



Kathy Beyer,  
SVP Real Estate Development

# Affordable Rental Housing Finance

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Investing in communities. Building possibilities.

*Bay Ridge - Shelburne*

# The Basics

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- Debt and its role in affordable housing
- Market rate developers are very good at building market rate housing
- To achieve affordable rents, debt needs to be replaced with equity or soft sources.



# Comparing Market Rate vs. Affordable

## Market Rate Rental – Monthly Rent, 2BR

\$3,000	Heat included in rent
\$200	Property taxes & insurance
\$500	Operating costs
\$2,300	Amount of rent available for debt service
\$322	Permanent lenders requirement for cash flow exceeding debt service
\$1,978	Amount of rent available for debt service
\$255,000	Permanent debt per unit, 20 year amortization, 7%

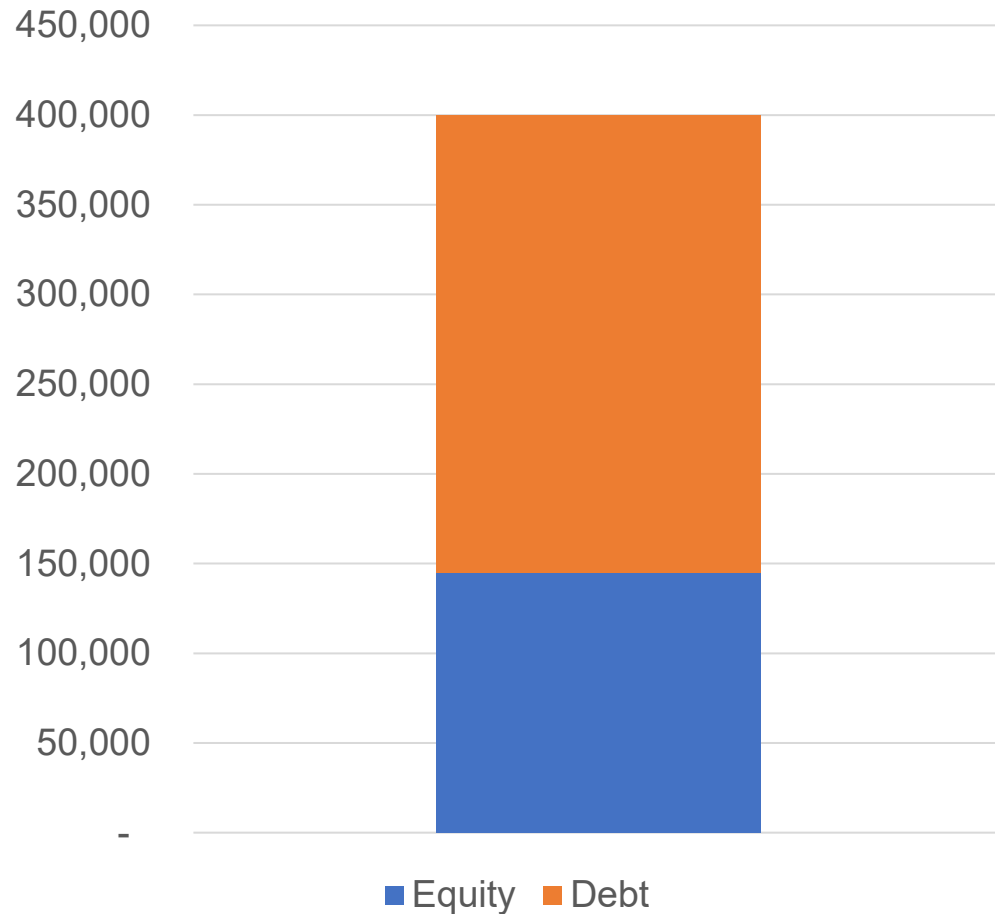
## Affordable Rental – Monthly Rent, 2BR, 60% rent, Windsor County

\$1,357	Heat included in rent
\$200	Property taxes & insurance
\$500	Operating costs
\$657	Amount of rent available for debt service
\$92	Permanent lenders requirement for cash flow exceeding debt service
\$565	Amount of rent available for debt service
\$73,000	Permanent debt per unit, 20 year amortization, 7%

# Market Rate Capital Stack Per Unit

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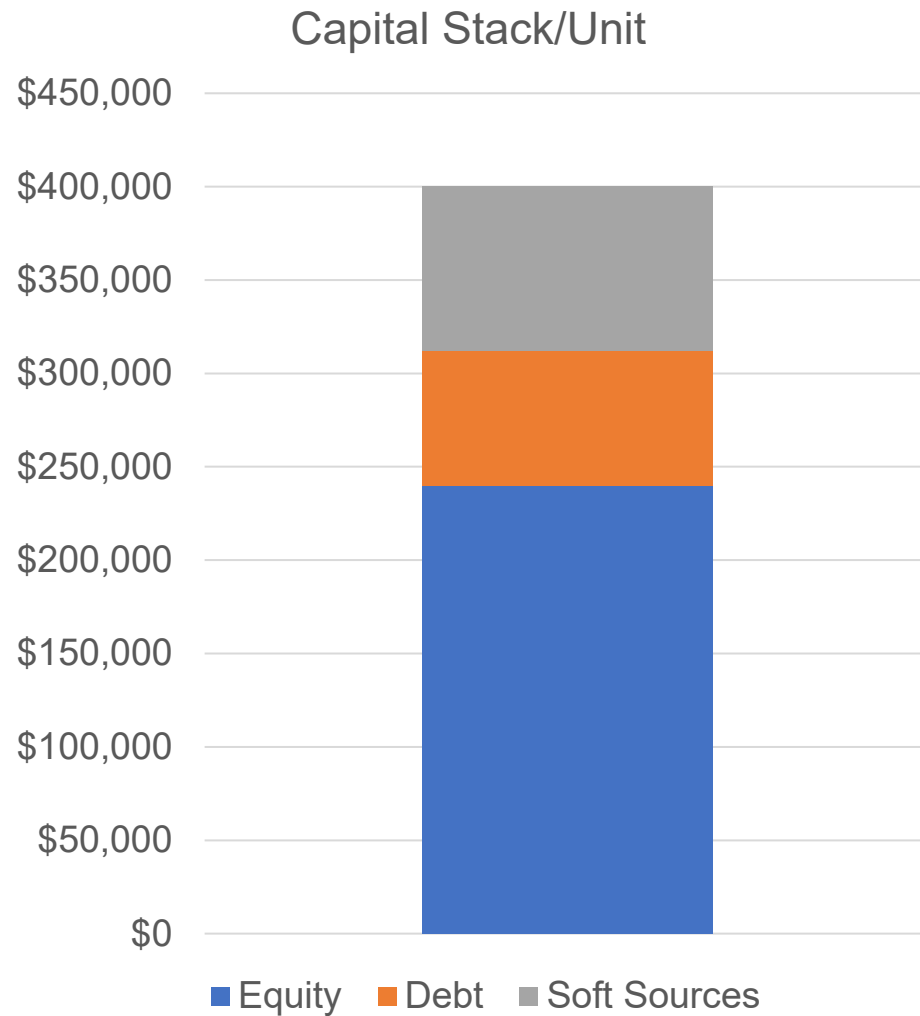
Capital Stack/Unit



## Equity Return on Investment

- Cash flow from rents
- Tax depreciation
- Increasing rents leads to asset appreciation
- Cashflow at backend from sale of property

# Affordable Capital Stack Per Unit



## Equity Return on Investment

- ~~Cash flow from rents~~
- Tax depreciation
- ~~Increasing rents leads to asset appreciation~~
- ~~Cashflow at backend from sale of property~~
- LIHTC, 10 years

# Typical Tax Credit Partnership



**vhfa**  
Vermont Housing Finance Agency



Tax Credit  
Allocation



**Main Street  
Development, LLC**

Tax Credit  
Allocation



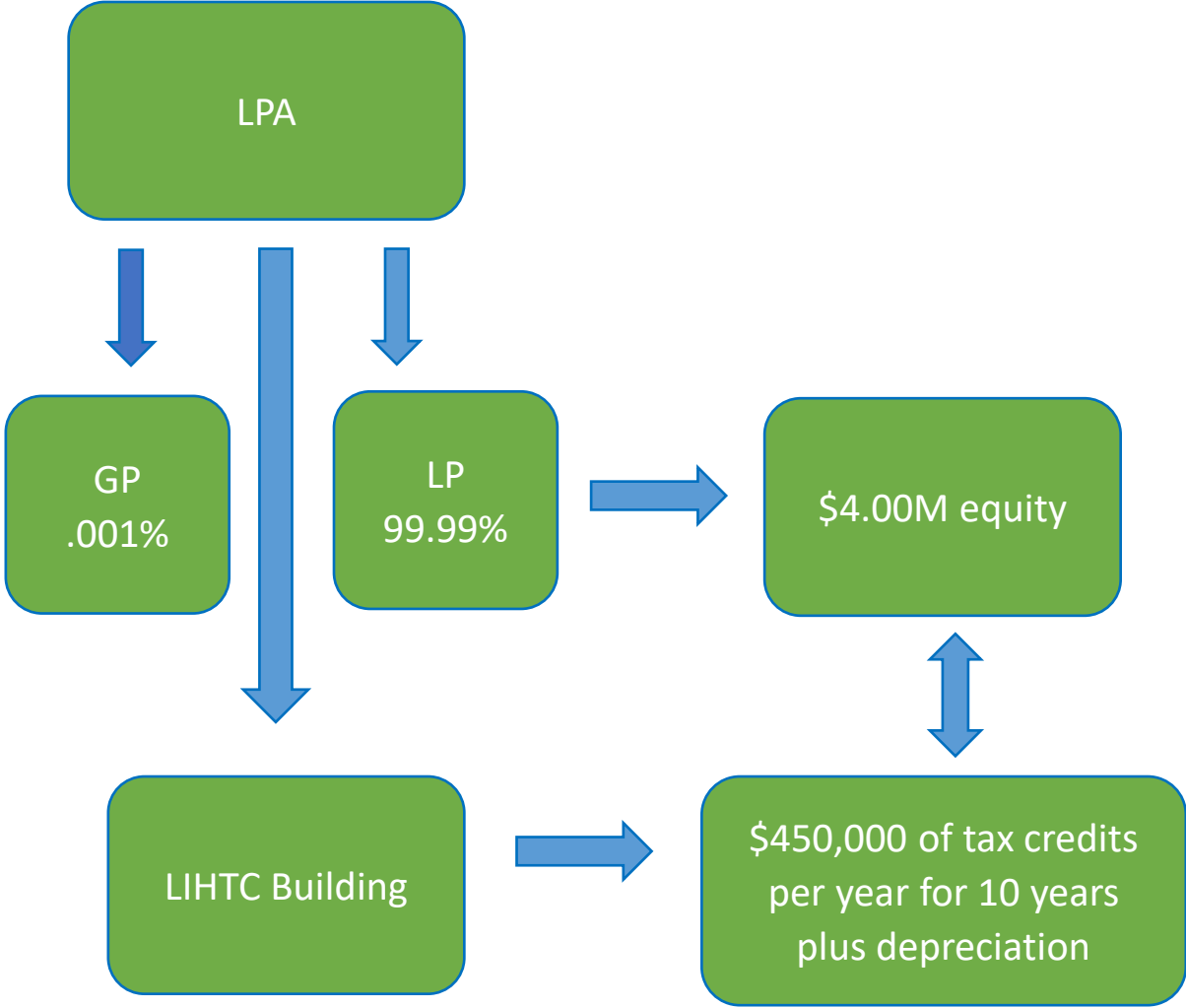
\$ Equity \$



**Tax Credit Investor**

# Typical Tax Credit Partnership

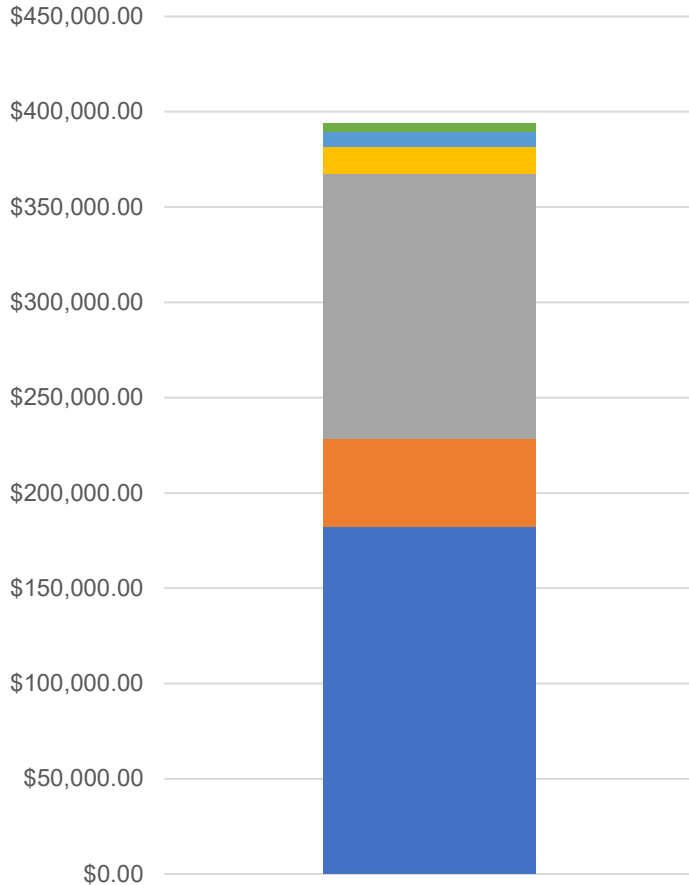
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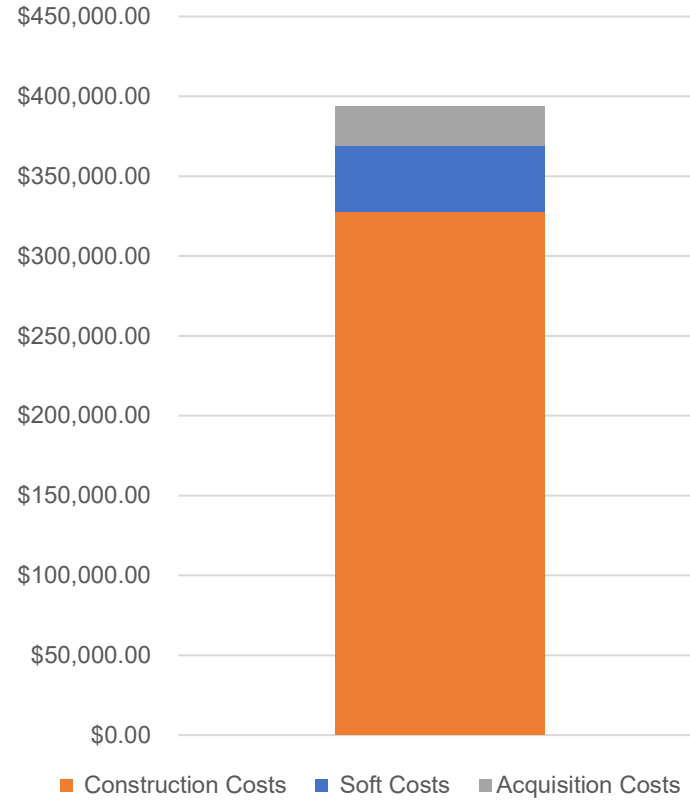
# 9% LIHTC – Riverwalk Apartments

9% Credit \$892,000

Capital Stack/Unit



Use of Funds/Unit



- Private Equity
- Upper Valley Loan Fund
- VHCB ARPA - deferred loan
- HOME - deferred loan
- VHCB Trust - deferred loan
- ACCD

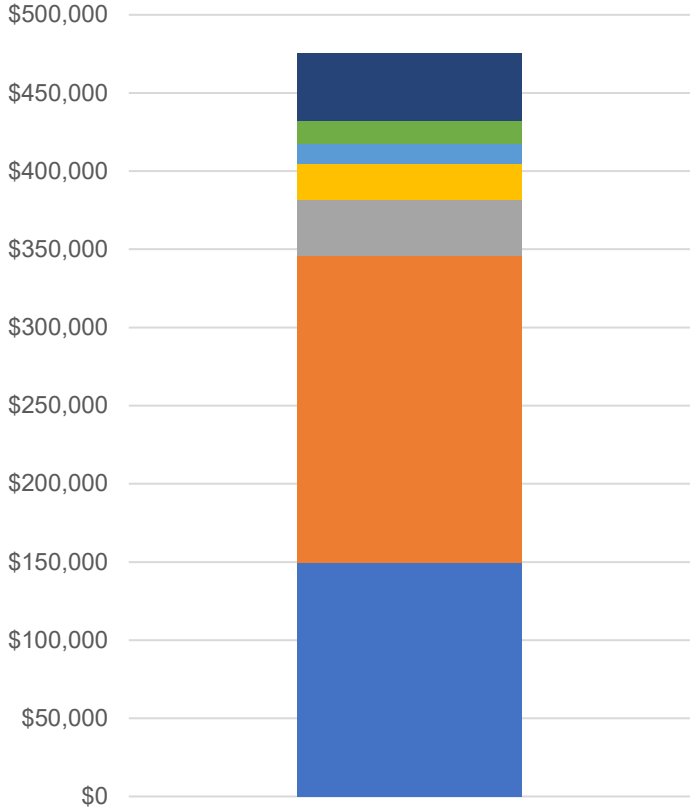




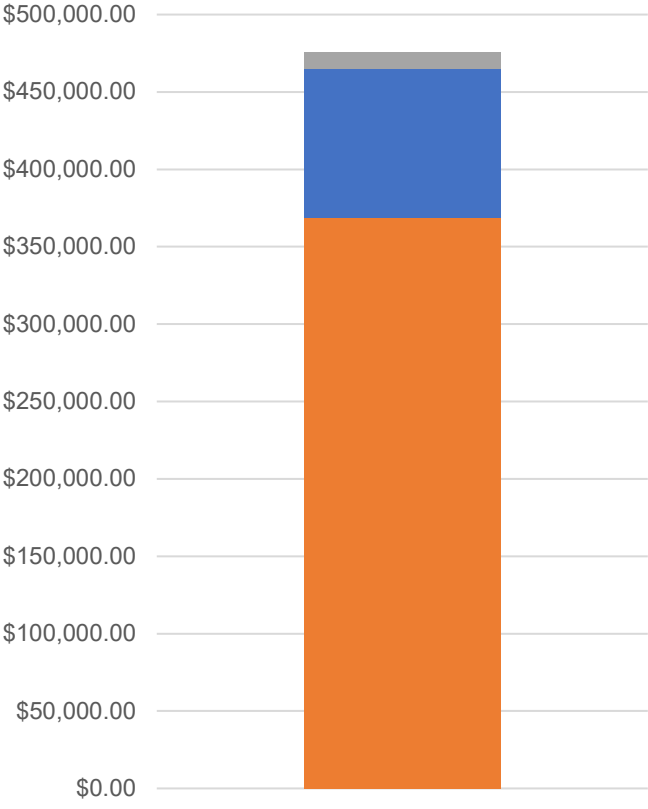
# 4% LIHTC – Kelley’s Field II

4% Credit \$487,000

Capital Stack/Unit



Use of Funds/Unit



- Other
- VHFA - VHIF
- VCDP - deferred loan
- Perm Loan
- NHTF - deferred loan
- VHCBA-ARPA - deferred loan
- Private Equity

- Construction Costs
- Soft Costs
- Acquisition Costs





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