12/8/23 Barriers Working Group Summary

The Barriers to Affordable Housing Development working group met and heard a presentation from Matthew Robayna, Senior Project Manager at WinnDevelopment, concerning difficulties associated with financing affordable housing projects.

Barriers Identified:

Capital Stack:

i. Reliance on multiple funding streams, typically a mix of federal, state, and potentially municipal grants and loans, results in developers having to comply with many authorities' requirements. This results in unnecessary complexity and slows down projects.
ii. This could potentially be solved by creating a universal application for state agencies. Massachusetts successfully implemented a program doing this.

Market Factors:

i. Costs associated with development, as well as limited funding options, result in untenable projects.

Property Tax Assessment:

i. Municipalities are currently unable to enter into agreements allowing fixed tax rates with developers. The only universal option available municipally is a 10-year tax abatement program. Due to the long time required for a return on affordable developments, a ten-year abatement is typically not long enough to be economically feasible for developers.
ii. This could be solved by allowing municipalities to enter into either fixed-tax-rate agreements or by allowing them to base taxes on net income. This would result in more affordable projects being economically feasible and would make these projects more appealing to investors due to stable expenses.
iii. Despite having higher operating costs, affordable developments are often assessed as having the same costs as market-rate developments. This results in a higher percent of net income being paid in taxes. Specific guidelines concerning affordable-development tax assessments could result in more manageable tax payments.