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How should the next mayor prioritize the preservation of existing affordable housing units?

Over 45,000 existing units of affordable housing will expire from their current affordability restrictions and require new subsidies during the next mayor's first term. Resources for preserving those units likely will be quite constrained. The next administration accordingly will have to make hard choices between funding the construction of new affordable housing or preserving those currently affordable units, and will have to set priorities about which units to preserve, and at what cost.

THE BASICS

Over 250,000 units of privately owned and publicly subsidized affordable rental housing have been developed in New York City in the last 50 years under the four largest categories of government subsidy programs: U.S. Department of Housing and Urban Development (HUD) financing and insurance, HUD project-based rental assistance, New York City and New York State Mitchell-Lama, and the federal Low Income Housing Tax Credit (LIHTC). With each of these programs, the affordability requirements expire after a set number of years. At that point, the property owner can choose to renew the subsidy (if it still exists), accept a new infusion of financing with affordability restrictions (if the city offers it), or opt out of the program and let the units convert to market rate or rent stabilization. Thus far, as Table 1 shows, 68,000 units in 362 properties, representing over 25 percent of units ever subsidized in New York City under these programs, have left all subsidy programs tracked in the Subsidized Housing Information Project (SHIP) database, the Furman Center's free, searchable database of subsidized properties.[1]

Figure 1 shows that between 2000 and 2011, about 33,700 units left all affordability programs tracked in the SHIP database, while 28,500 units extended their affordability restrictions and 59,400 new units came online. This is fewer than the number of preserved units reported under the Mayor's New Housing Marketplace plan because that plan counts units that are not catalogued in the SHIP database (such as properties developed through the Housing Trust Fund or Housing Asset Renewal programs), as well as properties that left all programs tracked in the SHIP database but were preserved as affordable housing using city-funded programs not captured in the SHIP database (such as the Preservation Loan Program or the Small Owner Repair Program). Had the city not preserved any affordable properties and the 28,500 units that it did preserve had instead exited affordability, it would have actually had a net loss of affordable units since 2000.

1 It is possible that some properties have received financing through subsidy programs that are not yet included in the SHIP database and have affordability restrictions through those programs. Additionally, many properties entered rent stabilization after their subsidy expired due to previous agreements or in exchange for tax abatements. In many formerly HUD-subsidized properties, while the rents may have increased to market rate, the tenants at the time of opt out often received Section 8 vouchers.

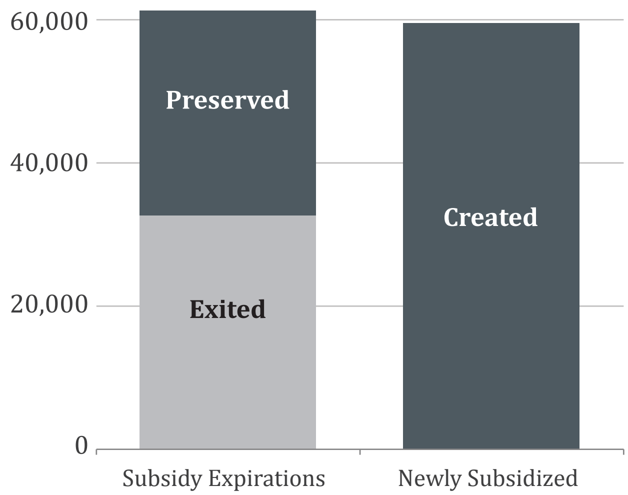
TABLE 1: Subsidized Affordable Properties Financed Through Any Programs Catalogued by the SHIP Database

	Properties		*Units*	
Currently Subject to Affordability Restrictions	2,220	86%	182,061	73%
No Longer Subject to Affordability Restrictions	362	14%	68,168	27%
Total	**2,582**		**250,229**	

Source: Subsidized Housing Information Project (SHIP)

Table 2 shows that, during the next mayor's first term, the subsidies and affordability restrictions governing 129 HUD and Mitchell-Lama properties with nearly 23,000 rental units will expire, giving owners the option to leave their subsidy programs. Not every property owner will choose to opt-out of the subsidy program, but even if an owner wants her property to remain affordable, nearly half of these properties (with 14,000 units) will expire from a program that is not renewable and thus will likely require an additional infusion of subsidy from the city in order to remain affordable.[2] In addition, between 2014 and 2017, 392 LIHTC properties with nearly 16,000 rental units will reach the end of their 15-year subsidy term at which time some properties will seek additional subsidy. Further, 26 Mitchell-Lama properties with 7,700 units have the option to opt out at any time, though they have not done so yet. As the real estate market begins to heat up again, opting out of a subsidy program may become more desirable. Although it is difficult to predict exactly how many and which properties will require preservation money to remain affordable, these numbers show that the next administration will have to make hard choices if, as is likely, housing dollars are limited.

FIGURE 1: Affordable Housing Units in Four Major Subsidy Programs that were Created, Preserved, or Exited Affordability, 2000 - 2011



Source: Subsidized Housing Information Project (SHIP)

QUESTIONS & CONSIDERATIONS

Any affordable housing plan for the next four years will likely involve a mix of new construction and preservation financing. Designing a plan will mean balancing the pros and cons of each.

There are several arguments for favoring preservation. First, in the short-term, preserving an existing unit is almost always cheaper than financing the construction of a new housing unit. Although the exact cost of either preservation or new construction varies based on the unique characteristics of each building, the Center for Housing Policy estimates that over the 50-year lifecycle of a building, the cost of new construction is approximately 25 to 45 percent higher per unit on average than the cost of preservation.[3] Thus, dollars spent on preservation can provide housing to more low-income households than the same number of dollars spent on new construction. Second, preservation generally is faster than new construction. Third, because new construction is likely to occur in the lowest-cost neighborhoods, preserving existing affordable units may allow low-income residents to live in a more diverse range of neighborhoods.

However, there are also some arguments against prioritizing preservation. First, it is difficult, and perhaps impossible, to know which

2 Many of these properties will enter rent stabilization if or when they leave their subsidy programs.

3 Brennan, M., Deora, A., Heegaard, A., Lee, A., Lubell, J., & Wilkins, C. (2013). *Comparing the Costs of New Construction and Acquisition-Rehab in Affordable Multifamily Rental Housing: Applying a New Methodology for Estimating Lifecycle Costs.* Retrieved from http://www.nhc.org/media/files/CostComparison_NC_AR.pdf

TABLE 2: Affordable Properties Eligible to Exit Affordability, 2014 - 2017

	Properties	*Units*
Expiring from all programs	129	22,936
LIHTC "Year 15"	392	15,899
Current Mitchell-Lama that can opt out at any time	26	7,700
Total	**547**	**46,535**

Source: Subsidized Housing Information Project (SHIP)

building owners will require an additional infusion of capital to remain affordable and which may choose to maintain their current affordability levels even without additional funds. Without being able to perfectly predict how individual owners will act in the absence of a preservation offer, the city may spend money "preserving" properties that would have remained affordable. Second, preserving properties alone will not actually add to the stock of affordable units and accordingly cannot remedy the existing gap between the number of low-income households and the number of affordable units in New York City. However, if preservation is deemphasized, more properties could opt out of affordability restrictions than the city can replace with new units, leaving the city with fewer affordable housing units overall.

Often the discussion over preservation versus new construction ends in overly optimistic promises to do as much of both as previous administrations have done. But candidates should confront the problem of limited resources head-on, and be ready to grapple with what criteria to use to allocate funds between preservation and new construction. In addition, if available subsidies aren't sufficient to preserve all properties, difficult choices will have to be made about which to prioritize. While every property will involve somewhat different considerations, candidates should set forth the criteria they generally will use to choose how to spend the funds they decide to allocate to preservation.