

Challenges Facing Affordable Housing Developers From Underserved Communities

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Developers who serve underserved communities often encounter barriers in the affordable housing field. Developers that we've spoken to have identified the following as areas in which they've encountered obstacles.

Capacity

- Some of the skills required by development can only be acquired & developed through extended time in the field. After deciding to enter the development sphere, developers still need to spend time understanding the ins and outs of the industry before being able to work at their full capacity.
- Those entering the affordable housing development field are faced with an extremely steep learning curve due to the specificity of the requirements that must be met to receive funding: this applies not only to developers, but also architects, lawyers, contractors, and other personnel a developer works with. Developers from underserved communities who are new to the field often either lack the connections to personnel with experience in the field or work with personnel who are new to the space as well, presenting a further obstacle to getting started with projects.
- As the expertise of developers expands, so too will their agencies. Creating a realistic strategic plan and timeline to guide and manage the growth of both individual projects and the company at large is crucial to the continued success of their efforts.
- As developers take on more projects, their balance sheets become more complex and difficult to manage. Learning how to juggle the finances of multiple projects is important to ensure that developers can continue to manage their growing agencies.
- As an agency grows, staffing rearrangement is often necessary. How best to organize and manage development staff is another skill that emerging developers must learn as they gain expertise.

Funding

- Lenders are more reluctant to provide funding for projects led by less-experienced developers, putting developers from underserved communities at a disadvantage in terms of the scope of the projects they can pursue and the speed with which they can begin to do so.
- Developers serving underserved communities may partner with faith-based organizations in pursuit of their projects. Due to a reluctance to be forced to recover a loan with ties to a faith-based organization should complications arise, such partnerships may discourage lenders from providing loans.

Networking

- In development, knowing the right people can get you far. Developers who are relatively new to the field don't have the connections to funding sources and other partners which help experienced developers succeed and excel in the field.

Marketing

- Marketing to funders and partners is crucial to a developer's success; emerging developers may struggle to maintain the frequency of marketing necessary to keep these entities adequately engaged.
- Emerging developers may also lack the resources to undertake the specific tailoring of messaging required to communicate their projects accurately to varying audiences.
- For a developer, pitch decks representing their company or individual projects are crucial to effectively explain their mission. With limited means, emerging developers are less likely to be able to assemble these resources.
- What sets many developers from underserved communities apart from the rest in the industry are their stories: their backgrounds, their missions, and the communities and people they're striving to serve. It's important to tell these stories in a way that helps partners in the field understand the unique abilities that these developers have that allow them to best serve underserved communities.

Structural Challenges

- Developers from underserved communities are more likely to pursue projects of a smaller scale than more experienced developers due to their lack of access to expertise and capital.
- Larger projects benefit from economies of scale: the more units are available, the more the limits on revenues imposed by supportive low-income tenants are diluted and the more low-income tenants the project can support.
- Further, some of the communities that developers are looking to serve don't have the housing vouchers that would be necessary to close the revenue gap and make a project serving extremely low-income renters financially viable.
- As a result, developers serving underserved communities whose goal is to support underserved communities with tenants of extremely low incomes just can't do so due to the smaller size of the projects they are able to take on and the resulting financial limitations of the project.