

Why It's So Hard to Build Affordable Housing, in One Chart

It costs **\$400,000 on average** to build an affordable housing unit in Hawaii, and that's when the land is free. Assembling that money is difficult: It can take eight years or more to arrange financing before construction starts. Here's why:

“Gap Funding”

Federal tax credits and rents do not cover the cost of building and maintaining affordable housing. The rest must be made up by "gap funding": private grants and state or city government subsidies (shown in red). There's never enough available, and assembling what is available can take years.

Federal Tax Credits

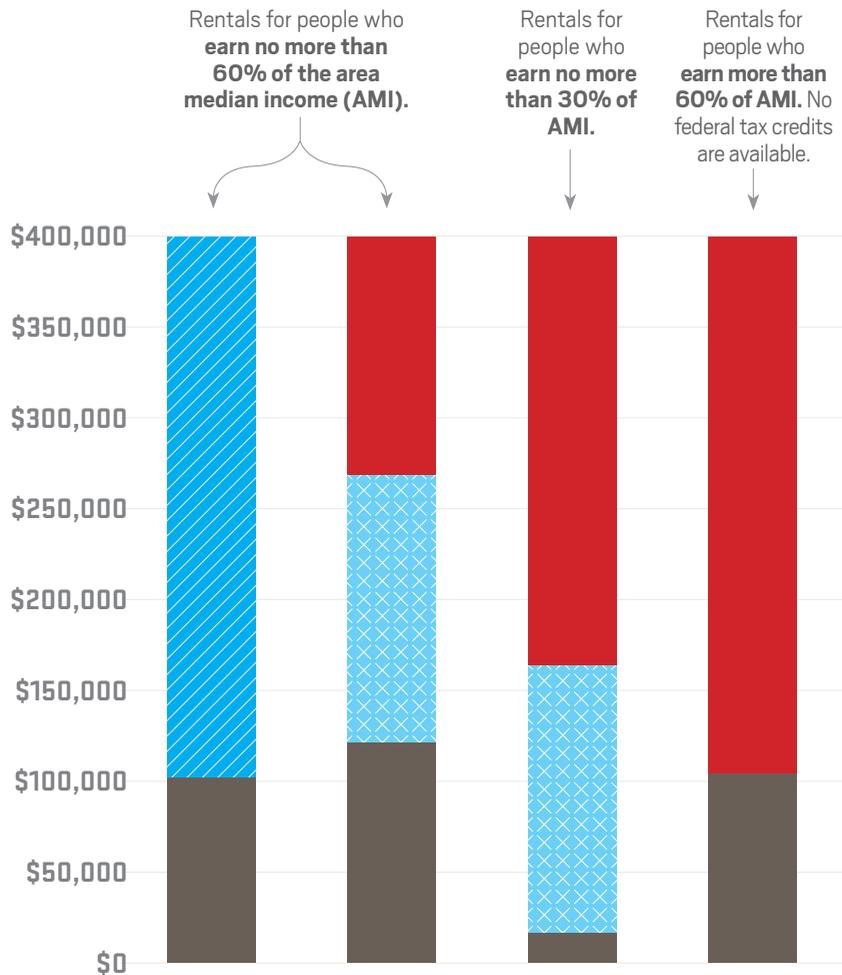
Almost all affordable rental housing in Hawaii is subsidized by federal tax credits, shown in blue.

Dark Blue = federal tax credits of 9% designed to pay for 70% of the total cost. Hawaii gets only \$3 million a year in such 9% credits.

Light Blue = federal tax credit of 4% designed to pay for 30% of the total cost. Virtually unlimited 4% credits are available.

Income from the Property

Rents and other income from the property (shown in grey) cover some of the costs of building and maintaining the project. For people earning 30% or less of the area median income, rent can be no more than 30% of their income, which means little money for the developer.



Tax Credits

The developer rarely uses the tax credits itself; it sells them to companies that earn enough income to make the credits pay off. A 9% credit can be sold for a lot more money than a 4% credit. But remember, each year, there are only \$3 million of 9% credits available for Hawaii.

What Is Area Median Income?

In 2015, the Honolulu's Area Median Income (AMI) was:

	AMI	60% AMI	30% AMI
Single person	\$67,125	\$40,275	\$20,138
Family of four	\$95,813	\$57,488	\$28,744

Sources: Federal Department of Housing and Urban Development, Stanford Carr