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Squeezed NYC affordable housing properties face reckoning

NYC Housing Partnership survey found 62% cite unsustainable operating costs; 61% report finances worsened in the past 6 months

By Richard Lawson

New York City's regulated affordable housing sector is confronting a worsening financial squeeze, and a reckoning is coming unless solutions emerge, according to a new survey of owners, managers, lenders and other industry participants.

The survey by affordable housing nonprofit **NYC Housing Partnership** found that 62% of respondents said operating costs have risen to unsustainable levels. None reported improved financial conditions.

"There is general agreement across various parts of the affordable housing industry – whether it's city and state governments, the not-for-profit sector, the for-profit sector – that do-nothing is not an option here," Molly Wasow Park, **NYC Housing Partnership**'s president and CEO, said in an interview with HousingWire *TBD*.

The survey results dovetail with landlords suing the city over a rent freeze the Rent Guidelines Board approved June 25. Mayor Zohran Mamdani scored a win on a key campaign promise. But landlords sued, and the city faces an August 14 deadline to respond.

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-- Molly Wasow Park, NYC Housing Partnership President & CEO

Though not directly connected, the survey, conducted June 18-26, backs a key landlord argument: that the board did not accurately factor in rising costs.

Taxes, water charges, insurance and utilities are much higher now, Deborah Riegel, an attorney with **Rosenberg & Estis** and co-counsel on the lawsuit, told HousingWire *TBD*.

"We're still in an inflationary cycle," Riegel said. "If your income doesn't meet your expenses, you've got a problem."

Rising cost pressures

Insurance was the top cost driver, cited by 95% of respondents, followed by utilities, maintenance and repairs and labor.

“This is a cross-cutting issue, not just affecting smaller developers or newer developers or not-for-profits, but really some of the biggest private-sector affordable housing owners in New York are really feeling the pinch,” Wasow Park said. “What you have is costs rising faster than rents, rising faster than tenant incomes, and that combination has created what’s really a perfect storm.”

The survey drew 57 qualifying responses from owners, developers, property managers, lenders, investors and public agencies in the regulated affordable housing sector. More than half of respondents represented portfolios of at least 1,000 units.

Financial distress was widespread among respondents. Sixty-one percent said their portfolio’s financial health had deteriorated over the prior six months, while none reported improvement. In addition, 81% said at least 10% of their portfolio was financially stressed, and 39% said more than one-quarter faced financial stress.

Economic distress

Rent collection, rather than physical occupancy, emerged as a central concern. While 57% of respondents reported physical occupancy above 95%, only 5% said they collected more than 95% of gross potential rent. Nearly half reported economic occupancy – – rent actually collected – below 90%.

“People are having a very hard time collecting rent, and I really believe that the reason rent collection is suffering is that resident incomes are also struggling,” Wasow Park said. “That is particularly in lower-wage jobs, the kinds of jobs that many people in affordable housing hold. Wages have stagnated or even fallen.”

She said the dynamic complicates the political debate over rent increases, with landlords and tenants alike struggling.

“The direction that we need to go is not continuing to pit landlords against tenants but really look for ways that we can support both the owners of the properties and the people who live in them,” Wasow Park said.

Respondents identified rental subsidies at scale, insurance-market solutions, tenant-arrears assistance and debt restructuring or recapitalization tools as the most helpful interventions.

From the landlord perspective, 74% anticipated needing to recapitalize at least one property within three years. Separately, 77% said they worried residents could not afford the rent increases needed to sustain building operations.

“We are working closely with government,” Wasow Park said. “I’m confident that we’re starting to see the urgency of the issue, and that we will have something that is very much not a do-nothing response.”