Property acquisition funds overview

Property acquisition funds provide developers of affordable housing with the means to act quickly and opportunistically to acquire land or buildings as they become available, rather than having to wait for traditional public funding cycles to come through with permanent financing.

In some models, affordable housing developers acquire properties directly using up-front financing provided through the fund; in others, the steward of the loan fund purchases the property for eventual transfer to a project sponsor. Loans are typically issued on a short-term basis at below-market interest rates and replaced by permanent financing once it is arranged. Related predevelopment costs are also generally an allowable expense, including costs associated with conducting appraisals and environmental assessments, securing title and zoning approvals, and hiring development consultants.

Property acquisition funds can be capitalized with multiple funding streams, including public funds, foundation support, and financing provided by Community Development Financial Institutions (CDFIs) and private financial institutions.