based assistance to low-income families.<sup>42</sup> It also administers the <b>Alternative Housing Voucher Program</b>, offering assistance for people who are over 60 years old and have a disability.<sup>43</sup></p>
<p><b>MassDevelopment</b></p>	<p>Founded in 1998, MassDevelopment is Massachusetts’ development finance agency and land bank. It primarily finances economic development projects. A quasi-public agency, MassDevelopment <b>issues</b> tax-exempt, private activity bonds that can be paired with 4 percent LIHTC credits if over half of the total project development costs have been financed by bonds from MassDevelopment. These bonds can be used for new construction or the acquisition or rehabilitation of rental housing with an affordable component.<sup>44</sup></p>
<p><b>MassHousing</b></p>	<p>Created in 1966, MassHousing is Massachusetts’ housing finance agency. It is a quasi-public agency that provides financing for affordable housing throughout the state. MassHousing funds mixed-income and workforce housing and <b>administers</b> the state’s Affordable Housing Trust Fund<sup>45</sup> on behalf of the EOHLC, supporting households whose incomes are up to 110 percent of the AMI. MassHousing also oversees the Priority Development Fund,<sup>46</sup> which provides gap financing to projects where at least 20 percent of units are set aside for residents earning up to 80 percent of the AMI.</p>
<p><b>Massachusetts Executive Office for Administration and Finance</b></p>	<p>Massachusetts’ Executive Office for Administration and Finance, a cabinet-level office whose secretary is appointed by the governor,<sup>47</sup> is the allocating entity for tax-exempt bonds.</p>
<p><b>Massachusetts Housing Partnership</b></p>	<p>Founded in 1985, Massachusetts Housing Partnership is a statewide, nonprofit quasi-public organization that provides affordable mortgage options for low- to moderate-income first-time homebuyers across Massachusetts, as well as offers permanent financing for affordable housing developers.<sup>48</sup></p>

**Table 4: Entity Authorities Over Key Affordable Housing Finance Functions in Massachusetts**

Entity	Allocates LIHTC Credits	Issues 9% LIHTC Credits	Issues 4% LIHTC Credits	Administers State Subsidies	Allocates Volume-Capped, Tax-Exempt Bonds	Issues Volume-Capped, Tax-Exempt Bonds	Administers Federal Block Grant Programs
MassHousing							
MassDevelopment							
Massachusetts Executive Office of Housing and Livable Communities (EOHLC)							
Massachusetts Executive Office for Administration and Finance							
Massachusetts Housing Partnership							

Entity administers this resource Entity does not administer this resource

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# Minnesota's Housing Finance System

## At a Glance

Minnesota Housing, the state's housing finance agency, administers most federal and state housing subsidy programs, including 4 percent and 9 percent LIHTC, tax-exempt bonds, gap financing, down payment assistance, and federal programs like HOME. While it oversees the majority of resources, a few cities (Minneapolis, St. Paul) and counties (Dakota, Washington) receive separate allocations of tax-exempt bonds and tax credits. The Department of Employment and Economic Development and the Department of Labor and Industry also play supporting roles in manufactured housing oversight.

Minnesota is known for its collaborative approach and for streamlining developer access to funds. Its Multifamily Consolidated Request for Proposals (RFP) serves as a one-stop shop application, matching developer applications to available federal and state programs in one annual competitive process. Additional transparency measures, such as a Self-Scoring Worksheet and Intent to Apply process, allow developers to estimate their competitiveness and avoid unnecessary applications. Stakeholders emphasized that collaboration is embedded in Minnesota's culture, with routine coordination between Minnesota Housing, local governments, and entities like the Metropolitan Council.

## Key Features

### Centralized administration

Minnesota Housing manages most federal and state housing programs—including LIHTC, HOME, HOPWA, tax-exempt bonds, and state gap financing.

### Consolidated RFP

A one-stop annual competitive process where developers apply once and Minnesota Housing staff match applications to available funding.

### Transparency tools

The Self-Scoring Worksheet and Intent to Apply process help developers gauge competitiveness before submitting applications.

### Collaborative culture

Strong coordination with local governments and regional entities, reflecting a statewide emphasis on partnership.

## Minnesota Overview

Minnesota Housing is the state's housing finance agency and administers the majority of federal and state housing subsidy programs, including 4 percent and 9 percent tax credits, HOME, and the federal Housing Opportunities for Persons with AIDS (HOPWA) program, which is made available through a competitive request for proposals process.<sup>49</sup> Minnesota Housing also administers multifamily gap financing and down payment assistance programs and issues volume-capped, tax-exempt bonds. Minnesota Housing does not administer CDBG.

While Minnesota Housing administers the lion's share of affordable housing resources, the Minnesota Department of Employment and Economic Development is also involved in key housing functions, including engaging in manufactured housing licensing and oversight (in conjunction with the Minnesota Department of Labor and Industry). In addition, while Minnesota Housing is the primary agency for administering tax credits, a few cities (including the cities of Minneapolis and St. Paul) and a few counties (including Dakota County and Washington County) receive separate allocations of tax-exempt bonds and tax credits.

## Distinguishing Features of Minnesota's System

Minnesota Housing has undertaken several steps to streamline the process of awarding funding to affordable housing developers.

Most notably, its Multifamily Consolidated Request for Proposals (RFP) is the state's competitive funding process, which is offered once per year and allows for a one-stop shop application process. Under the Consolidated RFP, affordable housing developers do not apply for specific state or federal funding sources; rather, the Minnesota Housing staff matches a given application with available funding sources.<sup>50</sup> The Consolidated RFP process has two rounds. In the first, most of Minnesota Housing's funding is available. A smaller second round is oriented toward allocating remaining credits.

Additionally, the City of Minneapolis, City of St. Paul, Washington County, and Dakota County are sub-allocators. These entities receive a set-aside and are able to administer their own 4 percent and 9 percent tax credits. Minnesota Housing allocates 4 percent and 9 percent LIHTC tax credits year-round, but bonds outside of the consolidated RFP process must be secured from Minnesota Management and Budget. In addition, specific grants like HOPWA have distinct RFPs.<sup>51</sup>

Although it conducts the underwriting for all funding programs, Minnesota Housing coordinates with other entities, such as the City of Minneapolis and the Metropolitan Council, to ensure alignment in policy priorities and funding decisions. According to officials, this interagency collaboration is integral to the success of Minnesota's affordable housing finance system.

As one stakeholder reported, “Minnesota is the land of 10,000 collaboratives. There is a habit of bringing people together.”<sup>52</sup> Stakeholders stressed that, to some extent, collaboration is in the state’s DNA. As one stakeholder noted, “People who live in Minnesota don’t want to dig themselves out of a snowstorm alone. There is something in the institutional culture that creates opportunities.”

Another best practice is that Minnesota Housing provides resources to help developers understand how competitive their projects are before applying for funding. For instance, Minnesota Housing provides a publicly available self-scoring worksheet, which provides the selection criteria and priorities used to score applications for the 4 percent and 9 percent tax credits or funds available through the Consolidated RFP. As a result, developers can easily add up the number of points for which their project is eligible.

In addition, Minnesota Housing offers an Intent to Apply process in May each year, in which developers self-report how many points their projects are estimated to receive based on the worksheet. Minnesota Housing, in turn, posts these scores on their website to increase transparency and enable non-competitive projects to avoid going through the entire application process.<sup>53</sup>

**Table 5: Entities Involved in Affordable Housing Finance in Minnesota**

Entity	Entity Description
<p><b>Minnesota Housing</b></p>	<p>Minnesota Housing is the state’s housing finance agency and administers the majority of federal and state housing programs. Specifically, Minnesota Housing allocates 4 percent and 9 percent LIHTC tax credits once a year in two rounds through a competitive process.</p> <p>Minnesota Housing also administers <b>HOME</b><sup>54</sup> and <b>HOPWA funding</b>, administered through a competitive and separate RFP process.<sup>55</sup></p> <p>Minnesota Housing uses several kinds of bonds to finance multifamily housing construction, including general obligation bonds, revenue bonds, and state appropriation bonds.<sup>56</sup></p> <p>For <b>down payment assistance</b>, Minnesota Housing offers first-time homebuyer, repeat homebuyer, and refinancing programs. For each of these downpayment assistance programs, there are income limits, minimum credit scores, and owner-occupancy requirements. Minnesota Housing also offers downpayment and closing cost loans for homebuyers using a Minnesota Housing first mortgage.<sup>57</sup></p>
<p><b>Minnesota Department of Employment and Economic Development</b></p>	<p>The Minnesota Department of Employment and Economic Development <b>administers CDBG</b>.<sup>58</sup></p>
<p><b>Minnesota Management and Budget</b></p>	<p>Minnesota Management and Budget (MMB) is the primary allocator for <b>tax-exempt bonds</b> in Minnesota.<sup>59</sup> Developers must go to MMB directly to secure bonds outside of Minnesota Housing’s main RFP process.</p>

**Table 6: Entity Authorities Over Key Affordable Housing Finance Functions in Minnesota**

Entity	Allocates LIHTC Credits	Issues 9% LIHTC Credits	Issues 4% LIHTC Credits	Administers State Subsidies	Allocates Volume-Capped, Tax-Exempt Bonds	Issues Volume-Capped, Tax-Exempt Bonds	Administers Federal Block Grant Programs
Minnesota Housing							
Minnesota Department of Employment and Economic Development							
Minnesota Management and Budget							

Entity administers this resource Entity does not administer this resource

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# New York's Housing Finance System

## At a Glance

New York consolidated its fragmented housing programs in 2010 by creating Homes and Community Renewal (HCR), a cabinet-level agency that brought together previously separate entities such as the Housing Trust Fund Corporation (HTF), the State of New York Mortgage Agency (SONYMA), the housing finance agency (HFA), the Affordable Housing Corporation (AHC), and the Division of Housing and Community Renewal (DHCR).

HCR now operates through three core offices: Finance and Development (covering LIHTC, bonds, loans, and capital awards), Housing Preservation (responsible for maintaining the state's affordable housing stock), and Community Renewal (focused on community and economic development). While HCR's constituent organizations remain legally distinct, they are closely integrated, with cross-trainings and strategic coordination across programs.

Stakeholders noted that this consolidation increased efficiency, reduced duplication, and enabled more holistic planning across housing priorities. Coordination between the state and city bond agencies is particularly strong, with staff collaborating closely and sometimes transferring resources like recycled bonds to meet needs, an uncommon level of cooperation compared to other states. Still, challenges remain, such as compensation disparities across departments that create pay and title inequities.

A distinctive feature of New York's system is the strong role of local housing finance entities serving New York City. The NYC Housing Development Corporation (HDC) issues its own tax-exempt bonds and 4 percent LIHTC credits for multifamily housing, while HPD and NYCHA play central roles in financing, preserving, and delivering affordable housing for the city's eight million residents.

## Key Features

### Consolidated structure

HCR was created in 2010 to unify fragmented housing agencies and streamline delivery of programs.

### Specialized offices

Three core offices—Finance and Development, Housing Preservation, and Community Renewal—manage financing, preservation, and community/economic development.

### State-city coordination

Close collaboration between the state and New York City bond agencies, including resource sharing (e.g., recycled bonds).

### Robust local capacity (NYC)

NYC entities (HDC, HPD, NYCHA) provide significant financing and delivery capacity; HDC issues its own tax-exempt bonds and 4 percent LIHTC credits.

### Ambitious housing goals

Governor Hochul's \$25 billion, five-year housing plan aims to produce 100,000 affordable homes statewide.

## New York Overview

New York State has also undertaken efforts to streamline the delivery of its housing programs and consolidate administrative functions. New York State Homes and Community Renewal (HCR), established in 2010, consolidates the state’s housing and community renewal programs into one agency in an effort to “cut costs, increase efficiency and eliminate duplicative requirements and functions.”<sup>60</sup> Previously, these programs had been spread across multiple entities, including the Housing Trust Fund Corporation (HTFC), State of New York Mortgage Agency (SONYMA), New York State Housing Finance Agency (HFA), Affordable Housing Corporation (AHC), and Division of Housing and Community Renewal (DHCR).<sup>61</sup>

The consolidation created three new offices under HCR, each with its own manager and staff. These new offices include Finance and Development, Housing Preservation, and Community Renewal.<sup>62</sup> The Finance and Development unit aligned all affordable housing financing programs, including the LIHTC program, tax-exempt and taxable bond finance programs, single-family loans, project insurance, and capital awards programs. The Housing Preservation office is responsible for all programs that help maintain the state’s existing portfolio of affordable housing. The Office of Community Renewal is responsible for all programs related to community and economic development.

HCR is a cabinet-level agency with a commissioner and CEO appointed by the governor. HCR also has constituent organizations, such as the HFA, which maintain legal and financial separation but are “culturally embedded” within HCR to facilitate close cooperation and strategic alignment.<sup>63</sup>

## Distinguishing Features of New York’s System

New York State has prioritized making housing more affordable for its nearly 20 million residents. With New York’s 2023 Fiscal Year Enacted Budget, Governor Kathy Hochul championed a \$25 billion, five-year housing package to develop 100,000 affordable homes statewide.<sup>64</sup>

Stakeholders report that the consolidation of the State’s complex system into a cabinet-level Homes and Community Renewal (HCR) department has been effective. While there is some “siloing” of responsibilities—with some staff more focused on multifamily versus single-family deals, for example—stakeholders maintained that the management team is highly integrated and considers HCR’s various priority areas (such as historic preservation or single family mortgages) comprehensively. As one stakeholder stated, “We have a strategic benefit in being able to think about the regions of the state across historic preservation, single-family mortgages, Section 8, CDBG, etc.”<sup>65</sup> Additionally, HCR has several mechanisms in place to encourage greater integration of agency staff, such as cross-trainings across constituent organizations.

Despite having two separate bond financing agencies—one serving New York City and the other serving New York State—stakeholders reported a high level of coordination across agencies. For example, one stakeholder who formerly worked for HCR shared that the two agencies often jointly fund projects.

This interviewee further noted that these agencies reported some level of deference to one another, sharing:

There are definitely deals that are more naturally going to go to the City, and ones that are more naturally goint to go to the State, even within the City of New York. If you go to the state HFA about a deal in New York City, the first thing they ask you is, ‘Why aren’t you financing this with the City?’ Because they want to make sure that they’re not doing something that the City doesn’t want to do... Mayors and governors may hate each other and stuff, but on the staff level, and even up to the commissioner level, there’s always been—at least in my 20-plus years in this industry—always been good collaboration between those agencies.<sup>66</sup>

Stakeholders further noted that city and state agencies were often willing to go out of their way to collaborate, pointing to an instance where the City of New York had more recycled bonds than they could use and transferred those bonds to the State. As one former state official remarked, “that’s not the case [in other states].”






















Despite the overall benefits of consolidation, stakeholders pointed to a few drawbacks. For instance, while one stakeholder noted that the consolidation was “great on the impact front,” they also shared that different compensation structures across departments create pay and title inequity.

Last, it is important to note that one unique feature of New York’s system is the robust nature of the local affordable housing finance entities serving New York City, the nation’s most populous city. While not listed in Table 7, the NYC Housing Development Corporation (HDC) issues its own tax-exempt, private activity bonds and 4 percent LIHTC tax credits to provide construction or permanent financing for multifamily residential development.<sup>67</sup> In addition, the New York City Department of Housing Preservation and Development (HPD),<sup>68</sup> the New York City Housing Development Corporation (NYCHDC),<sup>69</sup> and the New York City Housing Authority (NYCHA)<sup>70</sup> all have vital roles to play in the delivery of affordable housing to New York City’s more than eight million residents.

**Table 7: Entities Involved in Affordable Housing Finance in New York**

Entity	Entity Description
<p><b>New York State Homes and Community Renewal (HCR)</b></p>	<p>In 2010, several programs in New York State were consolidated into HCR. Despite this, the offices within HCR maintain legal and financial separation. HCR is a cabinet-level agency, whose leader is appointed by the governor.</p> <p>HCR is now the primary entity for affordable housing financing in New York. It issues <b>4 percent and 9 percent LIHTC</b> credits,<sup>71</sup> and through its HFA, tax-exempt and taxable <b>bonds</b>,<sup>72</sup> as well as the <b>housing trust fund</b>.<sup>73</sup></p> <p>HCR also works with Neighborhood and Rural Preservation Companies (NPCs and RPCs) to preserve existing low- and moderate-income housing stock. In addition, HCR is responsible for rent regulation programs in New York City and State.</p>

**Table 8: Entity Authorities Over Key Affordable Housing Finance Functions in New York**

Entity	Allocates LIHTC Credits	Issues 9% LIHTC Credits	Issues 4% LIHTC Credits	Administers State Subsidies	Allocates Volume-Capped, Tax-Exempt Bonds	Issues Volume-Capped, Tax-Exempt Bonds	Administers Federal Block Grant Programs
New York State Homes and Community Renewal (HCR)							
New York State Division of Budget							
New York City's housing organizations (HPD, NYCHDC, NYCHA)							

 Entity administers this resource  Entity does not administer this resource

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# North Carolina's Housing Finance System

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## At a Glance

North Carolina does not have a cabinet-level housing agency. Instead, most affordable housing financing is handled by the North Carolina Housing Finance Agency (NCHFA), a self-supporting HFA governed by a 13-member board. NCHFA administers LIHTC credits, tax-exempt bonds, the National Housing Trust Fund, and HUD's HOME program. The Department of Commerce manages the CDBG program for smaller cities and counties that do not receive direct HUD allocations.

North Carolina's structure is shaped by overlapping state entities. LIHTC allocations, for example, are formally awarded by the North Carolina Tax Reform Allocation Committee (NCTRAC), while NCHFA staffs the process and administers the credits. The State Treasurer's Local Government Commission plays a parallel role in approving bonds and overseeing local government debt. Despite this fragmentation, the HFA has simplified the developer experience by syncing financing applications and timelines. Developers can apply for LIHTC, tax-exempt bonds, and block grants through a single system, with real-time feedback on eligibility, an initial submission in January, and final awards in August.

## Key Features

### **No cabinet-level housing agency**

Core functions are carried out by the North Carolina Housing Finance Agency (NCHFA), a self-supporting HFA governed by a 13-member board.

### **Streamlined developer application**

Despite a fragmented structure, NCHFA unifies LIHTC, HOME, and bond applications into a single portal with real-time feedback and a single timeline.

## North Carolina Overview

North Carolina does not have a cabinet-level housing agency. Most affordable housing financing comes from the North Carolina Housing Finance Agency (NCHFA), the state's HFA, which is a self-supporting organization governed by a 13-member board.<sup>74</sup> NCHFA administers LIHTC credits, tax-exempt bonds for affordable housing development, NHTF, and HOME.<sup>75</sup> The North Carolina Department of Commerce administers certain federal programs, including CDBG.<sup>76</sup>

## Distinguishing Features of North Carolina's System

In North Carolina, existing state structures influence the activities of the HFA and local governments in financing affordable housing. Low-Income Housing Tax Credits are allocated by the North Carolina Federal Tax Reform Allocation Committee (NCTRAC), but administered by NCHFA, which acts as staff to NCTRAC for the allocation. The commerce secretary chairs the NCTRAC, which allocates credits and volume-capped bonds for purposes ranging from energy conservation to education and housing.<sup>77</sup> Additionally, the state treasurer's Local Government Commission approves bonds and provides oversight on how local governments manage debt.<sup>78</sup>

Despite this unique structure and fragmentation, stakeholders stressed how the NCHFA has also streamlined the process for receiving block grants and LIHTC credits:

If you want both [LIHTC and HOME], you just type in another number and maybe turn in a few extra pieces of paper, that kind of thing. But it's not a separate application process.<sup>79</sup>

Though North Carolina's application is not as streamlined as Massachusetts', developers apply for tax-exempt bonds concurrently with 4 percent and 9 percent LIHTC in the same application portal. The application also informs developers in real-time about eligibility for financing and potential disqualifications.<sup>80</sup> NCHFA syncs all applications to one timeline. Developers submit an initial application in January, and after a market and feasibility analysis, they submit a full, final application by May for awards in August.<sup>81</sup>

**Table 9: Entities Involved in Affordable Housing Finance in North Carolina**

Entity	Entity Description
<b>North Carolina Housing Finance Agency (NCHFA)</b>	NCHFA, the housing finance agency in North Carolina, <sup>82</sup> is self-supporting and governed by a 13-member board. It is responsible for administering most multifamily financing programs—such as LIHTC, <sup>83</sup> tax-exempt bonds for development, NHTF, and HOME—as well as single-family financing programs. The agency has also created several state-level programs to aid in housing production and financing.
<b>North Carolina Department of Commerce</b>	North Carolina’s Department of Commerce is responsible for administering CDBG in cities that do not receive a direct appropriation from HUD. <sup>84</sup>
<b>North Carolina Federal Tax Reform Allocation Committee</b>	The North Carolina Federal Tax Reform Allocation Committee, whose chair is the state’s secretary of commerce, allocates LIHTC credits and tax-exempt bonds. The treasurer of the State of North Carolina and the executive assistant to the governor for budget management are the other two members. <sup>85</sup> Staff from NCHFA administer this program on their behalf.
<b>Local Government Commission</b>	Housed under the state treasurer’s office, the Local Government Commission approves bonds for single-family and multifamily construction. The Commission has nine members. The state treasurer is the chair, and the secretary of state, the secretary of revenue, and the state auditor are members. Three of the five additional seats are appointed by the governor, while the remaining two are appointed by the State’s General Assembly. <sup>86</sup>

**Table 10: Entity Authorities Over Key Affordable Housing Finance Functions in North Carolina**

Entity	Allocates LIHTC Credits	Issues 9% LIHTC Credits	Issues 4% LIHTC Credits	Administers State Subsidies	Allocates Volume-Capped, Tax-Exempt Bonds	Issues Volume-Capped, Tax-Exempt Bonds	Administers Federal Block Grant Programs
North Carolina Housing Finance Agency (NCHFA)							
North Carolina Department of Commerce							
North Carolina Federal Tax Reform Allocation Committee							
Local Government Commission <sup>87</sup>							

Entity administers this resource Entity does not administer this resource

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# Oregon's Housing Finance System

## At a Glance

Oregon Housing and Community Services (OHCS) is the state's housing finance agency and serves as the primary allocator of multifamily affordable housing funding. OHCS oversees LIHTC credits, issues tax-exempt bonds, and distributes federal programs such as HOME. It also manages disaster recovery, weatherization, manufactured housing, and homeownership assistance. While OHCS is not a cabinet-level agency, its director is appointed by the governor, giving the governor strong influence over housing policy. The cabinet-level Business Oregon agency separately administers CDBG for smaller jurisdictions.

In recent years, Oregon has moved to further consolidate and streamline access to housing finance. In 2024, OHCS launched the Oregon Centralized Application (ORCA), a unified portal for tax credits and bonds that allows developers to apply once and be matched with the most appropriate funding sources. ORCA has no set timeline, making it more flexible for developers. In 2025, OHCS and Governor Kotek introduced the Moderate-Income Revolving Loan (MIRL) initiative, providing 0 percent interest loans for projects serving families under 120 percent Area Median Income. Oregon also benefits from the fact that OHCS both issues bonds and serves as the “soft lender,” thanks to allocations from the Oregon Private Activity Bond Committee—reducing uncertainty for developers and increasing efficiency.

## Key Features

### Centralized role

Oregon Housing and Community Services (OHCS) serves as the state's HFA, overseeing LIHTC, tax-exempt bonds, HOME, disaster recovery, weatherization, manufactured housing, and homeownership programs.

### Governance

Led by the Oregon Housing Stability Council (appointed by the governor); the agency director is also appointed by the governor.

### ORCA system

Launched in 2024 as a unified, year-round application for tax credits and bonds, matching projects to available funding sources.

### MIRL initiative

A 0 percent interest revolving loan program (2025) for housing serving families below 120 percent AMI.

### Bond efficiency

OHCS both issues bonds and provides soft financing, streamlining coordination and reducing developer uncertainty.

## Oregon Overview

Oregon Housing and Community Services (OHCS) is the state's housing finance agency and primary allocator of all of the state's multifamily affordable housing funding. Its nine-member board, the Oregon Housing Stability Council, is appointed by the governor and confirmed by the state legislature. Though OHCS is not in the cabinet, the governor has significant control over its leadership,<sup>88</sup> as the director of OHCS is appointed by the governor.<sup>89, 90</sup>

OHCS administers LIHTC credits, issues tax-exempt bonds, and distributes federal funding through programs such as HOME. It is also responsible for disaster recovery programs, weatherization programs, manufactured housing, and homeownership assistance.<sup>91</sup> Business Oregon, a cabinet-level agency, administers CDBG for cities that do not receive direct appropriations from HUD.

## Distinguishing Features of Oregon's System

OHCS launched its Oregon Centralized Application (ORCA) in 2024, a unified application for tax credits and bonds for affordable housing financing and works directly with developers to maximize all possible funding.<sup>92</sup> ORCA allows developers to apply once and be considered for different finance sources simultaneously. ORCA uses a standards-based approach that matches projects to the most appropriate funds. The new ORCA process does not have a set timeline or due date for applications.<sup>93, 94</sup> In 2025, Governor Tina Kotek and OHCS announced a new Moderate-Income Revolving Loan (MIRL) initiative that provides 0 percent interest loans for the construction of affordable housing.<sup>95</sup> This loan finances buildings that house families below 120 percent AMI.<sup>96</sup>

The Oregon Private Activity Bond Committee allocates tax-exempt bonds. A substantial portion are allocated to OHCS, which issues the bonds. This allows OHCS broad discretion over the best use for bonds. One stakeholder noted that this leads to operational efficiencies and reduced uncertainty for developers:

Oregon [has] a consolidated housing agency, where the soft lender and the bond allocation agency are one in the same, and they're not split up between different agencies... Given where construction costs are, given volatility on the interest rate market, we have to look at enhanced coordination between the soft lenders and the bond allocation agency.<sup>97</sup>

**Table 11: Entities Involved in Affordable Housing Finance in Oregon**

Entity	Entity Description
<p><b>Oregon Housing and Community Services (OHCS)</b></p>	<p>As the state’s HFA, Oregon Housing and Community Services is involved in single-family and multifamily financing throughout the state.</p> <p>OHCS administers many federal finance programs for affordable housing, including <b>LIHTC</b> (both 4 percent and 9 percent credits),<sup>98</sup> <b>tax-exempt bonds</b>,<sup>99</sup> and <b>HOME</b>.<sup>100</sup></p> <p>The executive director is appointed by the governor, but the department is not part of the cabinet in the traditional sense. Its nine-member board, the Oregon Housing Stability Council, is appointed by the governor and confirmed by the state legislature.</p> <p>In addition to housing production programs, OHCS administers <b>programs</b><sup>101</sup> for disaster recovery, energy, and preventing homelessness.</p>
<p><b>Business Oregon</b></p>	<p>Business Oregon is a cabinet-level department responsible for a <b>large variety of state grants and programs</b>,<sup>102</sup> including several initiatives related to housing. In 2024, Business Oregon was allocated <b>\$95 million</b><sup>103</sup> from Oregon’s General Fund for housing construction statewide. It also administers programs that promote <b>brownfield development</b><sup>104</sup> and has a dedicated <b>Housing Infrastructure Support Fund</b>.<sup>105</sup></p> <p>Business Oregon administers <b>CDBG</b> for the non-metropolitan cities and counties in rural Oregon, while cities and certain tribes receive funds directly from HUD.<sup>106</sup></p>

**Table 12: Entity Authorities Over Key Affordable Housing Finance Functions in Oregon**

Entity	Allocates LIHTC Credits	Issues 9% LIHTC Credits	Issues 4% LIHTC Credits	Administers State Subsidies	Allocates Volume-Capped, Tax-Exempt Bonds	Issues Volume-Capped, Tax-Exempt Bonds	Administers Federal Block Grant Programs
Oregon Housing and Community Services (OHCS)							
Business Oregon							
Oregon Private Activity Bond Committee							

Entity administers this resource Entity does not administer this resource

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## Summary

The case study states vary in terms of how centralized and streamlined their affordable housing finance systems are. They all have consolidated governance and/or undertaken process improvements to create a more seamless experience for developers and owners that interact with the State. For example, most states have in place a unified application process, a consolidated RFP, and/or a coordinated approach to asset management and monitoring. Massachusetts, Minnesota, North Carolina, and Oregon have all adopted a “one-stop shop,” which stakeholders lauded as an effective solution to improving efficiencies at the front end, and the unified Oregon Centralized Application (ORCA) process simplifies the funding application process for developers.

Additionally, several states have undertaken recent reforms to better coordinate or integrate their housing finance systems under a more consolidated leadership structure. For example, Massachusetts recently consolidated several core housing functions into the Executive Office of Housing and Livable Communities, assuming all of the powers of the former Department of Housing and Community Development and establishing a new cabinet-level housing secretary. At the same time, the state created the Executive Office of Economic Development, led by the secretary of economic development, to focus on local and regional economic development. The decision to create these offices and assign them two highly focused secretariats helped to clarify responsibilities.<sup>107</sup> New York State also created the cabinet-level Homes and Community Renewal department in 2010, consolidating the state’s myriad housing and community renewal programs into one agency in an effort to streamline inefficiencies and reduce administrative costs.

## Interview Findings

The semi-structured interviews with stakeholders—which included developers, state agency staff, tax credit syndicators, and policy experts—centered on understanding their perceptions of 1) how fragmentation in existing housing governance systems impacts the development and finance of affordable housing; and 2) the ingredients that can make accessing affordable housing finance and working with state agencies through the underwriting, closing, financing, compliance, and monitoring process comparatively easier. The following section describes the high-level themes that emerged from these interviews.

### Challenges with Fragmentation

***Fragmentation negatively impacts the delivery and financing of affordable housing.***

Stakeholders widely agreed that separate agencies administering different pots of money can add uncertainty to the development process and impact project underwriting. For instance, when developers are required to secure gap financing before applying for tax credits, mismatched funding cycles across separate housing agencies can result in greater uncertainty about whether a project will get funded or not and can delay the time to get to construction. In some instances, developers secure temporary debt commitments they do not intend to use just to meet requirements.

As one affordable housing developer with experience working across the United States explained:

Sometimes a state agency, a tax credit allocator will be like, ‘You gotta have all your soft debt [gap financing] ready. You can’t apply for credits until all your soft debt’s available.’ And you show you have a feasible deal. But then a State will change their cycle, and some program over here doesn’t award till over here, so you can’t get your soft debt committed unless you’re going to carry it for a year waiting... What some people do is they get debt commitments that they don’t plan on closing on, just to show the State, ‘Oh yeah, I have a deal that works.’ But then afterward, they’ll get other resources and get rid of the ones that they were sort of showing to make the deal look like it worked. That kind of gamesmanship that you end up playing isn’t productive.<sup>108</sup>

In addition, the time that it takes to assemble additional financing can add carrying costs. A stakeholder who has experience working in New York and California explained:

In the time it takes to cobble together all the money, your costs are escalating in California. Might be like 1 percent per month, so 12 percent per year. A \$40 million project increasing by 12 percent is \$48 million. So, all of a sudden, that’s \$8 million more that you’ve got to raise. So, all this time equates to escalation for the subs. And you know, interest rates go up

and down, but sub pricing only goes up. And it makes closing these gaps really, really challenging.<sup>109</sup>

These interviews underscore that inefficiencies from a lack of coordination can introduce financial strain and make closing funding gaps considerably more challenging for affordable housing developers.

***Fragmentation can result in duplicative or competing funding requirements.***

In competitive markets, affordable housing developers often need to meet all the requirements for different subsidy programs in order to be competitive for funding. State agencies will frequently require that projects receiving funding meet adjacent policy goals. For instance, a state agency that prioritizes climate resilience might require that affordable housing developers implement sustainability features in their projects. Stakeholders, however, were universally critical of states where different programs have competing or duplicative requirements. One interviewee, a bond attorney, explained the challenges of working across different programs with different requirements in California:

HCD [The California Department of Housing and Community Development] says the toothbrush holder has to be on the left side of the counter. And Los Angeles says it has to be on the right side of the counter. And you’re like, ‘What do I do now?’ I mean, that’s a silly example, but that’s the kind of [things that happen]... And I think a lot of what these affordable housing developers do is they try to cobble

together funding sources and then create a project that checks all the boxes for the different funding sources.<sup>110</sup>

## **Ingredients for Success**

### ***A one-stop shop solution can streamline the process of applying for and financing affordable housing.***

Stakeholders largely agreed on the value of a one-stop shop solution, or a unified award process in which there is a single application process for affordable housing subsidy resources and one ranking system.<sup>111</sup> Stakeholders described how the unpredictability of applying for financing in states without a one-stop shop introduces a host of uncertainties that can fundamentally change project underwriting. For instance, one developer in California explained:

In Arizona and most other places...the agency that issues the credits is usually the agency that issues the bonds, and is usually the agency that issues the soft funding and administers the state tax credits. They have an infrastructure in place... and so it's a more efficient process.<sup>112</sup>

While stakeholders were largely supportive of the one-stop shop solution, some interviewees acknowledged that smaller developers could have a hard time transitioning to a new system. One developer explained:

Folks [smaller developers] are scared of any change... Predictability is how we all operate.

We have a whole industry around tax credits, right? Is that the most efficient way for us to build affordable housing? No, but we all know how to do it, right?

### ***A clear and consistent policy vision can reduce uncertainty for developers.***

When a state's housing priorities are aligned and it maintains stable funding strategies, developers can plan and execute projects more efficiently, avoiding the delays and unpredictability that can come with shifting policy priorities. For instance, one stakeholder with experience working on affordable housing deals across the United States explained:

States that have clarity as to what they're doing—and it's stable for a period of years—then the developers know what they're doing, and they start producing deals that are responsive to those priorities. If that's consistent for a period of time, then you end up with more deals tuned to what the funders want to do. And developers are able to move their deals responsive to those priorities through the chute faster.<sup>113</sup>

### ***Strong leadership is instrumental to encouraging interagency collaboration and reducing bureaucratic silos.***

Stakeholders further noted that strong staff leadership is instrumental to establishing this shared vision, encouraging intra- and inter-agency collaboration and reducing

bureaucratic silos. As one developer succinctly shared, “There’s structure, and then there’s leadership.” Another affordable housing developer with expertise working across multiple states added:

I tend to also have a philosophy that a lot of it comes down to the human-level leadership in how effective things are. So, there’s been high points of really effective coordination, even as separate agencies. There have been lower points of coordination, and I think those come down to who’s coordinating. In some cases, whether from a specific policy basis, people are being told to prioritize different work.<sup>114</sup>

Interviewees stressed that leadership’s willingness to adapt to changing circumstances is also a function of the “culture” of the bureaucracy, including the degree to which agency staff are willing to listen to feedback, in particular from the developer community about what processes are or are not working.

***Consolidation can produce significant benefits, but there are also some concerns.***

Many stakeholders noted that consolidating housing functions into a single agency can produce significant benefits, arguing that it can help improve coordination across disparate housing departments and streamline administrative inefficiencies. Interviewees noted that whether different housing agencies report “to the same boss” can play a role in whether different state entities have a shared policy vision and therefore, how easy it is to work with the State. While

Massachusetts has several housing agencies, as previously noted, these agencies all report to the same housing secretary. According to one stakeholder, this structure means that there is “unified political leadership at a certain level that is very different than the California dynamic,” where separate housing agencies report to different constitutional officers. To further illustrate this point, the interviewee added:

The one program that doesn’t work very well in Massachusetts is their state historic tax credit program... That’s because it’s administered by the secretary of state instead of the governor’s office. And that’s an elected position... just like in California, where you have different constitutional officers with their own elected power base.<sup>115</sup>

Further, some stakeholders noted that the fragmented nature of the affordable housing finance system can penalize emerging and underrepresented developers, particularly BIPOC and female developers. Interviewees noted that navigating complex state systems adds to the already high barrier to entry in the affordable housing field. For instance, a state official from Minnesota explained that the Consolidated RFP, which allows developers to apply for multifamily housing funding in a single application process, simplifies the process and thereby benefits emerging developers:

But the reason that we structure it [the Consolidated RFP] that way, besides to try to reduce the cost burden, is trying to get newer developers, emerging developers, developers that identify as Indigenous or people of color or Black or

women-owned businesses that are just starting off. And even though there is complexity within the application process, where can we still reduce some of that complexity and cost so that they still have the ability to apply?<sup>116</sup>

However, some stakeholders noted that a collaborative culture has the potential to overcome challenges related to structural fragmentation. Stakeholders frequently pointed to states like Massachusetts, where multiple agencies administer different funding sources, as an example of a state that coordinates well across agencies, despite not having one entity undertake all housing functions. As one interviewee pointed out:

If it were all one agency, you wouldn't even have to think about [that]. But, there's still going to be different people administering the programs, most likely, so you would still need to have that kind of internal collaboration. So, I don't think it's inherently problematic to have [funding] administered by different agencies... The two agencies have to get along. And the staff at those agencies have to get along.<sup>117</sup>

Stakeholders further noted that one of the disadvantages of centralizing all functions within a single agency is that a centralized system can be vulnerable to leadership that is weak or does not prioritize housing. For instance, one affordable housing developer in Massachusetts explained:

If you have one agency doing everything, if that agency is not working well, the system is really

broken, there's no one to put political pressure on them. But, if you've got two or three agencies working on housing and different access to state and local money, mostly state money, then there's a little bit more ways to advocate for improvements at an agency.<sup>118</sup>

These results indicate that consolidation is often helpful but insufficient; strong staff capacity matters too.

## Recommendations

### **Consolidate core housing functions.**

States looking to reform their governance structures should consider bringing as many housing functions under one roof as possible. While achieving greater customer service and collaboration in a fragmented system is not impossible, states taking a single agency approach may be able to achieve greater coordination and articulate a more unified housing vision. It is important to note that for consolidation to be successful, entities may need to relinquish some degree of control in order to streamline decisionmaking authority. However there are many upsides to successful consolidation. Done right, effective governance translates over time into lower costs, faster execution, and higher stakeholder confidence.

Indeed, various states across the country are in the process of evaluating or implementing a reorganization of their state housing functions. For example, in 2024, Rhode Island's Department of Housing developed its Housing Organizational

Plan, which reviews and assesses the state’s housing functions. The plan calls for various structural changes, including streamlining funding and consolidating resources across agencies, with the broader goal of clarifying responsibilities across the state’s various housing entities.<sup>119</sup> And in California, Governor Gavin Newsom recently enacted a reorganization plan to better coordinate the state’s housing and homelessness efforts under the governor’s purview by creating a standalone California Housing and Homelessness Agency.<sup>120</sup> While having multiple departments within one agency doesn’t guarantee a more streamlined process, it can be a step in the right direction. As states consider how to optimally organize their housing functions, findings indicate that a more consolidated, structurally integrated approach could help streamline the customer experience for affordable housing developers and better maximize the use of public resources.

### **Invest in staff and systems that foster a culture focused on problem-solving and customer service.**

Stakeholder interviews indicated that good governance cannot be reduced to organizational structures alone; strong leadership and fostering a staff culture of collaboration are instrumental to encouraging greater coordination and efficiency in administering financial resources. States wanting to reform or overhaul their governance systems should look to states such as New York, which, following reorganization efforts, has implemented staff cross-training programs to break down bureaucratic silos and expand expertise across different housing domains. Over time, investing in staff will help build greater capacity and foster a culture focused on problem-solving and collaboration. Investments in staff capacity should be paired with

investments in data and information technology systems to provide the necessary information to ensure that processes run smoothly.

### **Create unified processes and system goals.**

States should also create unified processes—such as one-stop shop solutions, common regulatory documents, and integrated asset management frameworks. Not only do these processes improve the customer experience for developers, but states with a unified process will better be able to articulate statewide system goals. States should look to the consolidated application processes implemented in Minnesota (the Consolidated RFP) and Massachusetts (MassDocs)—which have successfully reduced the complexity of applying for funding and have made navigating the affordable housing finance system easier for developers—as blueprints for improving coordination within their own systems.

## **Conclusion**

This report examines how different states across the country structure the governance of their affordable housing finance systems, with the goal of uplifting best practices. Our findings indicate that several states have undertaken reforms to consolidate their housing functions, either through administrative processes or organizational restructuring. While reducing organizational fragmentation offers greater efficiency and coordination, it is equally important to invest in well-trained, high-capacity staff who embrace collaboration. These findings indicate that states should consider how to adopt a more integrated governance model that prioritizes collaboration to streamline the application process and accelerate the delivery of critically needed affordable housing.

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The Turner Center formulates bold strategies to house families from all walks of life in vibrant, sustainable, and affordable homes and communities. Our focus is on generating constructive, practical strategies for public policy makers and innovative tools for private sector partners to achieve better results for families and communities. The Turner Center is housed within the College of Environmental Design at the University of California, Berkeley.

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