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Survey Warns of Growing Financial Strain on NYC's Affordable Housing

A combination of rising expenses and shrinking rent collections is threatening the long-term viability of nearly 200,000 affordable apartments across New York City, according to a new survey.

In fact, 61% of respondents said the financial health of the buildings deteriorated over the last six months.

"Not a single respondent reported the financial strength of their affordable buildings improved," said Malcolm McGregor, chief asset management officer of nonprofit New York City Housing Partnership, which conducted the survey.


Malcolm McGregor

Eighty percent of survey respondents characterized at least a tenth of their portfolios as financially stressed today, according to McGregor.

The leading driver of stress was insurance costs, 74%, followed by declining rent collection, 61%; disruptive tenants/damage, 45%; and building systems at the end of their lives, 32%.

Insurance continues to be a huge issue, with 90% of the respondents reporting that premiums increased over the last six months and 58% saying that adequate coverage is increasingly difficult to secure.

The NYC Housing Partnership's Asset Management and Housing Stability Unit conducted the survey June 18 through 26. Respondents were primarily private-sector owners and developers of multifamily properties that have entered into an agreement with public agencies to keep rents at a set affordable level for income-qualified renters.

Their rising costs have occurred while rental income shrinks. A majority of respondents said their properties are more than 95% occupied, “yet only 5% collect rent at that level, and nearly half collect below 90% of gross potential rent," said McGregor, "thus widening the gap with rising costs.”

"This growing crisis also jeopardizes building owners' ability to refinance, with 74% anticipating needing to reinvest in properties within three years. But 65% do not expect to manage it within their current capacity," reported McGregor.

While the outlook is uncertain, the organizations remain committed to the market, with about 68% saying they plan to stay or grow. At the same time, about 3% are wavering or reducing their exposure.

Respondents were clear about what they need—rental subsidy at scale, insurance market solutions, tenant arrears assistance, debt restructuring/recapitalization, regulatory relief, and property tax relief.

"They also gave the Partnership a clear mandate—85% called for direct collaboration with city and state government and 56% for concrete policy proposals," said McGregor. "We are working on each of these tracks, using our seat between the private sector, public agencies, and the affordable housing community to make sure the practitioner view reaches the people positioned to act on it."

"We must ensure that City Hall and Albany have the accurate data that are needed to formulate realistic, effective policies designed to sustain the long-term preservation of the city's affordable housing stock," added Molly Wasow Park, president and CEO of the Partnership. “But, the good news is that this is not a story of retreat. Two-thirds of respondents told us they hope to maintain or grow their presence in New York City over the next three to five years. If we act now, we have the opportunity not only to preserve but to grow the supply of urgently needed affordable housing.".