

## Lowering the Cost of Developing Affordable Rental Housing

### DISCUSSION LEADER

*Michael A. Spotts, Senior Policy Analyst  
Enterprise Community Partners*

### DISCUSSION SUMMARY

Enterprise Community Partners (Enterprise) and the Urban Land Institute Terwilliger Center for Housing (ULI) hosted a table discussion on Lowering the Cost of Developing Affordable Rental Housing. This discussion was the public launch of our new joint research project on this subject. Our goal is to move towards a more efficient and lower cost affordable rental housing delivery system. This informative discussion among developers and funders highlighted some of the systemic problems with how affordable housing is financed, including the necessity of multiple financing sources for each deal, project/unit size and design, and parking requirements. The conversation also included best practices and potential solutions, including coordination between government entities, mixed income projects, and utilization of manufactured housing construction methods.

Moving forward, Enterprise and ULI will engage developers, funders, state and local government entities, investors and academics on this subject. We will also conduct an analysis of program rules, regulations and project level data, as well as market-level research. We expect to publish our findings and recommendations next spring.

### LEARN MORE

Contact Michael Spotts at [mspotts@enterprisecommunity.org](mailto:mspotts@enterprisecommunity.org) for more information on this effort.



## Lowering the Cost of Developing and Preserving Affordable Rental Housing

Enterprise Community Partners (Enterprise) and the ULI Terwilliger Center for Housing (Terwilliger Center) have recently launched a new joint research project to examine the various factors that impact the cost of affordable rental housing projects and develop policy recommendations for developers, financiers, and policymakers. The goal of the research is to provide actionable recommendations for cost reductions that can be shared with practitioners and policymakers and move towards a more efficient and lower cost affordable rental housing delivery system.

### PROBLEM STATEMENT

Tackling the question of how to lower the cost of developing long-term affordable rental housing has important financial and political implications. As federal subsidy sources come under threat, either specifically targeted as being wasteful of taxpayer dollars or as part of a general retrenchment in support for tax expenditures or tax code simplification, identifying opportunities to lower the cost of providing affordable homes is increasingly necessary. This research is potentially of interest not only to the development community but also to policymakers at all levels of government. In particular, the output of this research will be useful for local and state government officials seeking the more efficient use of scarce resources.

Cost drivers take many forms and research is warranted to disentangle the various drivers of those costs. Development costs may be dictated by site constraints, design elements, local land use and zoning restrictions, building codes, delays in the development process, efforts to reduce long-term operating costs and the affordable housing finance system. Most affordable developments rely on multiple funding streams, both equity and debt, each of which carry their own sets of requirements and compliance costs. While there may be some alignment of affordable housing land use regulations, financing tools or programs, far too often developers must seek a complex series of approvals or obtain waivers to bring a project to fruition. This process alone can introduce costs through delays to the development timeline as well as introduce additional uncertainty and risk, which in addition to regulatory barriers, can also increase costs.

While there is a rich literature on regulatory barriers to affordability, much of that literature focuses on specific elements of constraint related to land use and zoning, process delays, and building codes; while relatively little work has been done to examine how all of these issues, along with financing, interact with and impact affordable housing development.

### RESEARCH PROJECT DESCRIPTION

Enterprise and the ULI Terwilliger Center will produce a research synthesis that clearly lays out for policy makers and practitioners alike what the current drivers of cost are that stem from project finance rules and federal, state and local regulatory barriers. In conducting this research, Enterprise and the Terwilliger Center will convene focus groups throughout the country to engage developers, state and local government entities, investors and academics. We will also conduct an analysis of program rules, regulations and project-level data. Further analysis will be conducted in 5-10 markets, varying by geography, market strength, and other factors. Through this market-level research we intend to identify best practices, pitfalls to be avoided, and recommendations for policy changes. We expect the final report to be released in Spring 2013.

### QUESTIONS

For more information about this initiative, please contact **Andrew Jakobovics**, senior director for policy development and research, Enterprise Community Partners ([ajakabovics@enterprisecommunity.org](mailto:ajakabovics@enterprisecommunity.org)) or **Sandra Robles**, research director, ULI Terwilliger Center for Housing. ([sandra.robles@uli.org](mailto:sandra.robles@uli.org)).