

Affordable Housing Preservation:

Finance, Funding, and
Policy Solutions for
Small and Medium
Multifamily Housing

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 Enterprise®





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About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested \$80.9 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging. Join us at [enterprisecommunity.org](https://www.enterprisecommunity.org)



Executive Summary

Small and medium multifamily (SMMF) properties, typically defined as buildings with two to 49 units, are a critical component of the nation's housing continuum. Representing over 20% of the country's housing stock, these properties disproportionately serve low-income households, making the preservation of their affordability and stability an urgent priority amid the escalating national housing affordability crisis.

This report explores a range of funding, financing, and policy strategies to protect and revitalize this important segment of America's housing supply. The report also highlights organizations and networks across the country that are leading innovative efforts to preserve SMMF housing.

Enterprise Community Partners is proud to partner with many of the organizations, markets, and funders featured in this report. Our commitment to affordable housing preservation spans a wide range of solutions – including capital products, technical assistance, and community development – designed to support our partners' long-term growth and sustainability. Through offerings like our multi-region Preservation Academies, we help equip

housing leaders from California and Colorado to the Mid-Atlantic with the tools, resources, and networks to preserve existing housing, promote community revitalization, and support resident stability.

Preserving SMMF housing offers multiple advantages. Preservation is typically more cost-effective than new construction, protects affordability, prevents displacement, maintains neighborhood fabric, and creates healthier, more resilient communities.

As detailed extensively in this report, access to patient, flexible, and mission-aligned capital is the cornerstone of successful preservation strategies. These efforts often require a blend of public subsidies and grants, combined with private and philanthropic investments. However, preservation financing can be complex. Public funds may be delayed by regulatory processes, while private capital often lacks the flexibility needed for SMMF affordable housing transactions. As with new construction, successful preservation requires a layered capital stack, supported by lending products that allow mission-driven buyers to compete in the market.

Preservation transactions may require permanent financing or short-term bridge loans as well as underwriting guidelines that can adapt to fluctuating real estate cycles in the local market. Fixed, low-interest debt is especially important, as many preservation deals are not viable at market rates. In both high- and low-cost markets, developers may also need soft funding or grants to support affordability. Concessionary capital – with low or no interest, repayment grace periods, or extended terms – is often essential to closing preservation deals.

Capital strategies are most successful when combined with complementary policies and tools that help maximize impact. A coordinated preservation strategy – led by local housing stakeholders and community leaders – ensures a deeper understanding of local needs, improves resource alignment, supports policy advocacy, and identifies preservation opportunities more effectively.

Across the United States, the most productive preservation networks incorporate technical assistance and capacity building in their efforts. Education, outreach, and training are critical, especially for emerging developers. Even experienced organizations may require support with capital structuring, identifying acquisition candidates, or accessing the latest financing tools and public resources.

When thoughtfully designed and deployed, affordable housing funds, with preservation-focused loan products, can harness the strengths of public, private, and philanthropic capital. Together, these resources have the power to accelerate SMMF preservation efforts, reduce displacement, stabilize families and neighborhoods, and deliver enduring community benefits.



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Introduction

The United States is facing a housing crisis driven by decades of economic, social, and market pressures. In many communities, housing demand has far outpaced new construction and rehabilitation, pushing costs well beyond what many families can afford. As housing prices continue to rise faster than incomes, millions of households — including a disproportionate share of families with low incomes — are burdened by unsustainable housing costs. This results in less income for food, healthcare, and education, diminishing quality of life and holding back broader economic productivity.

Approximately 75% of the country’s affordable housing stock is private-market rental housing, and the overwhelming majority of low-income households live in these homes. Even though it is not publicly subsidized or deed restricted, this housing stock is typically more affordable because of its age, condition, and location, and thus referred to as “unsubsidized affordable housing.”

Increasingly, unsubsidized affordable housing is being lost or becoming less affordable due to demolition, continued decline, or as it’s acquired by investor-owned real estate companies that are incentivized

to raise rents. Fortunately, there are strategies to stem this loss, ensure affordability, and stabilize underserved communities.

The preservation of affordable housing is a vital component of the housing continuum. It is usually cheaper and better for the environment than building new housing, and improves the overall quality of the nation’s housing stock. Further, preservation can prevent displacement while serving as a more palatable solution for communities concerned about physical changes to the landscape of their neighborhoods.



Defining Small and Medium Multifamily Housing

There are two basic categories of existing affordable rental housing stock: subsidized and unsubsidized. Subsidized housing is made available at below-market rates and has received, or currently receives, some sort of financial support from a government entity. This could include loans at below-market interest rates, rental subsidies such as Section 8, capital contributions, an allocation of Low-Income Housing Tax Credits (LIHTCs), or some other public support. In turn, owners typically commit to keeping the homes affordable to low- or moderate-income households for a designated period of time. Many of these apartments are in buildings or complexes with 50 units or more, and are frequently owned by housing authorities or nonprofit or for-profit housing developers.

Unsubsidized affordable housing, sometimes referred to as Naturally Occurring Affordable Housing (NOAH), is privately owned rental stock without any public capital or operating support that is affordable to lower-income households due to market values. These homes are typically priced lower due to their age, location, or condition, and the owners are often smaller scale entrepreneurs — “mom-and-pop” landlords or family operators — as opposed to large capacity developers.

[“Understanding the Small and Medium Multifamily Housing Stock”](#) by Enterprise Community Partners examines the characteristics of the unsubsidized stock, referred to as small- to medium-sized multifamily (SMMF) housing — defined as buildings with 2 to 49 units. SMMF, especially homes in buildings of 2-19 units, are a critical source of affordability as they house the majority of low-income families. Sixty-two percent

of SMMF units are affordable to households with incomes at or below 80% AMI. These units represent 54% of all affordable housing in the country. (American Community Survey 2023). SMMF is also a good source of housing for middle-income residents, supplying mixed-income living opportunities and a variety of building and unit types.

Nationwide, 62% of SMMF units are affordable to households with incomes at or below 80% AMI. That represents more than half of all affordable housing in the U.S.

As a vital source of affordable housing for low- and moderate-income households, maintaining the long-term viability of the SMMF stock should be a core component of any community’s housing policy and finance efforts.



Why Preserve Small and Medium Multifamily Housing?

Even though SMMF properties play a critical role in the housing market, they are often overlooked. While SMMF housing has long provided an affordable option, new construction in this category has declined significantly since approximately 1990, falling behind both single-family homes and buildings with 50-plus units. At the same time, aging SMMF buildings are being lost from inventory at alarmingly high rates due to demolition, lower-density conversion, or neglect. While this review focuses on unsubsidized SMMF housing with 49 units or less, the subsidized housing inventory must be considered as well for a full picture of the overall affordable rental market.

Subsidy contracts and use agreements are the key financial and legal mechanisms that keep rents of typical affordable housing — financed through rental assistance or tax credit equity — affordable for people with modest incomes. When these restrictions expire, property owners can opt out of the subsidy program and convert the property to market-rate use. There are currently 954,000 subsidized SMMF rental units — and approximately 22% of them have subsidy contracts or use agreements that will expire by 2030 (National Housing Preservation Database 2025).

Across the U.S., there are close to 1 million subsidized SMMF rental units – and nearly a quarter of them have subsidy contracts or use agreements set to expire by 2030.

Over time, the financial stability and physical condition of subsidized housing deteriorates, and often the amount of available revenue and public subsidies cannot meet all recapitalization needs.

Even when a property is not at risk of demolition or losing affordability, it still needs to be upgraded and repaired to remain safe and livable. Yet many owners of these properties lack access to the financing needed to improve conditions, reduce operating costs, and preserve affordability, eventually leading to the loss of these units from the affordable housing stock.

While unsubsidized multifamily buildings aren't subject to expiring affordability covenants, they are vulnerable to rising rents and physical decline. Older rental properties, in particular, are more likely to have quality, safety, or accessibility issues. Many require major repairs and investment, yet owners often lack the reserves necessary to address those needs. This is especially true for smaller-scale SMMF properties, which are more likely to be owned by individuals, local partnerships, or small companies that may lack the financial resources to weather an economic downturn or adverse event, such as the COVID-19 pandemic.

Without public subsidies or affordability restrictions, landlords may sell to buyers who raise rents beyond what tenants with low and moderate incomes can afford. Once these homes are lost, they are rarely replaced with units at a similar price point. Additionally, in many communities — particularly those dominated by single-family zoning — these types of properties cannot be built by-right. Losing them means the loss of more than affordable housing; it means losing diversity in building types, locations, and income levels.

Given that traditional financing is often more challenging for SMMF property owners to attain due to lack of scale, weaker market, or balance sheet factors, new strategies need to be developed to prevent a severe loss of affordable housing — both subsidized and unsubsidized.

Benefits of preservation

New construction alone cannot solve the housing affordability crisis, in large part due to barriers such as the high development costs and lengthy, complex entitlement processes. In contrast, preservation of existing affordable housing is widely recognized as both faster and significantly more cost-effective — often costing one-half to two-thirds less per unit than new construction. Preserving existing units avoids the need to secure land, rezone, navigate community opposition, or invest in new and costly infrastructure, making it a more efficient and practical strategy for expanding and maintaining the supply of affordable housing.

Preservation of existing affordable housing is widely recognized as both faster and significantly more cost-effective — often costing one-half to two-thirds less per unit than new construction.

Additionally, a strong preservation strategy can help prevent involuntary displacement and reduce NIMBY opposition by maintaining neighborhood stability, character, and diversity — while also ensuring quality,

healthy homes for current residents. In high-opportunity or rapidly changing communities, where new construction is often constrained by more expensive land and construction costs, preserving and reinvesting in existing affordable housing becomes an important tool for expanding access and improving outcomes for families with low to moderate incomes.

In addition to supporting affordability and stability, preservation offers meaningful environmental and health benefits. Rehabilitating existing units can improve energy efficiency, reduce operating costs, and enhance residents' quality of life. Remediating environmental hazards, such as lead-based paint and mold, and investing in key systems like roofs and HVAC, not only extend the life of the property but also promote healthier living conditions for residents.

Research, documented in the report, [Why Are Small and Medium Multifamily Housing Properties So Inexpensive](#), shows that SMMF properties consistently sell at a discount compared to both single-family and large multifamily properties, particularly on a per square foot basis. While the degree of discount varies widely by city, the trend is clear: the smaller the building, the lower the value per square foot, with 2- to 9-unit properties seeing the greatest discounts. This is primarily driven by factors like location, higher operating costs, and asset-specific characteristics. These findings suggest that SMMF buildings may be more vulnerable to redevelopment pressures — but also present a strategic opportunity for targeted preservation.

Because SMMF buildings are the most affordable segment of the housing stock, the role they play in providing affordable housing is crucial. Those working to advance affordable housing solutions must understand the unique features and dynamics of SMMF properties when considering best approaches to preservation, and recognize their role as an integral component of a comprehensive housing strategy.



Small and Medium Multifamily Housing Preservation Challenges

SMMF preservation can be challenging for a myriad of reasons — from steep market competition and acquisition costs that outpace affordability, to the often substantial rehabilitation needs of aging properties. Developers and mission-driven organizations may also struggle with financing and underwriting and limited capacity or experience with developing and managing this housing type. As the sector looks to scale SMMF preservation efforts, it's important to understand these common barriers and identify areas for advocacy and solutions, which are explored in the sections that follow.

Resources

Despite the cost-effective nature of preservation, it can be difficult to finance. Traditional financing often does not work for proformas with significant rehabilitation needs and low rents, especially for smaller-scale buildings — and in cases where it can be difficult to use financing tools built for larger scale developments, such as the LIHTC.

LIHTC is the largest source of funding available for developing affordable rental housing, providing tax credits — primarily through state and local housing finance agencies — to developers and private investors to produce affordable housing. However, LIHTC is oversubscribed and is often not practical for use in smaller-scale projects.

The LIHTC process is extremely complex, requiring specific capacity and knowledge, making it more difficult for developers with less experience to compete in the allocation process. Specifically, while the unit scale of successful LIHTC applications varies by state, projects with 50 units or more may be able to successfully compete for LIHTCs, but buildings with 30 units or fewer almost certainly will not. For example, a snapshot review of LIHTC distribution in Colorado in 2022 showed that 87% of the credits allocated supported units in projects with 50 or more units; meanwhile, only 13% of occupied rental units in Colorado are in buildings of 50 or more units, demonstrating that this resource is overwhelmingly targeted toward larger buildings. In rural areas especially, the mismatch between typical building size and LIHTC's scale requirements makes the program an impractical tool for preservation.

Beyond LIHTC, preserving SMMF affordable homes also comes with challenges around timing, borrowing costs, limited sources, and fit.

- Without speed and flexibility in funding, mission-driven housing developers may not be able to compete with cash buyers in a hot property market.
- Private loans may require shorter terms, higher interest rates, or a smaller loan to value (LTV) than public resources.
- Short-term low-cost bridge products, as well as takeout sources, frequently do not exist or are very limited in availability or utility for SMMF preservation.
- Financing options for acquiring buildings with deferred maintenance or high acquisition and rehab costs may require a purchaser to significantly raise rents, displacing residents with low incomes.

Broader economic conditions have tightened access to capital, with many financing sources in high demand, short supply, and subject to high interest rates. Traditional bank lending has slowed significantly, and current interest rate levels either render projects infeasible or widen existing financing gaps.

In general, it has been difficult to attract capital and resources to preserve SMMF buildings, regardless of local market conditions. There isn't a one-size-fits-all financing tool that will meet challenges in all market types. Cities and states across the country need to create and implement locally developed financing mechanisms that target the preservation of SMMF assets. Many of the localities highlighted in this paper are galvanizing community interest and political will for affordable housing and preservation, serving as examples and inspiration for others.

Financing

Existing unsubsidized SMMF properties are especially difficult to finance due to a combination of low rents that limit debt capacity, high rehabilitation and operating costs, and a lack of fast, flexible financing options in most markets.

- Purchasing and preserving SMMF properties often requires blending capital from a variety of local, state, and federal programs, but these funding options are limited in availability, often carry multiple restrictions, and take time to assemble.
- Private capital may be less restrictive in terms of regulations, but may not be able to provide the same flexibility in lending terms or cover all project costs.
- Limited developer equity is also a challenge. Particularly in rising-cost markets or high-cost markets, it's difficult to finance acquisitions and rehabilitation without subsidy, friendly capital, or philanthropic dollars.
- In lower-cost markets, more market-rate capital may be sufficient if it is available to mission-driven developers.
- Flexible and patient underwriting is essential for acquiring properties, which often come with aging systems, deferred maintenance, residents with varying incomes, and uncertain rehabilitation needs. These properties rarely fit well into existing application requirements or funding ranges — most of which were designed with new construction or larger buildings in mind.
- Underwriting SMMF properties can be challenging due to their smaller size — just one vacant unit may push the vacancy rate beyond the guidelines of many financing agencies, making the property appear riskier than it is.
- Each preservation project is unique, often requiring additional staff time and resources to work through the funding processes, and requiring greater reserves and organizational capacity to carry the project through to completion.

Underwriting

A key challenge in the development and underwriting of SMMF preservation projects is whether existing rental income can financially support the acquisition, rehabilitation, and operations of the property — particularly when tenants are already in place and rent levels are fixed. How do tenants' income levels compare to those the developer wants to put in place at the property? Will they meet the income requirements of potential funding sources? Income verification is often only possible after acquisition, making it difficult to promise certain levels of affordability to public funders upfront.

The mismatch between what funders expect and what developers can deliver often becomes known only after the deal is in motion. As a result, developers must balance the need to aggressively underwrite debt to secure the financing needed to complete the project, and a mission commitment to maintaining affordable rents for target populations. Preservation financing must therefore be flexible enough to include existing tenants in their long-term affordability plans in order to avoid displacement, adjust rents where feasible for higher-income tenants to support the operations of the property, and avoid burdening existing tenants with unsustainable rent increases.

An additional underwriting challenge arises in jurisdictions with welfare property tax exemptions, which allow property owners to forego property taxes if a certain share of tenants earn below 80% of AMI. Lenders in areas with welfare tax exemptions will typically underwrite assuming no property tax payments. However, delayed income certifications or processing by local assessors can require owners to pay property taxes upfront, resulting in higher operating expenses until refunds are issued.

Even after acquisition, actual tenant incomes may be lower than projected, requiring flexible financing tools that accommodate these unknowns and potential variations from the original plan proposed by the purchaser.

SMMF financing options are also limited by project size. Larger-scale properties (generally more than 50 units, and in some high-cost markets, 30 units) may qualify for LIHTCs. However, most SMMF properties are not competitive for LIHTC awards and without the equity from tax credits, project financing is that much harder. Properties are priced based on market rent potential, but mission-minded developers often cap rents to maintain affordability — reducing the amount of debt the project can support. This leaves a gap between the purchase price and loan amount that must be filled with a public subsidy or other equity source, the scale of which depends on local market conditions, building size and condition, financing terms, and target affordability levels.

Finally, developer fees, which compensate owners for staff time and resources needed to complete the project, are generally calculated as a percentage of project costs. Developer fees typically earned for an SMMF preservation project rarely approach the level allowed for a new construction project, and are often insufficient to cover the actual costs required — yet smaller projects generally take the same level of effort as larger ones.

Capacity

Given the specialized nature of SMMF development and operations, entities and localities that prioritize preservation of the small and medium rental stock should make a plan to ensure adequate capacity and long-term sustainability. Some points to consider:

- It can be hard to identify mission-oriented buyers in some communities, including in rural areas where developer capacity may be lacking.
- Larger, more experienced nonprofit or for-profit developers may not be interested in smaller-scale properties. And the capacity to acquire, rehabilitate, own, and manage SMMF properties in smaller communities must often be financially supported and technical assistance (TA) provided.
- Economies of scale benefits are less with SMMF properties. If a building has five tenants and two can't pay their rent, the vacancies have a critical impact on the viability of the property.
- An owner who has a portfolio of properties and can spread the loss of rent over multiple properties is less affected.
- Small properties can be more difficult and expensive to manage on a per-unit basis, especially if they are comprised of small, scattered sites with a long distance between properties.

Even mission-driven organizations may not want to tackle preservation due to its complexity when compared with new construction projects. Lower developer fees, especially when compared to projects that don't use LIHTCs, mean organizations may lack the time or resources needed to commit. Less experienced developers may want to enter the preservation arena, but may not fully understand the regulatory requirements involved with income-restricted and deed-restricted housing, particularly when public funds are involved.

To support and expand preservation efforts, communities and organizations need access to data on the existence and characteristics of properties that might be good candidates for preservation. Yet many communities lack reliable information on which buildings are available, their condition, or how to reach out to owners to determine their needs or how to support them. Research and cross-sector collaboration are needed to find this data and act on it.

Additionally, communities prioritizing SMMF preservation should have a capacity plan in place. California's Foreclosure Intervention Housing Preservation Program (FIHPP) is a strong example of this. The program was paused due to budget difficulties in California but offers a case study on how stakeholders and policymakers can build an SMMF preservation ecosystem.

Regulatory requirements

It's important to note that many local and national programs carry regulatory requirements that may impact SMMF preservation. Federal funds, such as from the Department of Housing and Urban Development or the Environmental Protection Agency, may be associated with [Davis-Bacon wage rates](#), [Build America Buy America](#), relocation, and other mandates that increase costs and complexity. Many local governments have enacted green, sustainability, and energy-efficiency requirements, which may apply to preservation development.

Complying with income requirements can be burdensome for less-experienced owners or smaller projects. For example, some jurisdictions require deed restrictions of 40, 50, 60 years or more to receive public funding, even for projects with minimal per-unit subsidy, which can discourage owners from seeking support for smaller projects.



Building Blocks for Successful Capital Strategies and Preservation Efforts

Targeted efforts have emerged across the country to meet the challenges identified with preserving affordable housing in general, and SMMF properties in particular. While finance tools and capital strategies provide the foundation, the strongest preservation models typically advance broad-based, collaborative solutions.

In this scan, successful efforts originated with a shared recognition of critical housing issues in the community, followed by collective action to understand and address the identified preservation needs. Core components of success often include:

- Availability of flexible and nimble public, private, and philanthropic resources
- Establishment of preservation networks that offer opportunities to share data, best practices, and solutions, and provide space for collective action between developers, funders, and policy/decision-makers
- Community capacity, including the resources and expertise to provide technical assistance and support skill-building within the development and funding ecosystem
- Development and implementation of systems, policies, and tools that support preservation, including SMMF

Robust, flexible funding options

Across the country, there are noteworthy examples of dedicated preservation funding, including public-private-philanthropic affordable housing funds that specifically target preservation or SMMF properties. Given that the acquisition and rehabilitation of existing affordable housing is complex, effective solutions include:

- Lending products that enable mission-driven buyers to compete in market transactions
- Permanent loans that allow developers to grandfather in existing tenants to avoid displacement, but also potentially adjust the rents of residents with higher incomes, as appropriate, to support the operations of the property
- Short-term bridge loans that allow time to assemble long-term financing (takeout financing), including options with high LTV ratios to cover rehabilitation costs or with reduced refinance rates
- Financing that allows the property to remain affordable for residents

Spotlight: Metro Affordable Transit Connected Housing Program

The Metro Affordable Transit Connected Housing Program (MATCH) was a public-private-philanthropic lending partnership with the stated goal of preserving, stabilizing, and expanding affordable housing stock near Los Angeles County public transit. Through MATCH, affordable housing developers could access acquisition and predevelopment financing for rental housing opportunities at favorable terms. The MATCH concept was generated by LA THRIVES, a working group made up of foundations, Community Development Financial Institutions (CDFIs), banks, developers, and representatives of local public agencies.

MATCH had an estimated loan capitalization of \$75 million, leveraged with an \$18 million combined investment from the local Metropolitan Transportation Authority and multiple foundations. A consortium of CDFIs — Low Income Investment Fund (LIIF), Enterprise Community Loan Fund, Local Initiatives Support Corporation — provided leverage financing to ensure that funds deployed to projects bring stability and improved health outcomes to target neighborhoods.

The \$18 million investment from Metro and the foundations served as top loss for the two loan products under MATCH: the Housing + Transportation (H+T) Loan Product and the Predevelopment Loan Product. The H+T Loan Product targeted existing, occupied, unsubsidized, and non-deed-restricted affordable multifamily housing, supplying patient acquisition funding for affordable housing developers to purchase qualified multifamily properties near transit, and hold them for five to 10 years — with short-term affordability restrictions — while community and site-specific plans are completed. Repayment includes a five-year initial term, interest-only payments from project cash flow and, if needed, an interest reserve held from the loan proceeds. The property must have had existing minimum unit count of 20.

Affordable housing funds vary based on their goals — such as preserving SMMF, locating housing near opportunity areas, or serving special populations — target geography, and the size of the fund. This is best determined through collaboration with a network of preservation stakeholders and an analysis of needs. As one example, see the following Spotlight on the *Los Angeles County's Metro Affordable Transit Connected Housing Program*.

Ideally, affordable housing loan funds combine multiple sources of capital into a single revolving loan vehicle, providing flexible financing that would otherwise not be available. Blended funds can accelerate affordable housing preservation and development by closing financing gaps, especially in the early stages of a project. Participation from public, private, and philanthropic sources allows projects to leverage the strengths of each while ameliorating the limitations of any single funding source.

Public or philanthropic funding is better leveraged when combined with private sector financing. Public sector funds often allow for a longer repayment period and higher level of risk because the focus is on benefiting the community rather than revenue. Private sector funding requires fewer levels of approval and less requirements, allowing it to move more quickly than public sector financing. Blending multiple sources within a fund can offer significant advantages, including lower interest rates, reduced debt service, and flexible terms, such as 100% LTV, compared to a private loan, while also avoiding the slower project-by-project approval process typical of public funding.

Since the composition of investors varies by fund, the amount of risk-tolerant public or philanthropic funding in the capital stack influences how much private capital can be leveraged, further determining the overall size of the fund. Public or philanthropic contributions often provide the seed money or top-loss guarantee that helps attract private capital. As loans mature, repayments are typically recycled into new loans, creating a sustainable source of capital.

Many affordable housing funds are managed by CDFIs, which bring specialized knowledge in developing and administering funds. The CDFI may serve multiple roles — investor, fund manager, and originator — though other entities, such as foundations, nonprofits, or housing finance agencies, may also participate in administering or originating loans. The blended capital structure allows investors to benefit from shared risk and the fund administrator’s expertise.

Investing in one of these funds, especially one with targeted SMMF and other preservation loan products and assistance, provides a good opportunity to support affordable housing development without direct involvement in underwriting or loan production.



Philanthropy’s role in finance

There is growing recognition in the philanthropic community of the foundational nature of stable, affordable housing in the completion of their mission. If their clients don’t have safe, decent, affordable places to live, it’s difficult for them to achieve economic or educational advancement, or maintain their physical and mental health. As a result, many philanthropic organizations are using their grants and investments to partner locally with funders and developers to expand the affordable housing stock. These investments may take the form of program-related investments (PRIs) or mission-related investments (MRIs), allowing philanthropic entities to align their assets in service of their mission.

U.S. foundations collectively hold more than \$1 trillion in endowments. To maintain their tax-exempt status, each must spend at least 5% annually on charitable purposes. The remaining 95% is invested to generate income that can be spent or reinvested for the future. Each foundation has its own risk tolerance, investment profile, strategy, and philosophy. Investments, whether through grants or loans, are typically made using a range of strategies, including:

- Fund investments
- Direct investing in individual projects
- Credit lines
- Loan guarantees
- Support for policy development and implementation, advocacy, or programming
- Innovation development and testing
- Technical assistance and capacity building
- Operating support

PRIs, which can be counted toward the 5% annual payout, provide low-or no-cost capital in the form of loans, equity, or deposits to nonprofits addressing social or environmental concerns. Unlike grants, PRI dollars are generally recoverable, and may even generate some return.

MRIs, drawn from the foundation's 95% endowment corpus, are designed to promote long-term social impact through identified goals, such as affordable housing, a healthy environment, or economic equality, while also producing market-rate financial returns. There is no limit on the size or actual return on a particular investment, or the investment location, if a charitable purpose is the primary consideration when making the investment.

The determination as to whether an investment is a PRI or MRI depends on its intent: financial profit or charitable purpose.

Profiled later in this document, the Mission Economic Development Agency (MEDA), a San Francisco nonprofit, used a PRI-funded line of credit to provide sponsor equity and make escrow deposits for acquiring and rehabilitating SMMF properties through their Small Sites Program. ([See page 22.](#))

In addition to PRIs and MRIs, loan guarantees offer foundations another tool to expand their impact investing portfolio and more intentionally utilize their 95% endowment. In [Scaling the Use of Guarantees in U.S. Community Investing](#), the Kresge Foundation documents the benefits of foundations using various forms of guarantees.

Spotlight: **Community Investment Guarantee Pool**

Created by a collaborative of philanthropic organizations, a health system and a nonprofit lender, the [Community Investment Guarantee Pool](#) (CIGP) is a relatively new national financing tool for intermediaries desiring to participate in affordable housing, small business, and climate lending. Managed by LOCUS Impact Investing, CIGP helps mission-driven financial institutions serve people and communities that mainstream financial institutions do not.

Members of CIGP commit to covering any potential financial losses from non-performing loans made by community-based lenders. The guarantees they provide as a group enable these lenders to attract additional capital, significantly leveraging the value of the guarantees. The CIGP also serves as a centralized clearinghouse, streamlining transactions and allowing guarantors, such as foundations and large institutions, to pool their resources and allocate commitments, standardizing their ability to support affordable housing. In most cases, these are unfunded guarantees and do not count toward the foundation's annual 5% disbursement requirement.

Spotlight: The Gates Family Foundation

The [Gates Family Foundation](#) has a 75-year history of investing in education, natural resources, and community development in Colorado. As part of its commitment to affordable housing, the Foundation had made use of a number of capital tools beyond traditional grantmaking. These include low-cost PRIs in support of housing funds, such as the [Colorado Housing Accelerator Initiative](#), the [Denver Regional Transit-Oriented Development Fund](#), and the [Telluride Foundation's Rural Homes](#) program, which constructs affordable, deed-restricted for-sale homes.

These community development-related PRIs have allowed the Foundation to support preservation and development beyond grant dollars, which are limited. They also made an MRI in the Rose Affordable Housing Preservation Fund, managed by Jonathan Rose Companies. The Foundation has also funded housing-related loan guarantees, operating support for nonprofit partners, and policy advocacy efforts.

Collective impact

Coordination and collective action help strengthen preservation efforts. The most successful efforts rely on networks and collaboration to better understand the preservation needs of their communities, attract and leverage resources and capital, advocate for policy changes, and identify opportunities for preserving homes. Shared recognition of the need to prioritize preservation is essential if a community desires to advance progress and develop new funding.

Preservation networks bring together local, state, and federal agencies, lenders (both public and private), nonprofit and for-profit developers, advocacy groups, affordable housing industry stakeholders, and the broader community. Ideally, the public, private, and philanthropic sectors are all represented and active participants.

Benefits of collaboration include:

- Better identification of at-risk existing affordable housing through data analysis, and community and market knowledge of members
- Connecting mission-oriented sellers motivated to work with responsible, qualified buyers to retain affordable housing

- Sharing models, successes, and challenges
- Identifying barriers and developing, advocating for, and institutionalizing shared solutions, best practices, processes, and policies
- Coordinating activity of organizations engaged in preservation-related work
- Streamlining funding applications and other processes for developers involved in preservation projects
- Connecting developers to capital and other resources
- Coordinating funding and other efforts related to preservation
- Advocating for new and flexible capital sources
- Tracking progress

Successful preservation-focused initiatives typically include several key elements: a widely recognized sense of urgency, a shared goal-setting and convening process, the presence of committed champions and a strong convener entity, and the capacity and structural support to act. A good first step toward developing a fund to support affordable housing and preservation efforts is developing an inclusive visioning process that focuses on a clear purpose. When local leaders become invested in the process from the beginning, they can become valuable champions, helping to build momentum, attract and manage resources — including investors — and secure the needed capital.

Multiple preservation collaboratives have been established across the country, including the Colorado Housing Preservation Network and Chicago’s Preservation Compact. The nonprofit Neighborhood Allies convenes the Pittsburgh Preservation Working Group and serves as manager of the Preserve Affordability Pittsburgh Loan Pool. This flexible loan fund was created in partnership with local agencies and foundations and the health organization UPMC for You.



Data for property identification and analysis

A strong data collection effort to identify properties at risk of loss, or properties that may be good candidates for preservation, greatly aids good decision-making and allocation of resources, helping communities prioritize their outreach and development efforts. With SMMF properties comprising such a large share of affordable housing stock, efforts to develop data in this category is useful to preservation efforts.

Unsubsidized SMMF property information is more difficult to identify due to a lack of easily accessible data on properties and their owners. However, unsubsidized property data has been developed by some preservation networks and can provide useful information to better target strategies. Colorado’s Housing Preservation Network piloted an unsubsidized SMMF database that includes information on property owners and property condition. Affordable housing developers and the community at large can learn whether a property is corporate or non-corporate owned, if the owners are based in Colorado, duration of ownership, and building replacement value. The database also allows users to plot buildings in relation to opportunity areas, gentrifying neighborhoods, and other quantitative and qualitative indicators.

With a grant from the Chan Zuckerberg Initiative, the Chicago Preservation Compact and the Institute for Housing Studies at DePaul University developed a national data set on SMMF properties, highlighting market-specific strategies for preserving unsubsidized rental housing in larger metropolitan areas.

The stock of unsubsidized rental housing isn’t monolithic, and the strategies that are effective at preserving it vary depending on market context, building type, and size. Chicago is a good testing ground with both high-cost and low-cost markets, and the expertise to delve into unsubsidized stock characteristics and which tools are successful, further informing the SMMF conversation.

Technical assistance and capacity building

The most productive preservation networks across the U.S. incorporate technical assistance (TA) and capacity building in their efforts. Outreach, education, and training are an important part of the SMMF preservation solution. Not only are TA and capacity building for emerging developers needed, but even experienced developers sometimes need help finalizing the capital stack, finding good SMMF candidates, connecting with sellers, or staying informed about the latest resources. Strong developer capacity is crucial for projects with complex financing, historic or relocation requirements, or special needs residents.

Enterprise Community Partners is a national leader in preserving affordable housing, with substantial contributions in financing, policy development, local programs and partnerships, anti-displacement strategies, TA, and capacity building. In 2022, Enterprise launched Preservation Next, a program offering training, grants, direct assistance, and capital to developers preserving SMMF rental housing in communities across the country.

The [Preservation Next Toolkit](#) equips “established and emerging developers, existing owners, and housing providers with the resources, case studies, and tools they need to acquire, rehabilitate, and preserve the long-term affordability in their communities. It also aims to support partners and advocates who help to educate and pursue resources to continue preservation efforts in their region.” Regional Preservation Academies engage and train nonprofit developers, small for-profit developers, and emerging developers involved in the preservation of affordable SMMF properties in their communities. The Preservation Next Toolkit guides participants through the acquisition, financing, and rehabilitation processes. This invaluable resource leverages national expertise with regional capacity and capital to create and implement successful preservation strategies that are community-specific.

Rural communities, and SMMF preservation in particular, need help “growing” sponsors by building the number and capacity of local entities to acquire, rehabilitate, and manage properties. Many individuals or small organizations might be good owner-operators of unsubsidized buildings, but they may need more hands-on support as they start or expand their efforts to buy, own, and stabilize buildings. In some cases, this could equate with training, access to capital, and perhaps a patient partner willing to guide them through the process of securing their first building.

Assistance might include:

- Outreach to owners of SMMF properties to assess interest in selling or refinancing
- Training on securing acquisition and rehabilitation financing, especially funding designed for SMMF
- Evaluating project feasibility and developing a capital stack
- Training for mission-driven purchasers interested in acquisitions using affordable financing products that require income restriction
- Navigating regulatory and funding landscapes
- Skill building, training, and asset management
- Property management
- Tenant engagement and eviction prevention training
- Financial management
- Maintenance operations, how to minimize operating expenses, and operate the building for the long term
- Topics that may uniquely impact preservation projects include zoning and building codes, health and safety needs, energy efficiency, disaster resilience, and effective communication with existing residents and community members.

Property management training programs can help with compliance for those new to affordable housing requirements and regulations. The Community Investment Corporation's (CIC) [landlord training program](#) in Chicago provides more than 1,000 landlords each year with the tools to market, manage, and maintain residential rental property.

Spotlight: [MEDA Equitable Recovery Institute](#)

The Mission Economic Development Agency (MEDA), a San Francisco nonprofit that works closely with low-income communities, operates a variety of housing and community development programs. MEDA instituted a Community Real Estate program in 2014, and has preserved the largest number of properties relative to other nonprofits under San Francisco's innovative [Small Sites Program](#) (SSP).

SSP targets 5- to 40-unit buildings for preservation. The collaborative relationship SSP fosters between nonprofits, funders, and the public sector helps ensure residents have a voice in the preservation process. For example, when tenants learn that their building is going on the market, they can engage with community-oriented nonprofits like MEDA. In turn, the associated preservation fund and the city can move quickly to approve a loan that enables the nonprofit buyer to compete with private investors, maintaining the property's affordability.

MEDA's unique [Equitable Recovery Institute](#) aims to empower and advance a network of organizations through cohort-based learning and convenings, in addition to tailored individual TA and direct development support. This robust evaluation and capacity-building program strengthens organizations' ability to develop preservation projects and build equitable communities. MEDA works with nonprofits to conduct a systematic review of their organizational structure and processes. This organizational development support is followed by hands-on training in actual deal development and implementation, led by MEDA's real estate team in partnership with the mentee organization. Together, they develop a tailored plan to help the organization reach its next level of capacity.

The plan may include a joint venture Memorandum of Understanding with MEDA to support the organization through one or more development cycles — from project initiation to completion. The partner shadows the process as MEDA leads development and provides hands-on training for the organization's project managers. As the organization gains experience, MEDA transitions into a supportive role. Because both parties contribute to the work, developer fees are shared based on the balance of duties and responsibilities. The ultimate goal for these joint venture partnerships is to build the partner's capacity to independently acquire and rehabilitate SMMF preservation properties through a place-based, practitioner-led approach.



Additional Supports for Enhancing Small and Medium Multifamily Housing Preservation

Cost-based incentives, like property tax abatements, can complement capital strategies to preserve SMMF properties. These tools can motivate some owners to preserve their properties through tax incentives or financing that enables improvements at lower costs, which may in turn support affordable rents.

Property tax abatements

Real estate tax strategies can play a key role in preservation by making repairs and upgrades more financially viable for property owners. One common approach is offering tax abatements to owners who complete qualifying improvements that increase the assessed value of the property. These abatements typically freeze property tax assessments at pre-improvement levels over a designated period (generally five to 15 years), helping reduce operating costs and support affordable rents. Additionally, jurisdictions can lower property tax rates or assessed values for owners who provide affordable rental homes, especially where rents are restricted through deed covenants.

For example, California allows for a Property Tax Welfare Exemption for property owned by nonprofit organizations that meet qualifying criteria, which includes serving households earning up to 80% of AMI. To qualify, the property must be restricted to low-income housing by a regulatory agreement or recorded deed restriction. Although this exemption removes the burden of property taxes, delays in processing and receiving the exemption can create short-term gaps in cash flow. To address this, nonprofits need to underwrite a reserve to cover property taxes in the interim. This is the type of assistance a flexible SMMF-targeted fund could provide.

Spotlight: The Illinois Affordable Housing Special Assessment Program

Established in 2021, Illinois' [Affordable Housing Special Assessment Program](#) provides property tax reductions to incentivize the rehabilitation and construction of multifamily residential properties with affordable units. Developed by the Preservation Compact, a preservation-focused network in Chicago, the program offers tiered assessment reductions based on the level of affordability provided.

While this is not capital, it helps on the backend and works well across different types of markets. In higher-cost markets there is investment in the rehabilitation of existing buildings, which may not be associated with affordability. The opposite is true in the lower-cost markets, where there is affordability, but property conditions and access to capital can be an issue. Users indicate that the property tax incentive helps stabilize existing portfolios for longer-term owners and aids in the acquisition of properties.

Eligibility is backward-looking for five years, so if an owner made qualifying improvements in the recent past, they may be eligible. The requirements work well for unsubsidized properties as long as rent requirements and investment limits are met. Owners supply rent rolls every year to the county assessor, along with an affidavit certifying resident income eligibility. If the building is in good condition, the owner can qualify for an initial 10-year term and then renew it for up to two additional 10-year terms, providing a long-term solution.

According to the Preservation Compact, early analysis of the program's first two years shows strong participation from small buildings, many with 10 or fewer units and owned by individuals. Approximately 800 properties have received adjusted assessments, with owners saving between \$2,000 and \$60,000.

Code enforcement

Code enforcement programs can also be leveraged for SMMF preservation. Code enforcement alone does not prevent the loss of units and works best when paired with efforts to provide small property financing and repairs. Still, it's important that jurisdictions work with building owners and developers to facilitate rehabilitation rather than penalize them for noncompliance with municipal codes. Chicago and New York offer examples:

- Based on the recommendations of Chicago's Preservation Compact, in order to reduce rehabilitation costs and encourage improvements, the Chicago Department of Buildings (DOB) revised the electrical code and piloted a revised plumbing code. DOB estimates the plumbing pilot alone has saved more than \$34 million for building owners and developers.
- Chicago's [Troubled Buildings Initiative](#) (TBI) focuses on deteriorated, smaller multifamily rental properties. Working with existing owners and lien holders, this public-private partnership helps prevent buildings from deteriorating and facilitates the restoration of at-risk buildings. This type of program may be especially useful for SMMF properties.
- New York City's Housing Preservation and Development department piloted a [Landlord Ambassador Program](#), originally spearheaded by Enterprise. Designed to stabilize the physical and financial health of SMMF buildings, the program provided TA, vacant unit repair assistance, and low-interest flexible financing. As of 2025, a new program is forthcoming.

Landlord registries

Elgin, Illinois, has a landlord licensing requirement named the [Rental License Program](#). To obtain a license, the landlord must take a training course, pass a property inspection, and pay a fee based on the number of units. These types of registries can be a good source for funds to market SMMF loan products and other forms of assistance.

Energy efficiency

Improving energy and water efficiency in SMMF properties offers owners a consequential opportunity to reduce operating costs, lower environmental impact, and make homes more affordable — all while potentially receiving incentive funding. An increasing number of states and localities are adopting minimum energy or climate performance standards for existing buildings, which can be a crucial driver for rehabilitation projects. A variety of federal, state, and local weatherization and utility programs exist that offer grants or low-cost loans to complete these improvements. Developers and owners may also find additional value in exploring incentives and opportunities for renewable energy sources, such as solar panels.

It is worth noting that access to efficiency resources can be challenging. Small owners may struggle with upfront costs, and even experienced nonprofits can have difficulty analyzing the cost-benefit ratios, and securing and deploying resources. Plus, the existence and status of available resources is changing constantly, making it hard to access opportunities. Adding to the challenge, project economics and benefits may be unclear, and the wide variability in building systems among existing, older properties makes standardizing upgrades difficult.

The [Commercial Property Assessed Clean Energy Program \(C-PACE\)](#), a resource available in many states and towns, allows multifamily property owners to finance up to 100% of the cost of eligible energy efficiency and water conservation improvements, and then repay it over time through a voluntary property tax assessment. The assessment is attached to the property rather than an individual organization.

Alternatively, Community Investment Corporation (CIC), a nonprofit CDFI lender in the Chicago area that finances the acquisition, rehabilitation, and preservation of affordable rental housing, has modeled a successful approach in partnership with local entities, including Commonwealth Edison, the Chicago Metropolitan Agency for Planning, and Elevate Energy. When potential borrowers apply for loans, CIC can offer no-cost energy upgrades. The program funds a dedicated staff person who guides borrowers through the energy efficiency process, serves as a one-stop shop, connects them to grant-funded improvements, and even compensates the owner for the time and administrative costs involved in completing the upgrades.

The [Energy Savers](#) program combines financing with technical assistance and utility resources to reduce the cost of energy retrofits for the owners of multifamily buildings, enhancing the quality and performance of their properties, and mitigating against climate hazards. CIC found that a typical investment of only \$3,000 per unit can save 25-30% on a building's energy bills.



Successful Preservation Networks

Chicago's Community Investment Corporation and The Preservation Compact

A Chicago partnership provides an outstanding example of how a policy collaborative and a CDFI can leverage their relationships and financing to preserve affordable housing units through effective, creative, and long-term programming.

The [Community Investment Corporation](#) (CIC), a certified CDFI, is a primary source of financing for the acquisition, rehabilitation, and preservation of affordable rental housing in metro Chicago. [The Preservation Compact](#) is a policy collaborative housed at the CIC that drives the development and implementation of preservation strategies. Together, they have become innovative leaders in the preservation of both subsidized and unsubsidized affordable housing.

Facilitating collaboration and collective action is a core function of The Preservation Compact, which operates using the following tenets:

- A leadership committee identifies preservation challenges and needs, and working groups explore issues and shape new strategies.
- An information hub helps stakeholders navigate preservation resources.
- Priorities are informed by data and analysis from partners, including the Institute for Housing Studies at DePaul University.
- Monthly meetings allow participants to surface issues to the group, discuss solutions, and identify preservation buyers or interventions.
- Partners include federal, state, and local jurisdictions; housing authorities; for-profit and nonprofit developers; lenders; foundations; civic groups, and tenant organizations.

As a one-stop shop for preservation, the Compact translates complex preservation resources and models into usable, tangible tools for community groups and practitioners, and provides stakeholders with a forum to share information and collaborate. Their policy work includes leading efforts to expand energy conservation, ensure fair property taxes, and streamline code and permit processes. For example, the Compact worked to develop statewide [property tax legislation](#) to preserve and improve multifamily rental buildings, and advocates for preservation in utility regulatory processes.

Originally supported by the MacArthur Foundation, funders of the Compact now include other national and local foundations such as the JPMorganChase Foundation and Searle Funds at The Chicago Community Trust. The format succeeds in part due to its collaborative structure — which leverages diverse expertise to develop strategies — a lengthy history of trust in the group, and the demonstrated capabilities of CIC and the Compact.

Knowing it often requires more than financing to preserve a successful rental project, the CIC works hard to support SMMF owners. Their assistance for existing owners includes a centralized resource hub, including properties for sale; industry workshops and training; property management support; and assistance with reducing operating costs by conserving energy and cutting utility bills. Community Initiatives, Inc. (CII), an affiliate of CIC, intervenes directly with multifamily buildings that are vacant and distressed, in order to facilitate redevelopment. CII also administers the Troubled Buildings Initiative. Working in coordination with the city of Chicago and building owners, CII corrects deferred maintenance and code violations, turning around distressed buildings and preserving affordable housing units — even pursuing foreclosure and transfer of a building to a responsible owner, when warranted. Additionally, CII acquires multifamily properties through direct purchase, and provides financing to help developers with acquisition and rehabilitation.

CIC's core mission is multifamily lending, and it serves as a critical source of financing for preservation in metro Chicago's low- and moderate-income communities. Its loan products are well-aligned with the needs of older, affordable properties:

- Multifamily acquisition, rehabilitation, and refinance loans for properties with five or more units
- Energy retrofit
- Mezzanine debt for developers looking to purchase or refinance existing rental properties in higher-cost markets, including interest-only terms
- Single Room Occupancy Preservation Loan Program
- Tax increment financing grants for purchase and rehabilitation in urban renewal areas

The partnership in action

In 2011, the Compact convened a working group on the area's struggling 1- to 4-unit rental housing stock. These properties make up almost half of the Chicago area's rental stock and were hit hard by foreclosures. With the challenging economic conditions at the time, there was little demand from owner-occupants to purchase the properties, resulting in abandonment and deterioration.

The working group found that no lender or program offered financing to support the redevelopment of 1- to 4-unit buildings, preventing responsible buyers from purchasing these properties. Access to financing was further complicated by low market values and depressed appraisals.

In 2014, CIC launched an acquisition pool and loan program to improve access to capital for investor-owned 1- to 4-unit buildings and support neighborhood revitalization. The program helped spark a resurgence in owner occupancy in many target areas, and over time it became less important for CIC to step in with more aggressive efforts. The successful program has largely been rolled into CIC's broader lending strategy — a reflection of the organization's ability to adapt and respond effectively to the evolving needs of SMMF preservation.

HouseATL

In 2018, amidst a housing affordability crisis in Atlanta, Georgia, more than 200 community leaders convened. It was determined that a common set of policy recommendations and additional funding was essential to address the area's affordable housing needs. The cross-sector group outlined the problems, identified barriers, and strategized solutions, resulting in a meaningful housing policy platform with multiple recommendations to increase affordable housing, including preservation. The resulting comprehensive plan served as a blueprint for addressing housing affordability — and a call to action for the community.

The [HouseATL](#) membership coalition formalized in 2021 with an executive director, an advisory board providing governance functions, working groups, and fiscal and operational support from the Community Foundation for Greater Atlanta. One of its core working groups, [The Funders' Collective](#), coordinates existing resources, raises new capital, and helps funders align efforts and share insights on Atlanta's affordable housing challenges and opportunities. The Funders' Collective played a key role in developing the [Atlanta Affordable Housing Preservation Map and Toolkit](#) and the Directory of Development Financing Sources. Its members include dozens of local foundations, banks, state and local housing agencies, health systems, and CDFIs.

Two robust funds, housed at the Community Foundation for Greater Atlanta, were also established to invest in the preservation and creation of affordable housing in Atlanta's five metro counties:

- [GoATL Affordable Housing Fund](#) is a social impact fund providing concessionary capital to nonprofit and for-profit project sponsors, and is a strong example of how private capital can be put to use, aligning with and leveraging local public dollars such as a housing bond or trust fund. Impact is the primary goal, but a modest return on capital is expected.

- [The TogetherATL Affordable Housing Fund](#) is a philanthropic fund providing grants and 0% conditional loans to nonprofit developers to support very low levels of affordability and long affordability terms, often 65 years or longer.

A subset of the Funders' Collective convenes a [pipeline review committee](#) to evaluate proposed affordable housing developments that have funding gaps. This process allows for coordination to solve funding gaps among funders at the table, including the Community Foundation, which can offer acquisition and financing for smaller developers and small multifamily housing preservation projects with limited access to traditional financing. These early funds give developers time to complete pre-development work and move the project forward.

In Atlanta, placing affordable housing funds within organizations like the Community Foundation for Greater Atlanta has created an ideal platform where stakeholders can collaborate and coordinate the deployment of private, philanthropic, and public dollars. With experience in social impact work and substantial operational capacity, the Community Foundation works with civic, business, and philanthropic leaders to inspire collective action and implement coordinated strategies to address the community's most pressing affordable housing issues.



San Francisco Bay Area

While the cost of living in California’s Bay Area ranks as one of the most expensive in the country, it also benefits from an advanced and robust affordable housing infrastructure. Affordable housing developers, lenders, community development organizations, public agencies, and other stakeholders work together to try and address the region’s affordable housing needs, including the significant loss of unsubsidized affordable units. For example, between 2020 and 2024, about 160,000 unsubsidized affordable homes were lost. Multiple funds and programs exist that target preservation, though not yet at the scale needed to meet the enormity of the challenge.

San Francisco’s [Small Sites Program](#) (SSP) is a proven acquisition and preservation loan program for SMMF rental buildings of 5–40 units that stabilizes at-risk communities vulnerable to rental market pressures. It is designed to prevent displacement by preserving existing housing and expanding the supply of permanently affordable rental units across a range of income levels throughout the city. SSP requires an affordability period that lasts the longer of 75 years or the life of the project — even if the loan is repaid, goes into default, the property is foreclosed on, or the loan term ends.

The financing SSP provides is strictly for the acquisition, rehabilitation, and preservation of SMMF properties. Projects typically have the SSP subordinate loan paired with senior debt, such as the city’s [Preservation and Seismic Safety \(PASS\) Program](#) or other first-position loans. The city sets a maximum base loan amount per unit, which varies depending on the number of bedrooms. Loans carry a 40-year term at 3% interest.

Launched as a CDFI in 2017, the [Housing Accelerator Fund](#) (HAF) provides loans for site acquisition to support both the rehabilitation of existing units and new development. It has helped preserve housing in areas where rising rents put tenants at risk of displacement. HAF works closely with SSP project sponsors and the

city of San Francisco to offer the competitive financing needed to compete with speculative buyers. The fund also collaborates with community-based organizations to preserve single-room occupancy buildings and hotels, which often serve the city’s most vulnerable residents. Recently, HAF has partnered with the City of Oakland to create joint program guidelines for its Acquisition and Conversion to Affordable Housing preservation funding program.

HAF blends capital from multiple sources, including top-loss funding from the city of San Francisco, senior debt from banks such as JPMorganChase, and impact investments from health and community foundations. In addition to quick closings, one of the fund’s key advantages for nonprofit developers is its low equity requirement: just 2% of the total loan amount, compared to the 5 to 20% typically required by traditional lenders.

The [Bay Area Preservation Pilot \(BAPP\)](#) is a Metropolitan Transportation Commission (MTC) revolving loan fund focused on the preservation of affordable housing. BAPP funds mission-driven developers and community-based organizations for the acquisition and preservation of unsubsidized affordable housing in areas with high-frequency transit. MTC identified the preservation of housing near transit as key to addressing climate change. The funds facilitate housing equity by ensuring that people at lower income levels are not displaced as a result of development near transit, and supports regional planning efforts to increase the supply of housing close to jobs and transit. To be eligible for BAPP funding, a project must be close to major transit stations in designated areas with growth potential.

MTC committed \$10 million to BAPP, augmented by an additional \$39 million in CDFI capital from the program fund managers, Enterprise Community Loan Fund and LIIF. Occupied properties with a minimum of four units and rents affordable to households at or below 80% AMI are eligible for loans with a repayment term of up to 10 years.

BAPP was the first program MTC undertook with the Bay Area Housing Finance Agency (BAHFA). Subsequently, BAHFA created a Welfare Tax Exemption Preservation Program as a strategy to preserve properties, despite having limited capital to lend. The program appears to be a cost-effective strategy and shows promise for scale with nearly 800 units preserved for households at and below 80% AMI.

The [Housing for Health Fund](#) (HFHF), an equity investment fund created by Kaiser Permanente in partnership with Enterprise Community Partners, provides financing to developers for preservation in Northern California, where Kaiser is headquartered. HFHF is one of the investment strategies under Kaiser's Thriving Communities Fund, which launched in 2018 with a pledge of up to \$200 million to create

stable housing and improve health outcomes. In early 2019, Kaiser seeded HFHF with a \$15 million investment and committed to match up to \$35 million of Enterprise's fundraising to grow the fund to \$85 million. Kaiser ultimately contributed \$50 million in equity, matching \$35 million in long-term, low-cost debt from JPMorganChase.

Developers receiving support from the HFHF commit to preserving homes that promote healthy communities through sustainable building and maintenance practices and health programming. Project design and implementation are informed by health action plans that incorporate community engagement and data analysis.

Spotlight: 2000 36th Avenue and the Unity Council



Once covered in fruit trees, the Fruitvale neighborhood is home to Oakland's largest Latino and Indigenous population. Built in 1954, 2000 36th Avenue is a community of 55 mostly one-bedroom apartments — in poor shape and still with original buildings systems. Rather than improving the building, the owners put the building up for sale, emphasizing to potential buyers the value of increasing current rents to market rate.

[The Unity Council \(TUC\)](#), a Social Equity Development Corporation with a long history in Fruitvale, moved to acquire and improve the property. Two other properties on the same block, an 8-unit and a 17-unit, were also included in their plans. These acquisitions are TUC's first venture into preserving existing buildings.

The Fruitvale project, which did secure financing, illustrates the difficulty of preservation deals. The rehab needs were large, due to long-time neglect. Existing rents were low, especially due to property conditions, so did not fully support debt needed for acquisition and rehab, necessitating patient and flexible capital. Nevertheless, financing for 2000 36th Avenue was secured through the Bay Area Preservation Pilot and the Housing for Health Fund, in addition to a \$5 million loan from the City of Oakland. With help from Enterprise, a mezzanine debt product acted as equity to assist the project. Subsidy from the city made the capital stack work and creative financing from organizations like LISC and Enterprise helped by being able to push the limits on LTV or debt service coverage ratios.

Oregon

Established in 1990, the CDFI [Network for Oregon Affordable Housing](#) (the Network) is a statewide collaborative with a dedicated convener, substantial resources and capacity, a commitment to preservation, and the ability to advocate in the legislature for policy and funding. From the outset, their collaborative approach brought together for-profit and nonprofit developers; federal, state, and local government; and other housing stakeholders.

In 2007, the Network launched the Oregon Housing Preservation Project (OHPP) for which the legislature allocated preservation gap funding for the first time, seeding the Oregon Housing Acquisition Fund (OHAF), which provides nonprofit owners with the ability to quickly purchase at-risk properties. In August of 2024,

Oregon Housing and Community Services (OHCS) took over leadership of OHPP. OHPP's partners include the Oregon Housing and Community Services Department, the city of Portland, developers, and private sector leaders. Oregon foundations also support these preservation initiatives through grants and PRI investments by regional and national foundations.

The Network and OHPP have been a force for preservation in Oregon, convening housing agency policy workgroups to streamline preservation transactions, creating and maintaining a comprehensive database, analyzing the state's affordable housing portfolio, streamlining processes for refinancing or selling preservation properties, supporting green and energy efficiency rehabilitation, and providing TA to buyers and sellers.



The Network is a mission-driven lender with an array of financial tools, including acquisition and preservation loan products, and TA for borrowers. Key components include:

- **Flexible, low-cost capital:** The Network blends PRIs and other investments from local and national foundations and public partners with bank lines of credit, its own capital and other CDFI funds. While some investors earmark funds for targeted areas or uses, such as preserving manufactured home parks, most of the fund's capital is flexible.
- **Acquisition and preservation loans:** These products target multifamily rental housing with expiring federal rental subsidies or LIHTC projects approaching the end of the contract compliance period; market-rate properties unrestricted by regulatory agreements, with the intent to convert them to affordable housing; and manufactured home parks, another key preservation strategy in Oregon.
- **GAP loan product:** To complement its acquisition lending, the Network offers the Oregon Affordable Housing Acquisition Fund GAP loan, a subordinate, non-amortizing, interest-deferred loan. This loan can be layered with the primary loan to support LTV ratios of up to 120%. The primary acquisition loan is also non-amortizing, and can be set up as either interest accruing or require quarterly interest payments. Both loans are due upon securing permanent financing, with a standard maximum term of three years, and a possible one-year extension. Typically, the Network finances acquisition projects independently, but may partner with another CDFI for larger deals.

Oregon currently has a robust preservation commitment with 25% of 9% LIHTC awards dedicated to preservation. In addition, the [Oregon Affordable Housing Tax Credit](#) — also referred to as the *lender credit* — reduces the interest rate on permanent loans by about 400 basis points. The reduced financing cost allows developers to borrow more while passing savings on to the tenants in the form of lower rent. The lower interest rate acts as a soft subsidy, helping to make projects financially feasible, especially in the current interest rate environment. Only banks that have Oregon tax liability can use it, and it cannot be sold. In exchange, there's a required 20-year use restriction.

Today, OHCS has dedicated staff who are either partially or fully working on preservation, and fulfill the convening role of the preservation work. A strong preservation network has been institutionalized through long-standing, solid partnerships among a variety of housing stakeholders, substantial state funding dedicated by the legislature, the creation of multiple state entity preservation-focused positions, and the development and implementation of targeted strategies and programs.



Innovative Resources Across the Country

Charlotte Housing Opportunity Investment Fund

Ascent Housing in Charlotte, North Carolina, made the region's first unsubsidized SMMF preservation investment in 2020 as a social impact equity fund. As an operating partner for the Housing Impact Fund, Ascent is responsible for the acquisition, financing, renovation, and operation of its investments, working directly with lenders, property management, contractors, support services, and local jurisdictions.

Partnering with local governments, Ascent helped create an innovative program that converts property taxes into rental subsidy payments. The program serves households with incomes of 30% AMI and below at all of its properties, assisting people most vulnerable to housing insecurity and making projects feasible. Together, Housing Impact Fund I and Housing Impact Fund II have secured key investments from local foundations, banks, and businesses.

Washington, D.C.'s Affordable Housing Preservation Fund

The Washington, D.C., metro area has one of the highest median rent levels in the nation, putting substantial pressure on its restricted and unrestricted affordable housing stock.

Established in 2017, Washington, D.C.'s [Affordable Housing Preservation Fund](#) prioritizes preserving affordability in mixed-use, mixed-income neighborhoods that have easy access to employment and services. The Fund also supports implementation of the Tenant Opportunity to Purchase Act (TOPA), which gives renters in multifamily buildings the right of first refusal when a building is placed for sale. Eligible properties are occupied multifamily buildings with more than five units, where at least 50% of the units are affordable to households earning up to 80% of the median family income. Developers who receive a loan from the fund must agree to 10-year income and rent restrictions, which are recorded against the property as a protection against displacement of low-income tenants. The Fund is managed by Capital Impact Partners, LISC-DC, and LIIF.

Los Angeles' Local Rental Owners Collaborative

In many markets, a majority of unsubsidized, below-market rental homes are owned by local, independent landlords. These small-scale SMMF owners are key to preserving affordable housing and reducing displacement. In Los Angeles, many owners with smaller rental portfolios (2-20 units) are having difficulties maintaining their properties — especially immigrants and owners of color. This can lead to greater displacement and gentrification in an already highly competitive housing market.

The [Local Rental Owners Collaborative \(LROC\)](#) was launched in 2021 to support independent owners at risk of foreclosure or losing their properties to corporate buyers. This pilot program offers SMMF landlords short-term rental relief grants, financial consulting services, innovative technology tools, and property management resources. Administered by Enterprise and implemented by the Coalition for Responsible Community Development, a Los Angeles-based nonprofit dedicated to sustainable community development, seed funding for LROC was provided by the Chan Zuckerberg Initiative (CZI) and other foundations.

Spotlight: MINT

A [Mixed-Income Neighborhood Trust \(MINT\)](#) is a relatively new model for housing and community development created by Trust Neighborhoods, a national nonprofit that supports community-governed real estate. Each MINT is formed by a local neighborhood group and managed by existing community-based organizations with real estate expertise. MINTS are held accountable to residents through their governance structure.

The core function of a MINT is to develop, own, and operate mixed-income rental housing on behalf of current residents — particularly in areas facing gentrification and displacement. The model leverages rising market-rate rents to cross-subsidize affordable units, preserving current rents ahead of pricing pressures to raise them.

To launch a MINT, Trust Neighborhoods looks for four key criteria: 1) a high-capacity neighborhood group, 2) anticipated increases in property values, 3) large-scale acquisition potential, and 4) a viable pathway to securing capital. Five mixed-income communities have been established to date in Boston, Kansas City, Tulsa, and Denver.

As we have seen, properties with smaller units do not always benefit from existing state and federal programs. MINTs offer a new way to attract capital not traditionally accessible to neighborhood-based organizations. Financed through a blend of equity and debt — including PRIs from foundations, individuals, and institutional investors — a MINT can be an effective tool for the preservation of affordable rental housing. While not a traditional fund, it is a preservation and anti-displacement approach that may resonate with many funders.



Amplifying Preservation of Small and Medium Multifamily Housing

Capital strategies

Preservation of affordable SMMF housing typically requires investment, but some existing financing tools, like LIHTC, don't work well for SMMF properties. With appropriate strategies, resources, and partners, an SMMF fund or targeted loan products within a fund can catalyze preservation of this at-risk housing.

Before starting a new fund, it's important to evaluate existing community sources of capital for preservation or production, and explore how they might be expanded. The assessment should include the availability of funding, resources, and subsidies; the local real estate environment; and systemic capacity.

While land and development costs may be cheaper in smaller communities, these areas may lack the resources and capacity needed to support preservation or new development. Less expensive acquisition and building costs can make projects more feasible, but limited

rental income in low-cost markets may not be sufficient to support financing for purchase and rehabilitation. In contrast, high-cost markets may offer stronger rent potential, but the price of land and property can be prohibitive. In both cases, without a robust affordable housing sector, it can be difficult to deploy funds effectively, making the ability of local developers to complete pre-development and project work critical.

As shared in numerous examples throughout this paper, effective preservation strategies require collaboration among a broad cross-section of stakeholders, including civic leaders, community members, housing agencies, philanthropies, CDFIs, healthcare organizations, and other institutional or private investors. Convening such a group is a critical first step in exploring high-priority needs, identifying shared goals, and defining the structure and purpose of a potential preservation fund. This process helps determine what type of projects the fund should support, assess feasibility, and build early momentum.

Establishing a fund will not solve all the housing problems in a region, so expectations should be commensurate with the fund's ultimate size and mission. Convening stakeholders and building a coalition through consensus and support are vital to attracting capital. Risk tolerance, cost of capital, and funder priorities will determine potential investor interest. Roles should be clearly defined for any partners — CDFIs, public agencies, philanthropies, private entities, and residents or other community members. One approach is to begin with a pilot fund in a region with strong developer and system capacity, then scale it regionally once proof of concept is established.

Fund goals might include:

- Protecting SMMF homes or other rental housing stock from market forces
 - Marshaling additional resources to preserve existing subsidized housing
 - Helping mission-driven buyers compete for properties with market investors, and purchase unsubsidized rental buildings to maintain affordability
 - Protecting affordability through covenants, deed restrictions, or other enforcement mechanisms
 - Reducing involuntary displacement in gentrifying neighborhoods
 - Improving the condition of rental units and increasing their energy efficiency and sustainability through property management
 - Preserving the affordability of mixed-use, mixed-income neighborhoods that have easy access to employment and social services — acquiring properties in opportunity areas near transportation, jobs, and quality schools increases quality of life and outcomes for individuals and families with low incomes
- Flexible preservation funds and lending products are needed to meet desired goals and accommodate a range of preservation transactions. While some of these financing needs can be met by private sector sources, public funding is often essential, especially for smaller nonprofits that may have more difficulty accessing capital, or for projects with short performance timelines that public dollars alone cannot meet. When acquiring larger properties, even high-capacity developers may have difficulty accessing financing quickly enough to compete with market-rate buyers.
- If prioritizing the preservation of SMMF properties is the goal, a flexible fund is needed — along with loans and grants that support predevelopment, acquisition, bridge financing, and permanent financing. The types of financing needed for preservation transactions are wide-ranging:
- Medium-term predevelopment funds to cover costs associated with investigating potential leads and conducting the due diligence necessary to assess and vet a particular transaction
 - Fast-acting funds to purchase at-risk properties and transfer ownership from the current owner to a mission-driven entity committed to preserving long-term affordability
 - Medium-term bridge financing for securing and operating a building while permanent financing is secured and the property is recapitalized; to be impactful, the borrower may need interest-only or deferred payments in the interim
 - Loans to owners to refinance and rehabilitate a property, including any backlog of accumulated capital needs, without raising rents to a level that they are no longer affordable
 - Financing to cover the funding gap between what it may cost to redevelop a property and what can be raised through other sources
 - Permanent financing that supports long-term affordability by sustaining below-market rents for the life of the project

Essential components of preservation funds

Certain components must be present for a preservation fund to successfully meet financing needs. It must have the ability to close quickly as mission-driven buyers are often competing with cash buyers in fast-moving markets. Funds should also either be pre-approved and ready for drawdown, or structured to support rapid closings. In addition:

- The fund and loans need built-in flexibility, and loan originators need flexible underwriting guidelines. The guidelines of a fund might need to change over time based on fluctuating real estate market cycles and local needs.
- Fixed, low-interest debt is critical as many preservation deals don't work at market rates, especially in higher-cost markets. Even in lower-cost markets, borrowers may need additional soft funding to support lower rents.
- Loans often need to be paired with grants or other subsidy sources to make the capital stack viable. Soft debt should be structured for repayment only when sufficient cash flow is available, typically over a longer term.

- Sufficient concessionary capital with low or no interest, grace periods for repayment, or long payback terms make an affordable housing fund work.

Investors with long-term, low-cost, or no-return requirements provide credit enhancement for investors with more traditional risk tolerance. Combining private investor capital, for example, from lending partners like banks who are willing to invest at a below-market rate in order to get Community Reinvestment Act (CRA) credits, philanthropic money, and government capital can result in a below-market blended rate for the borrower and relatively low risk for investors with top loss security. Investors need to be patient with changing economic conditions and the length of time affordable housing deals can take. Grants or guarantees can be used as credit enhancements, providing a developer with more funding or more favorable terms.

Spotlight: Mezzanine Debt

Owners of rental properties often rely on secondary financing, especially in the case of rehabilitation projects, when projected rent increases have yet to materialize and capital is needed to make their project feasible. Chicago's Mezzanine Loan Fund, also known as the [Opportunity Investment Fund](#), provides low-cost mezzanine debt to developers who purchase existing, functioning rental buildings in high-cost markets. In exchange, at least 20% of those units must be affordable to households at 50% AMI for at least 15 years.

Developers can use the Fund to cover up to 50% of their required equity, or finance up to 90% LTV, whichever is less. The fund offers below-market interest rates, interest-only payments, and a 10-year term. By providing loans instead of grants, the Fund creates more affordable units using revolving funds as opposed to a one-time grant allotment.

Spotlight: The Multifamily Collateral Support Program

The Colorado Housing and Finance Authority (CHFA) offers the [Multifamily Collateral Support Program](#) to help developers of SMMF projects — typically those with fewer than 20 units — overcome collateral shortfalls that can limit access to capital. Through the program, CHFA provides a cash deposit at the developer’s lender of choice, which serves as collateral and supports a higher loan amount. This low-cost credit enhancement can support loans of up to 90% of a project’s value or cost, whichever is less.

Underwriting

The one-size-fits-all approach common to new-construction underwriting is not well-suited to SMMF properties. To maximize the effectiveness and utility of SMMF financing, underwriting for these small, albeit often more complicated, preservation deals should recognize that a different and more subjective review may be needed.

Properties

Preservation properties can be very old and in rough shape, and the process of buying, rehabilitating, and improving them is complex. Additionally:

- Existing property conditions may be challenging, so flexible underwriting and a willingness to work through complexities over time is needed.
- Cash flow generated by the property may need to be directed toward a reserve for ongoing repairs, instead of repaying soft debt or relying on a replacement reserve that was capitalized up front.
- Vacancy risk is much more pronounced in small properties; for example, a 10-unit building means a single vacancy is 10% of the income generated, so underwriting needs to take this into account.

Rents

- If an owner must finance the acquisition and rehabilitation of a property, debt service obligations will be higher, and they will need to generate more revenue — typically forcing higher rents.
- Rent increases should be gradual to avoid displacement of existing tenants; in some cases, grandfathering current residents at their existing levels may be appropriate.
- Flexible underwriting can support preservation efforts by allowing lower debt service coverage ratios and including an upfront debt service reserve held by the lender.

Unsubsidized SMMF properties frequently house residents with a range of incomes — many of whom wouldn’t meet the strict income limits imposed by most sources of governmental funding. Mixed-income communities provide residents with more housing choices and create more stable neighborhoods. Underwriting for mixed-income communities requires less public subsidy to fund a project since a larger loan can be supported. At below-market interest rates, the project may well become financially viable with flexible financing because the affordability restrictions aren’t as stringent as those required by other funding sources.

The Mixed-Income Neighborhood Trust (MINT) profiled earlier in the report takes advantage of rising market-rate rents in gentrifying areas. In their model, market-rate units within the same building cross-subsidize affordable units. This model may appeal to investors while making resources stretch further.

Borrowers

SMMF owners may not have advanced accounting capabilities, and projects sponsored by community-based emerging developers with little track record will have less access to capital. Small organizations and mom-and-pop owners may well benefit from relationship lending versus a more transactional approach. A partnership approach to lending in the SMMF funding space could enable streamlined financing and create long-term borrower partners.

Underwriting guidelines need to recognize and accommodate these variable levels of capacity to provide opportunity, and loan originators could even assist with TA. Strategies that allow an owner to capitalize or borrow against their entire portfolio versus one property could enable owners to better compete for unsubsidized properties or pursue pre-development for new deals.

Incremental improvements for small and medium multifamily housing properties

The affordable housing sector is a limited-resource and high-need environment where long-term and deep income affordability restrictions are the standard for funding projects. The full rehabilitation of all the main systems on a property is often a requirement of funding. However, smaller property owners may not operate that way — rather, they may complete the rehab process in phases, e.g., year one the windows are replaced, year two the elevator is replaced. Some properties may need only incremental or limited

improvements for preservation compared to a full retrofit, yet current funding approaches don't always accommodate the different operational realities. Thus, financing preservation at lower dollar amounts and with less compliance may be more appropriate for SMMF properties.

- Smaller subsidies with limited requirements, or allowing property improvements to be completed over time, are effective strategies for bringing smaller projects and SMMF property owners into the affordable housing fold.
- Owners could agree to short-term limitations with streamlined compliance and documentation requirements. In exchange, they receive smaller grants or loans that are sufficient for incremental improvements on smaller projects.
- Investing in energy and water efficiency measures keeps homes affordable while making them healthier and more comfortable. Offering favorable financing terms for these retrofit measures is an effective strategy for improving SMMF properties.
- Offering below-market rates for minor rehabilitation and repairs addresses tenant needs and provides curb appeal to reposition a property.

A good portion of the affordable rental stock is owned by individuals or small organizations with relatively few properties. To preserve the affordability of unsubsidized rental homes, communities often establish programs to help smaller property owners access affordable capital for property upgrades and operating cost reductions. Code enforcement can support rental housing preservation when paired with these financial resources. Jurisdictions may operate their own programs or partner with lending institutions, and CDFIs can also provide this support.

Pittsburgh's Small Landlord Fund

The Urban Redevelopment Authority of Pittsburgh sponsors the [Small Landlord Fund](#), which provides grants of up to \$20,000 per unit or \$100,000 per project (5-10 units) to preserve existing affordable rental housing and/or convert market-rate and vacant housing to affordable housing. A variety of upgrades and repairs are eligible for funding. The terms are up to 10 years for loans of \$1,000 to \$50,000 and 15 years for loans of \$50,000 to \$100,000. Loan repayment is deferred and the loan forgiven at the end of the term, but the full principal is due if the property is sold during the loan term. Residents must have Housing Choice Vouchers or incomes at or below 80% AMI.

Vermont Housing Improvement Program

[Vermont](#) offers grants or forgivable loans to rehabilitate structural elements affecting multiple units, create new units within an existing structure, and complete repairs necessary for code compliance, weatherization, or accessibility improvements in occupied units. Property owners are eligible to receive up to \$30,000 per unit for the rehabilitation of 0- to 2-bedroom units, and \$50,000 per unit for the rehabilitation of 3-plus bedroom units. Participants are required to contribute 20% of the award as a match. A 10-year forgivable loan or five-year grant is available to incentivize landlords, with terms that vary based on the length of the affordability commitment.

Washington, D.C.'s Small Building Program

Washington, D.C.'s [Small Housing Provider Grant Program](#) offers eligible owners of properties with 2-50 units of affordable housing grants of up to \$350,000 per property for limited systems replacement and other key repairs. Repairs are expected to improve substandard housing conditions, including safety and environmental hazards. Property owners are eligible if they own up to three rental housing properties and have incomes at or below 150% of the median family income. Boards of limited equity cooperatives are also eligible. Properties that receive assistance are subject to a five-year minimum affordability covenant.

Minneapolis' 4d Affordable Housing Incentive

Minneapolis' [4d Affordable Housing Incentive](#) program helps rental property owners obtain property tax reductions if they agree to keep 20% or more of their rental units affordable, and make existing buildings greener through energy efficiency improvements and solar installations. Tax savings are used on property maintenance or improvements, security, rent stabilization, or increases to the property's replacement reserve account. Nearly all rental housing is eligible, including 1-4-unit buildings and single room occupancy housing. At least 20% of the rental units in a building have to be affordable to households whose family income is at or below 60% of AMI and a 10-year affordability declaration will be recorded on the property. Rent increases for tenants in affordable units are limited to 6% or less annually unless the unit is turning over to a new tenant.



Supplementary Tools and Resources for Small and Medium Multifamily Housing Preservation

Pairing loan products with TA resources is best practice in SMMF preservation funding. Emerging developers, smaller organizations, and mom-and-pop landlords — all prime candidates for taking on SMMF preservation — may need skill building or help with financing, property management, implementing energy efficiency improvements, compliance, or accessing resources, especially if newly entering the affordable housing world.

- Loan originators may provide TA to help owners and borrowers navigate the loan origination process.
- As noted earlier, Community Investment Corporation’s landlord training program is a noteworthy model.
- Larger, more experienced nonprofits mentoring smaller, emerging nonprofits is another best practice, for example, MEDA’s Equitable Recovery Institute in San Francisco.
- A preservation fund could work with community banks that fund affordable housing to provide TA and outreach to their borrowers.

Emerging developers often struggle with cash flow because developer fees alone are insufficient to support staff capacity and operations. For example, participants in San Francisco’s Small Sites Program need to complete five to six small preservation projects per year just to stay afloat financially. Philanthropy can play a crucial role by providing emerging developers with multiple years of operating support to stabilize their organizations while they build up their portfolios. Small capacity building grants for this purpose may help move emerging developers toward long-term sustainability.

Local jurisdictions may also support preservation through incentives such as property tax abatements or payments in lieu of taxes to help lower the costs of affordable rental housing. Tax policy is a tool adopted in Illinois, California, and Oregon, among others, to bring funding to a project outside of loans.

Opportunity-to-purchase legislation

Multiple states and localities have established policies that require owners of subsidized, and in some cases any, rental properties to give residents notice of plans to sell the property, often combined with the right of first refusal (ROFR) allowing residents to match a third-party offer.

Tenants generally need to be connected with an entity that has experience purchasing and managing rental housing and can finance the purchase. A preservation fund with flexible, low-cost acquisition financing that can respond quickly to purchase requests can make the difference between the success and failure of these opportunity-to-purchase policies.

Funders and philanthropy

When families lack access to safe and affordable housing, their ability to thrive suffers across multiple dimensions. School performance declines, job access and security are at risk, financial stability diminishes, and physical and mental health deteriorates. As recognition of the nationwide housing crisis has grown, many foundations have elevated housing to a top priority in their strategic planning.

While many foundation leaders understand that housing is fundamental to healthy communities, there may be a learning curve with some investors on how preservation can support their goals, and how they can achieve maximum impact with their funds. Outreach and education to local foundations can help clarify the issues and build momentum for collaborative solutions.

Philanthropic organizations — including community, corporate, and charitable foundations — provide grants, PRIs, or MRIs for mission-specific purposes. Beyond direct funding, philanthropies fulfill other important roles, such as convening stakeholders, providing civic leadership, supporting planning efforts

or housing needs assessments, funding capacity building and operating support, and investing in public-private ventures such as acquisition funds for rental housing preservation.

One of the most impactful ways foundations can participate in this sector is by supporting affordable housing and preservation funds. Investing concessionary capital at the fund level rather than individual project level provides valuable preservation resources, especially when provided to pre-qualified, mission-driven developers so they can respond quickly to opportunities.

Foundations can also provide guarantees or capitalize dedicated funds sponsored by public and private sector partners, allowing impact investors to pool their investments. Support for pooled funds or loan guarantees — such as the [Community Investment Guarantee Pool](#) — strengthens a region's investment ecosystem by helping underwrite risk and providing long-term investment solutions to social challenges.

Affordable housing funds, particularly those targeting preservation, offer effective impact strategies because they invest in projects that generate rental income or provide low-cost loans that are repaid with interest. This capital can then be recycled to support additional projects or advance donors' future philanthropic priorities.

CDFIs and other fund managers are key players in the housing preservation ecosystem. They provide a place for philanthropy to collectively blend private capital and public funding, and re-invest their own returns to achieve greater impact than single sources of funding. In short, funds provide a way to channel a foundation's participation in affordable housing and preservation.

Developers

What strategies can affordable housing developers and SMMF preservation organizations use to attract investment from foundations, healthcare consortiums, businesses, and high-net-worth individuals? As many examples in this report illustrate, they attract investments through clear mission focus, storytelling, networking, and documenting the beneficial impact on residents and the community.

SMMF preservation has a strong, inherent narrative of maintaining affordability of the largest inventory of low-cost housing stock, advancing equity by building prosperity for socially and economically disadvantaged people and communities, increasing sustainability and climate resilience, and reducing displacement. Research and knowledge about a lender's or foundation's risk profile and preferred strategies and goals allows a developer to tailor proposals and requests to organizations that may have the best mission alignment. Being able to quantify what SMMF stock is and its sheer magnitude is compelling to foundations and other mission-driven investors. Creating an impact dashboard to track a portfolio's successes with indicators on geographic diversity of investments, increased housing supply, economic equity, and other measures can showcase successes and outcomes.

Operations

Robust asset management is key to a successful portfolio. Sharing services across different small organizations can offer operating economies that translate into property management savings, helping to keep rents affordable. The Local Rental Owners Collaborative in Los Angeles, profiled on [page 34](#), offers a network of support services, allowing rental owners to use their collective purchasing power to unlock efficiencies. Nonprofits have created insurance collectives, or joint property management entities, to benefit from economies of scale. Energy-saving green improvements may also help increase cash flow by lowering operating costs.

Spotlight: JOE NYC

The [Joint Ownership Entity New York City \(JOE NYC\)](#) is a shared asset management model created to assemble ownership of affordable housing projects owned by Community Development Corporations (CDCs) into one entity. JOE NYC serves as asset manager of the collective portfolio of properties, achieving economies of scale and improving operating margins of the properties through the bulk purchase of energy, goods, and services.

The combined entity has the balance sheet strength to recapitalize projects or act as a co-guarantor to members of new developments. Owners of small properties provide JOE NYC with an ownership stake, and individual owners get a share of the revenue. Member CDCs' collective ability to leverage JOE NYC as a guarantor on their books makes them more competitive in securing new affordable housing development opportunities, increasing opportunities for CDCs to serve neighborhoods in need.

States and localities

The preservation of SMMF should be a linchpin of any community's affordable housing strategy. To be successful, states and localities need a systematic, comprehensive approach to rental housing preservation that prioritizes SMMF as an untapped opportunity with significant potential for loss. Preservation must be recognized and designated as a focus with committed resources, or it will be overlooked in favor of new construction.

Strong public partners are essential to preservation efforts. Committed support from city, county, or state agencies can make the difference between a project's success or failure. Affordable housing projects depend not only on financial investment from local agencies but also their advocacy and focus to help smooth public engagement, develop partnerships with other funding sources, and streamline internal approval processes.

At the state level, governments can provide important legislative support and resources at the scale needed. For example, implementing right-of-first-refusal legislation gives communities a chance to assemble financing and preserve affordable homes when the opportunities arise.

All stakeholders, including private sector actors like healthcare institutions, foundations, and other partners, can be powerful advocates for public investment and policy solutions. Securing dedicated revenue from public sources for preservation funds or loan products helps facilitate the success of any strategic plan and enables housing advocates to make systemic change in their community.

Many states have prioritized the preservation of existing affordable homes in their Qualified Allocation Plan, which determines how they award LIHTCs. Other jurisdictions have earmarked bonds, tax increment financing, property tax abatements, and other dedicated sources to subsidies, grants, or top-loss capital for preservation.

These public sector investments, along with private and philanthropic capital, supply both funding and key partnerships, and can catalyze interest in preservation by connecting it to beneficial health, sustainability, and economic outcomes. The successful preservation networks profiled in Chicago and Oregon demonstrate the power of strong collectives to move the needle on preservation — including SMMF preservation — showing the power of inclusion and the importance of a forum for convening pivotal constituencies.



Local communities

Local stakeholders can identify nontraditional investors in the community such as philanthropic, business, or healthcare stakeholders — any of whom might provide financial support to help facilitate preservation, or help develop needed funds and loan products.

- Community members and groups can help leaders understand the greatest production and preservation needs are in the community, and shape the pipeline for a fund.
- Local residents and tenants may be a good source of information about upcoming sales of apartment buildings, mobile home parks, or other sites that would benefit from preservation funding.
- Broad preservation networks and engaged community partners could help identify more of these transactions, catalyzed by right-of-first-refusal requirements and dedicated resources.
- Community stakeholders might explore whether a community land trust would be a helpful tool for affordable rental housing preservation.
- Strong collective impact networks can identify subsidized properties at risk, build local capacity, and pursue the strategies and resources needed to preserve them.

A key element of successful preservation networks is the ability to mine data on the existence, location, and property details of the affordable housing inventory. Good data is foundational for maximizing resources and targeting preservation strategies, and should ideally be obtained on both subsidized and unsubsidized properties. Analysis of data can inform geographic and ownership targets for acquisition or technical assistance strategies for current owners interested in holding and rehabbing their properties.

Local governments, nonprofits, and community institutions should begin by completing property inventories — highlighting at-risk properties. The [National Housing Preservation Database](#) has information on subsidized properties, but more local sources will need to be referenced for unsubsidized properties, including county assessor data. A preservation collaborative in metro Denver utilized assessor and building department information to identify SMMF properties in key counties, harvesting property condition data and owner information, with the ability to plot opportunity areas and gentrifying neighborhoods. The Colorado Housing Finance Authority hosts the data for stakeholders interested in preserving long-term affordability.

Local data can also be obtained through interactions with owners of unsubsidized properties. Some jurisdictions have landlord registries with a rental inventory that may be ideal for outreach regarding preservation acquisition and rehabilitation efforts.

Given the limited data available on SMMF housing, additional research could significantly improve preservation strategies and resource allocation. To help fill this gap, The Preservation Compact with DePaul University's Institute of Housing Studies, as referenced earlier, released an analysis on the characteristics of SMMF properties to better identify strategies and opportunities to preserve this vital source of affordable homes.



Conclusion

The importance of SMMF housing in the affordable housing continuum cannot be overstated. As these aging and at-risk units continue to deteriorate, their loss will drive up rents and increase displacement among lower-income households. Considering SMMF housing’s critical role — particularly for families with the lowest incomes — there is an urgent need to create, refine, scale, and replicate financial tools and support strategies to preserve this critical segment of the housing stock.

Communities need access to capital to rehabilitate and preserve SMMF housing. These capital strategies are most impactful when paired with complementary tools that can amplify and accelerate their impact, giving preservation efforts the best chance of success. Key supporting practices include:

- Meaningful public resources, such as subsidies, top-loss capital, and grants, blended with private and philanthropic capital to provide flexible, low-cost, and responsive financing. Additional public incentives, like tax abatements or small landlord repair and improvement programs, can further support property upgrades and help maintain long-term affordability.
- Collaborative relationships within broad, community-based preservation networks that include key stakeholder groups
- Collective action to develop solutions, share best practices and resource expertise, and coordinate preservation efforts to maximize impact

- State and local policies that support preservation efforts, such as right of first refusal, giving tenants and mission-driven entities the right to purchase a property and maintain affordable rent if an owner wants to sell or convert the property to another use
- Data collection and analysis as the cornerstone of effective, targeted preservation strategies
- Mission-driven developer capacity to assemble complex projects, and TA or skill-building opportunities to build capacity in the local affordable housing ecosystem

As the examples in this paper demonstrate, effectively executed preservation funds have the power to blend the strengths of public, private, and philanthropic investment to accelerate projects, reduce displacement, stabilize families and neighborhoods, advance upward mobility, and produce meaningful community-wide benefits.

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New York City Housing Preservation and Development: Landlord Ambassador Program, New York, New York

Ohio Capital Finance Corporation: Ohio Preservation Loan Fund, Columbus, Ohio

State of Vermont: Vermont Housing Improvement Program, Montpelier, Vermont

The Preservation Compact: Chicago, Illinois

Trust Neighborhoods: Mixed-Income Neighborhood Trust (multiple cities)

Urban Redevelopment Authority of Pittsburgh: Small Landlord Fund, Pittsburgh, Pennsylvania



About Enterprise Community Partners

Enterprise is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested \$80.9 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging. Join us at [enterprisecommunity.org](https://www.enterprisecommunity.org).