

# Housing Affordability in the US: Market Rate vs Affordable – Where are the Opportunities?

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## Moderator

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## Panelists

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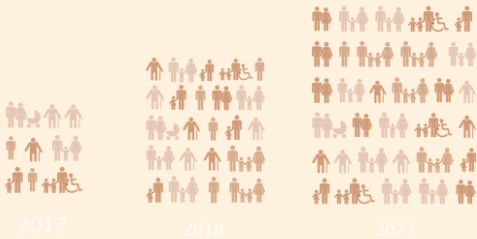
# State of Affordable Housing in the U.S.

**50%**  
of renters are  
cost burdened

**1 in 3**  
homeowners  
struggle with  
housing costs

**7.3MM**  
affordable rental  
shortage across  
the U.S.

**Housing shortage doubled in the last 10 years**



**Growing  
demand**

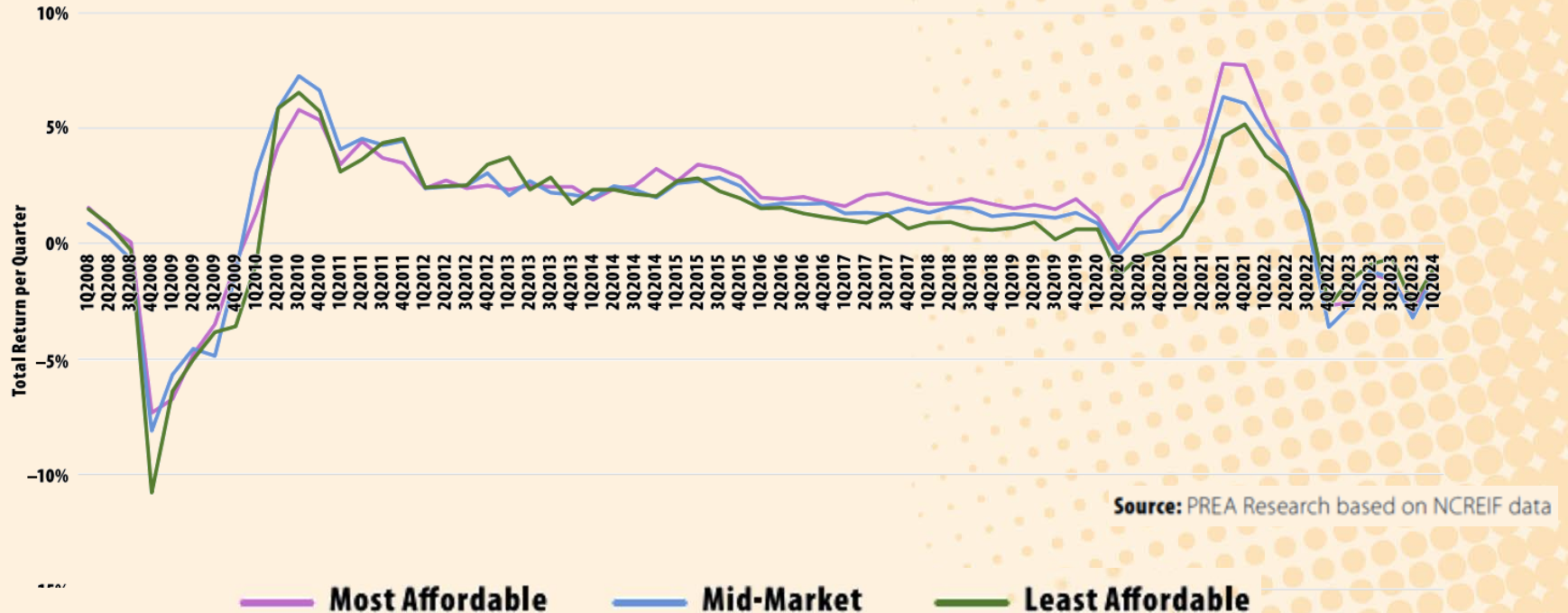
**Fewer rental units maintained at affordable prices**

**Shrinking  
supply**



# The Affordable Rental Housing Sector has Outperformed with Lower Risk

Exhibit 1: Multifamily Returns by Affordability



The “most affordable” segment had an average quarterly return of 1.64% from Q1 2008 to Q1 2024 compared to 1.42% for “mid-market” and 1.06% for the “least affordable” properties.

# Combining Multiple Programs & Creative Zoning



One Building

2 HUD New Construction Loans

Market Rate & 100% Affordable

- Modeled after “Twinning” used for 4%/9% deals
- Market HUD Loan –The DSCR loan is just over \$125MM at a 1.176x DSCR
- Affordable HUD Loan –\$8MM. The DSCR loan is \$17.5MM. The DSCR is 2.52x. 4% LIHTC Equity & Tax Exempt Bonds
- Garage, Amenity, and Commercial Space – owned by Market Rate Owner with Amenity Fee and Agreement to Affordable Owner

# Combining Multiple Programs & Creative Zoning

## Density Bonus and Zoning Approvals

- Affect on Market Rate deal
- Subordinations not always possible

## Collaborate with traditional and non-traditional partners

- Loan Purchasers, GNMA investors & EBL lenders
- Labor Requirements (Davis Bacon Wages, Union Labor)
- Workforce Housing & employment within County in exchange for Ground Lease from the City

## Affordable Loan Substitution after Final Endorsement

- Agency requirements and regulatory interplay between each

# Exploring Alternative Housing Models—Modular Housing



Modular housing is a construction method where the project is built in sections (modules) in a factory and then transported to the construction site and installed on-site to the foundation.

# Advantages

- **SPEED:** Concurrent off-site and on-site activities reduce the speed to market by 40-50%
- **COST:** Offsite control makes hard costs easier to predict and manage with 20-40% savings
- **QUALITY:** A climate-controlled factory environment is more precise and protected from the elements
- **SUSTAINABILITY:** Less environmental impact with 40% less waste and a more energy efficient, green build
- **SAFETY:** Offsite production mitigates risks with safety precautions unavailable in the field
- **NEIGHBORLY:** Fewer semis, people, traffic, trash, noise and less time onsite means less disruptions

# Challenges

- BRIDGE LOAN: Financing option to cover the gap between construction and permanent financing
- OFFSITE STORAGE: HUD requires modular housing to be delivered onsite before draw approval, or a waiver must be obtained for an agreed offsite location
- DISTANCE TO SITE: Proximity of the storage location to the construction site
- INSURANCE FOR MODULAR BRIDGE LOAN: Coverage required to protect the investment during the bridge loan period
- DISBURSEMENT SCHEDULE: Timeline and conditions for releasing funds during the project
- NO ADVANCE FUNDING FOR INITIAL DEPOSITS: Initial deposits must be funded without advance disbursements from the loan



# HUD/Agency Financing Programs

- 221(d)(4) CONSTRUCTION LOAN ADVANTAGES: Non-Recourse, No Personal Guarantees, Low Interest Rate, Construction to Perm for 40-yr Amortization. LTV High: 85%, 87%, or 90% depending upon affordability of project
- 223(f) REFINANCE LOAN ADVANTAGES: Refi within 3 months of stabilization & achieved DSC ratio threshold
- MORTGAGE INSURANCE PREMIUM (MIP): Significantly reduced if HUD approved Green Certification obtained
- AGENCY: Fannie/Freddie financing available once built & stabilized, no construction financing available