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For-profit affordable housing operators see trouble, survey says

Costs rising sharply and are unsustainable, operators report

By Lilah Burke

New York's for-profit affordable housing developers are in trouble.

That's the takeaway from new data collected by the NYC Housing Partnership, a nonprofit organization that creates affordable housing through public-private partnerships. Almost two-thirds of survey respondents said operating costs have risen sharply and are unsustainable. Insurance premiums were among the fastest-growing costs.

NYC Housing Partnership's Malcolm McGregor (*NYC Housing Partnership / Getty*)

The results add to the stable of analyses showing that affordable housing operators are in a tight squeeze. More than half of respondents represented portfolios of 1,000 units or more.

"Our survey is putting the flag down that this is an issue for all of us that are owning and operating affordable housing, whether you're a nonprofit or a for-profit," said Malcolm McGregor, chief asset management officer at the partnership.

The data comes from a survey of 57 owners and practitioners in affordable housing, taken in June. A bit more than half of the respondents were for-profit owners or developers of affordable housing, while others were executives, property managers, investors or had other roles. For-profit affordable housing operators typically build with subsidies from the city, in return for fixing rents at certain below-market rates.

About sixty percent of respondents said the financial health of their portfolios is deteriorating, with zero respondents saying their finances are improving.

Part of that is due to rising costs. But revenues make up the other side of the equation and those values aren't increasing. Rents in New York's affordable housing projects are fixed and increases are tied to levels set by the Rent Guidelines Board. The board voted in June to freeze rents.

But survey respondents appeared to believe that a bump from the board would not have fixed their problems. More than three-quarters of respondents said they're concerned that residents will be unable to afford the rent increases needed to sustain building operations.

"I think the Mamdani administration has it right that folks can't afford the rent," said McGregor. "These folks don't have stock portfolios, they don't have other investments that they can tap and use to cover gaps and expenses.

Indeed, rent collections in affordable housing have flagged since the pandemic. About 45 percent of respondents reported collections below 90 percent, similar to other analyses.

That situation makes fixing affordable housing finances more difficult. A large-scale rental subsidy could aid revenues but would likely be expensive for the city or state. Expense-side fixes, like the Mamdani administration's proposed insurance program, are difficult to target and scale.

"We might be able to bend the cost curve to some extent but it's not going to close the gap," McGregor said.
Bespoke solutions executed deal by deal, similarly, can't provide the scale needed to fix citywide issues, he said.

"It's a math problem for the folks that live in these buildings and then it's a math problem for the folks that are trying to operate these buildings," McGregor said. "I don't think there's any disagreement that both are feeling a lot of pain."