AFFORDABLE HOUSING ON THE BRINK:

A Risk Assessment of Privately Held, Subsidized Rental Housing in Manhattan Valley, Morningside Heights, and the Upper West Side

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Introduction: A Call for Action

New York City is in the midst of an affordable housing crisis, with its stock of government-subsidized, privately owned rental housing rapidly being depleted. A recent study determined that approximately a quarter (28,422) of the city's 121,000 subsidized dwelling units were released from long-term affordability restrictions between 1990 and 2005[1] and that an additional 16,000 units citywide were likely to be at immediate risk of being lost from the affordable housing stock due to pending subsidy terminations or owner mismanagement.[2] Current preservation strategies have not been able to stem the loss.

In the spring of 2006, the West Side Federation for Senior and Supportive Housing (WSFSSH), the Manhattan Valley Development Corporation, Goddard Riverside Community Center, Project Find, and the Columbus Amsterdam Business Improvement District joined together to form the West Side Nonprofit Affordable Housing Group, in order to initiate a study specifically assessing the degree of risk posed to the subsidized rental housing stock in Upper Manhattan. The assessed areas include the Upper West Side, Morningside Heights and Manhattan Valley – a region extending northward from 60th Street to 125th Street and expanding westward from Central Park West and Frederick Douglass Boulevard to West End Avenue and Riverside Drive. We examined Mitchell-Lama developments, properties with HUD financed mortgages, and properties with HUD-financed, project-based operating subsidies[3] located in Community Board 7 (CB7) and parts of Community Boards 9 and 10 (CB9 and CB10).[4] The project was aimed at developing a snapshot of how many subsidized units have been lost, how many remain, and how many are at future risk of being lost from the stock in these targeted neighborhoods. With financial participation from LISC, the group hired two housing consultants with extensive knowledge and experience in subsidized housing development and preservation issues to conduct the assessment.

Unfortunately and not surprisingly, we found significant cause for concern. In 1990, our study area had a combined total of 66 buildings containing approximately 7,196 subsidized housing units[5]. By the time our study was initiated, in the Spring of 2006, there were only 47 such buildings remaining, containing 4,028 subsidized units[6]. **This represents a net loss 3,168 affordable units, or 44% of the total subsidized stock in existence**

[1] Tom Waters and Victor Bach, Closing the Door: Accelerating Losses of New York City Subsidized Housing (New York: Community Service Society, May 2006), 3. http://www.cssny.org/pdfs/ClosingTheDoor_Brief.pdf. This study analyzed properties financed under the New York City/New York State Mitchell-Lama mortgage programs, as well as properties with certain HUD-financed project-based operating contracts. It did not include properties subsidized through Low Income Housing Tax Credits, properties with HUD-financed project-based Section 202 or Section 811 contracts, properties with Section 8 Moderate Rehab contracts, or non-Mitchell Lama properties with HUD mortgage financing but no project-based operating contract in place. It also excluded institutional Mitchell-Lama developments.

[2] Ibid. This projection was obtained from studies conducted by the Mitchell-Lama Residents Coalition and the New York State Tenants & Neighbors Coalition.

[3] This included Section 8, Section 202, Section 811, Rent Supp, and RAP contracts.

[4] Our study specifically did not analyze the issue of long term affordability among privately owned but otherwise unsubsidized rent regulated (i.e. rent controlled and rent stabilized) units, although we recognize that these units are also at-risk of being lost from the affordable housing stock in Upper Manhattan. We focused on subsidized developments because affordable units in these properties are lost en masse, rather than individually as is often the case with rent regulated and rent stabilized units. As a result, the impact of their loss can be more severe at any given point in time.

[5] Special thanks to Tom Waters of Community Service Society (CSS) for providing property-level information about the subsidized housing stock that existed in our study area prior to the commencement of our research. This data enabled us to determine how many units had been lost prior to the initiation of our study. Because the CSS data did not include a few property types that were covered in our study (see footnote 1), the total number of buildings and units in existence in 1990 are approximate. However, we believe they are essentially representative.

[6] Of the 19 buildings and 3,168 units that were lost between 1990 and 2006, the vast majority were in Mitchell Lama properties. Thirteen Mitchell Lama rental development (representing 2,794 units) opted out of affordability restrictions during this period, while six properties (374 units) with HUD operating contracts (Section 8, Rent Supp) &/or HUD mortgage financing were lost over the same time period.

in 1990. In short, the severity of Upper Manhattan's subsidized housing loss over the past 16 years has been nearly twice as great as the New York City average.

Furthermore, barring concrete intervention, we anticipate that more than 1500 affordable units, or 37% of the remaining subsidized stock, are at-risk of being released from long-term affordability by 2024. This would leave only 2,519 units of subsidized housing in Upper Manhattan. The expected loss will likely be attributed to opt-outs spurred by expiring subsidy contracts, prepayment of subsidized mortgages, and HUD foreclosure of poorly managed properties. While the units that have already been released from long-term affordability can never be recovered, now is the time to act to ensure that more units are not lost from the remaining stock.

New preservation strategies and resources must be adopted in order to protect these scarce housing resources. Mission-driven, community-based organizations, committed community members, and elected officials can be insightful contributors to the development of new preservation strategies. It is in this spirit that we set out to examine the extent of the affordable housing crisis in our community, and to consider strategies that may be developed to combat this crisis.

What Puts A Property At Risk?

Today's strong real estate market, coupled with instances of owner mismanagement and building distress, are working in tandem to accelerate the depletion of Upper Manhattan's subsidized stock. On the one hand, the strong housing environment has enticed many owners of subsidized buildings to actively or passively drop out of the city, state, and federal programs that restricted their rent levels, in order to raise rents or convert to market-rate condominiums.[7] Mitchell-Lama developments and properties with HUD mortgage financing can be released from affordability restrictions by "buying out" of their subsidized mortgages (i.e. prepaying) upon fulfillment of their program commitments (typically 20 years), while projects with HUD-financed operating contracts can "opt out" of further affordability restrictions by allowing their HUD contracts to expire without renewal (again, typically 20 years).

In contrast to the situation posed above by "opt outs" and "buy outs," there is the issue of building disrepair caused by owner apathy and/or mismanagement, which can lead to "fail outs." Some property owners, although well meaning, are inexperienced and ill equipped with the financial savvy and property management skills required to effectively maintain their properties. Others are simply interested in collecting rents and are less concerned with maintaining their buildings in good physical and financial condition. Both circumstances can lead to mortgage default, delinquencies in the payment of municipal taxes, and difficulty in covering operating and capital building expenses. Such financial failures often result in serious code violations and building deterioration. Mismanagement to this degree increases the likelihood of property foreclosure, and when these properties are seized and put up for foreclosure auction, their HUD operating contracts are often eliminated.

[7]Les Christi, Most Expensive Rental Markets (CNNMoney.com, February 7, 2007). http://money.cnn.com/2007/02/07/real_estate/most_expensive_rental_markets/. According to the real estate investment brokerage firm Marcus and Millichap, average monthly rents for the five boroughs reached $2,553 by year-end 2006 and asking rents are anticipated to increase by 6.5% in 2007. Furthermore, the citywide vacancy rate is 2.7%, well below the 5% industry convention preferred for urban housing markets.

What Is the Impact on Tenants & Communities?

Ultimately, both “opt outs” and “fail outs” imperil both current and future low- and moderate-income households in Upper Manhattan. In some cases, the existing tenants may be buffered from immediately shouldering higher costs, through the provision of “enhanced” Section 8 vouchers provided by HUD[8] or via rent stabilization. However, these protections do not help those households who are ineligible for them[9] or in cases where the building is in such poor physical shape that the units fail the HUD housing inspections necessary for voucher eligibility. In fact, because both enhanced vouchers and rent stabilization stand on shaky regulatory ground,[10] these protections are stopgap measures at-best, which only serve to keep the units affordable until turnover. When the existing tenants are not protected by rent stabilization or enhanced vouchers, the impact is an immediate and devastating rent burden.

Thus, while current tenants may (or may not) be protected from large rent increases, when landlords opt out/fail out of subsidized housing programs, the community loses a vital source of affordable housing for *future* low and moderate income households. Once the existing tenants of these units leave, there is no federal or local subsidy offered to the next tenant. Landlords can bring the units out of rent stabilization via major capital improvements and they are then only affordable to those with higher incomes.

Summary of Findings

The Existing Subsidized Housing Stock

Our assessment focused specifically on the subsidized rental developments that remain in Morningside Heights, Manhattan Valley and the Upper West Side. Forty-seven developments comprised of 4,028 units were identified – 3 Mitchell-Lama developments (362 units) and 44 properties with HUD-financed, project-based operating contracts or other preservation financing in place (3,666 units).[11] This breakdown includes 24 developments in Morningside Heights, 13 in Manhattan Valley and 10 on the Upper West Side[12].

[8] Rather than paying the difference between 30% of a tenant’s income and the fair-market-rent (FMR), which is much less than actual market rent in New York, enhanced vouchers pay the difference between 30% of the tenant’s income and a true market-based rent.

[9] Tenants in Mitchell Lama properties are not eligible for enhanced vouchers unless the buildings also have HUD financing (none of the remaining Mitchell Lamas in the study area have HUD financing). For tenants in HUD-financed properties, certain households may be denied enhanced vouchers (i.e., for living in a unit that is “too large” for the current household composition, for having a family member with a felony conviction, etc).

[10] Because enhanced vouchers are subject to annual Congressional appropriations, there is a broad concern that the program will be eliminated at some point. Similarly, the protections afforded by rent stabilization have been challenged by landlords seeking to exploit statutory loopholes, and mitigated by legal means to raise unit rents above the vacancy decontrol thresholds using major capital improvement (MCI) increases.

[11] Properties may have several overlapping municipal and federal subsidies, each of which carry affordability restrictions, in addition to any other specific restrictive covenants associated with the properties themselves. For instance, Mitchell-Lama properties may also have some form of HUD mortgage financing (i.e. a Section 236 mortgage) and/or HUD operating subsidy contracts (i.e. a Section 8 contract), although unfortunately none of the remaining ones on the Upper West Side do. Properties with HUD mortgage financing often have complementary HUD operating contracts, but not always.

[12] All of the Michell Lama developments are located on the Upper West Side.

Properties Lost During the Study

Unfortunately, our study was initiated too late to save a dramatic number of units in Mitchell Lama properties, which were in the process of being bought out as the study was conducted. Specifically, five Mitchell-Lama buildings (758 units) were bought out in 2006.[13]

This recent wave of buy outs highlights the challenge of retaining the Mitchell Lama portfolio in Upper Manhattan, where now only 362 units of rental housing remain of the original 3,156 rental units that existed in 1990. The pull of the market is evident: owners are legally entitled to prepay their mortgages after 20 years (barring any other restrictive covenants tied to the project or the property), all of the Mitchell Lamas developed in Upper Manhattan have surpassed this time period, and the opportunity to "cash out" is being realized en masse. The same pressures have and will continue to affect the remaining Mitchell Lama portfolio and the HUD-assisted portfolio.

Fortunately, all of the Mitchell Lama developments that bought out in 2006 (as well as the 3 that remain) were built prior to 1974, and thus the current tenants are technically protected by rent-stabilization upon buy-out. However, concern remains among tenant advocates about landlord efforts to utilize major-capital-improvements (MCIs) to elevate rents beyond rent stabilized levels. In addition, although the New York State Division of Housing and Community Renewal (DHCR) recently passed regulations closing the "unique and peculiar" loophole in the Emergency Tenant Protection Act, future political administrations could undo these regulations, thus allowing landlords to immediately raise rents.[14]

Properties At High Risk of Being Lost in the Near Future

We consider nine of the 47 developments in our study, reflective of 758 units, to be at high risk of being permanently removed from long term affordability in the very near future. This includes:

- 3 properties with HUD operating contracts, with ownership by a nonprofit, &/or the general partnership interest of a nonprofit[15]
- 4 properties with HUD operating contracts, owned by for-profits[16]
- 2 Mitchell-Lamas, owned by nonprofits[17]

[13] The Mitchell Lama properties that were bought out in 2006 include Columbus House, Columbus Manor, Town House West Apartments, Westwood House, and Westview Apartments. See Appendix B, Table 2 for further information about these properties.
[14] The New York State Court of Appeals ruled in 2005 that tenants in most Mitchell-Lama buildings built before 1974 are subject to their landlord's application based on "unique or peculiar circumstances" to raise rents upon leaving the Mitchell Lama program. This would have pushed rents well above the $2,000/unit vacancy decontrol threshold, effectively bringing the units out of rent stabilization altogether. For example, a one bedroom currently renting for $496 under Mitchell Lama regulations would be raised to more than $3,000 if the unique and peculiar exemption were granted. Until the recent DHCR passage of regulations closing this loophole, there were 24 pending "unique and peculiar" applications in New York City (potentially affecting over 5,000 units). This is clearly a major issue for landlords and their lobby is powerful – in the absence of statutes which strike all language about unique and peculiar circumstances from the Emergency Tenant Protection Act, interpretive regulations are at-risk of nullification through future changes in the political landscape.
[15] These properties include Antlers Apartments, Sojourner Truth Houses, and Manhattan Avenue Apartments. See Appendix B, Table 3 for more information.
[16] These properties include Morningside Apartments and Harlem West II-IV. See Appendix B, Table 3 for more information. There is conflicting information about the ownership character of the latter three buildings, which happen to be owned and managed by the same entity. They are officially listed as nonprofit owned, but there remains speculation that they are under for-profit ownership. We count them here as for-profit owned based on information obtained from the New York Department of State's Division of Corporations "Corporation and Business Entity Database."
[17] This includes Stern Residence and Trinity House. See Appendix B, Table 3 for more information.

We assessed the risk status of these properties based on one or more factors including, but not limited to: the type of financing program they participate in, the effective date of their original contract and/or pending contract expiration date, physical condition of the property,[18] ownership status (nonprofit or for-profit), financial management (i.e. timely payment of property taxes, mortgage, etc.), and preservation plans.[19]

Generally, we believe that buildings owned by *nonprofit housing development groups* should *not be* considered at risk of falling out of the affordable housing stock. Because these buildings are owned and managed by mission-driven, community-oriented organizations which have clearly identified the provision of affordable housing as an organizational objective, it can be reasonably assumed that they will not be subject to conversion unless under extenuating circumstances. These circumstances may include physical or financial mismanagement, or changes in investor make-up. Such is the case with the three properties with HUD operating contracts listed above, in which a nonprofit is the owner and/or general partner. One of the three has received low REAC scores from HUD, suggesting physical disrepair and a possible foreclosure. The other two properties have for-profit interests that have specifically demonstrated a lack of interest in preserving long term affordability, which places them at greater risk of opting-out of their subsidy programs.

While we generally believe that real-estate focused nonprofit owners will work to preserve and protect their affordable housing assets, we do not hold this opinion of for-profit real estate owners, as we believe that they will seek to maximize their return-on-investment. The 4 for-profit owned properties we are immediately concerned about all have Section 8 operating contracts set to expire between 2008 and 2009, placing them at high risk of de-subsidization in the immediate future. As an alternative to opting out of the Section 8 program, the owners of these four buildings could renew their contracts (and increase their rents with no impact on existing tenants) through HUD's Mark-Up-to-Market-Program. This program is designed to incentivize owners of below-market Section 8 developments to renew their expiring subsidy contracts at comparable market rents for a minimum term of five years. However, these owners have not indicated intentions to participate in the Mark-Up-to-Market Program, to renew existing Mark-Up-to-Market contracts, or to adopt alternative preservation strategies, thus suggesting a high probability of conversion.

Finally, while we trust in the stewardship of nonprofits whose mission includes the creation and preservation of affordable housing, we harbor strong concern that nonprofit owners without specific housing-focused missions will *not* preserve the community's valuable affordable housing assets. We are now witnessing two situations in which non-profit owners are seeking to capitalize on the strong real estate market to divest themselves of Mitchell Lama properties, in order to obtain funds to support their core (non-housing) missions. Specifically, the owners of Stern House (Jewish Home and Hospital) and Trinity House (Trinity School) have indicated their imminent intentions to take these properties out of the Mitchell Lama program. Should they succeed, only one Mitchell Lama rental building (with 120 units) would remain in Upper Manhattan.

[18] Physical condition is measured, in part, by Real Estate Assessment Center (REAC) scores issued by HUD. A score of 60 or below (out of 100) is considered failing.
[19] See Appendix A, for more detailed information about each of these risk assessment factors.

Properties At Risk of Being Lost in 2010 or Beyond

We believe that as many as 751 additional units of subsidized housing (in 9 buildings) are likely to be at risk of being removed from long-term affordability restrictions post 2010, with about 50% of these units at risk of being lost before 2016.

Specifically, we believe that the 1 remaining Mitchell-Lama property not already discussed will most likely be at-risk around 2015. This property, Independence House, is obligated to remain in the Mitchell-Lama Program until 2015, due to the affordability restrictions of its 8A mortgage loan with HPD. Once the restrictions of this loan are eliminated, we believe that market forces are likely to induce the for-profit owner to buy-out of the Mitchell Lama program.[20]

We also believe that the eight remaining for-profit owned properties with HUD operating contracts, or 631 units, are safe from de-subsidization *only in the short-term,* either because they have recently engaged in the Mark-Up-To-Market Program, or because their contracts are not due to expire for another three to seventeen years.[21] Preservation of these properties *is not* guaranteed. As each property approaches its next contract expiration, the owner will once again be presented with the opportunity to either renew the property's operating contract, or leave the HUD contract and assess market rents. It is our opinion that, absent demonstrable commitments by existing or future for-profit owners of these properties to long-term affordability (i.e., in the form of extended, 20 year, Mark-Up-To-Market contracts) and/or in the absence of a sale of these properties to committed nonprofit purchasers, these properties are at high risk of being removed from the affordable housing stock.

Properties With Low Risk of Becoming Unaffordable

If there is a silver lining to our study, it is the finding that a sizable portion of the subsidized housing stock in the area is owned and/or co-owned by respected and capable nonprofit housing development organizations. We believe that twenty-nine properties with HUD operating contracts, comprising 2,519 units (or 35% of the original 1990 housing stock), should not considered to be at high risk of being removed from long term affordability (at any time), by virtue of their ownership or co-ownership by a reputable affordable housing nonprofit agency.[22] Although these properties have contract expiration dates ranging from 2006 to 2019, it is reasonably assumed that, at minimum, short- or long-term contract renewals will be employed by their owners in order to maintain ongoing affordability. As previously discussed, any number of external or internal factors could endanger this commitment, but we believe the operators of these properties have demonstrable preservation plans and adequate managerial capacity to protect them.

Recommendations

First and foremost, we recommend that community stakeholders become educated about the quality and quantity of the remaining affordable housing stock in Upper Manhattan – and educated about the substantial threats that these properties face in terms of long term affordability -- so that we can work together to ensure

[20] See Appendix B, Table 4 for more information.
[21] Three years is a short window of protection. We believe that efforts should be made now to preserve building affordability. Specifically, there are 4 properties (inclusive of 326 units) with Section 8 contract expirations as early as 2010 and 2011. See Appendix B, Table 4 for more information.
[22] See Appendix B, Table 5 for a list of all such properties.

that our affordable housing stock is preserved and protected. To this end, the Upper Manhattan Nonprofit Affordable Housing Coalition has compiled a detailed database of information on all 47 remaining properties.

Armed with this knowledge, we believe there are a number of strategies that we can develop and support together (both as a community of concerned individuals and organizations in Upper Manhattan, and as part of the broader affordable housing community in New York). Below are some of the supportive actions that can be taken:

Conversion Restrictions

1. Work to extend rent stabilization protections to subsidized buildings constructed after 1973.[23] Specifically in Upper Manhattan, while the remaining Mitchell Lama developments were all built prior to 1974, many of the properties with HUD mortgage subsidies and operating contracts were developed after 1974. Extending rent stabilization protections to cover these properties may help to discourage owners from opting out of their subsidy contracts in the first place or to prevent dramatic increases in rents should they nonetheless choose to buy/opt out. This type of legislation would not only provide a safety net for tenants who are ineligible for federal enhanced vouchers, but it would also preserve longer-term affordability of the units by limiting rent increases on the units after they have been vacated (barring subsequent MCI increases). Advocacy efforts should also be focused on changing the rent threshold for vacancy decontrol.

2. Advocate for *statutory elimination* of language around “unique and peculiar” circumstances that would prevent any rent increases of subsidized stock prior to exiting their subsidy programs and entering rent stabilization. While DHCR’s recent regulations around this matter close this loophole, several Senate and Assembly bills tackle this issue more broadly and would provide greater long-term rent stabilization protections for these properties, which would be far harder to eliminate in less favorable political environments.

3. Advocate for tenants’ rights of first purchase. While Local Law 79 (The Tenant Empowerment Act) was recently struck down by the New York State Supreme Court[24], the judge’s ruling indicated that comparable legislation passed by the State Legislature would likely pass the court’s scrutiny and would be of benefit to residents of Mitchell Lama buildings, if not HUD-financed properties. Political mobilization to encourage both Albany and HUD to change their legislation around this issue is critical to revitalizing this important legislation.

Landlord Incentives

4. Develop strategies (such as bargain sales with charitable contribution tax benefits) to incentivize for-profit owners who might be considering prepayment of their subsidized mortgages &/or opt-

[23] This issue, among numerous other housing preservation issues, is being taken up by a broad coalition of housing activists across the city in an affordable housing campaign called “New York is Our Home,” sponsored under the aegis of Housing Here and Now. A number of community organizations in Upper Manhattan already participate in this campaign.

[24] Local Law 70 provided tenant associations with rights-of-first-purchase upon an owner’s intent to buy-out of a subsidized mortgage or opt-out of a subsidized operating contract. In April 2007, Jude Marilyn Shafer stuck the law down on the grounds that it conflicted with both state and federal law.

out of their operating contracts to instead sell their buildings to nonprofit entities. This must also include working with governmental and private funding sources to develop sources of financing for these purchase transactions. A proactive approach is vital to the success of such strategies and should concentrate outreach efforts on owners who have several years before their contracts are set to expire.

5. Develop and promote stronger outreach initiatives to educate for-profit landlords about HUD's Mark-Up-To-Market Program (MUM) and its benefits. This should also involve working with HUD to protect the existing Mark-Up-To-Market program and identify ways to enhance the program to make it more attractive to landlords. By encouraging existing owners to participate in the MUM program, affordability can be extended for at least 5 additional years, and as many as 20 years, while simultaneously providing a demonstrable return to the owner.

6. For nonprofit owners who do not have housing-oriented missions (i.e. Stern and Trinity House), promote "near-market" sales to nonprofit housing development entities, as opposed to for-profit entities. With creativity, the financial needs of these owners may be met at a lower sale price, resulting in a win-win for all parties.

7. Work with HPD, HUD, and local intermediaries to develop disposition plans for properties at risk of fail-outs. These plans may involve transference of the property to a more qualified nonprofit owner through deed-in-lieu-of-foreclosure, so that the buildings are not put on the auction block and so that the Section 8 contracts are retained. This effort should include both outreach to nonprofit owners of poorly managed properties, who are interested in preserving the properties but perhaps incapable of undertaking the needed physical and financial investments, as well as the establishment of stronger financial penalties for landlords with numerous code violations.

Tenant Empowerment

8. Facilitate the provision of technical assistance to tenant associations by:
    - Proactively educating tenants about the early warning signs of opt-out/buy-out
    - Helping tenants develop preservation plans before buildings become at risk;
    - Helping tenant groups to partner with preservation-oriented entities in order to proactively assert purchase offers to their landlords (even in the absence of right-of-first-purchase legislation) and to acquire and leverage the necessary financing (e.g., tax credits, bond financing, low-interest loans, etc.) for these purchases

9. Work with tenants to protect them in instances where opt-outs and buy-outs cannot be prevented. For example, this might involve fighting to: ensure that eligible tenants are not denied federal enhanced Section 8 vouchers, ensure that landlords accept tenants with Section 8 vouchers, and ensure that all existing rent stabilization protections are enforced.

Stronger Rent Stabilization Laws

10. Much of the assisted stock discussed in this report, as well as a large number of privately financed multifamily rental buildings, are subject to rent stabilization rules and regulations. Rent

stabilization can be used as an important tool to limit rent increases, protect existing tenants, and ensure long-term affordability of the housing stock, but it's efficacy has been eroded over time due to: vacancy decontrol thresholds that have failed to keep pace with actual market conditions (i.e. the $2000 decontrol threshold is too low); lack of local home rule over rent levels and eviction standards (i.e. Urstadt Law); and weak enforcement of tenant-protection regulations (i.e. DHCR "demolition" standards allow landlords to legally remove rent-stabilized tenants through gut renovations). Advocacy to reverse these erosive trends and further strengthen rent stabilization regulations is critical to protecting the affordable housing stock.

Protection of Special Populations

11. Much of the subsidized housing in Upper Manhattan was developed years ago, and many individuals and heads of households have lived in their units since the buildings were constructed. Thus, we suspect that there is sizeable elderly/disabled population in these properties. Because these populations are often on fixed incomes, they are particularly vulnerable to losing their housing when rents are increased due to opt-outs or fail-outs, without rent stabilization or HUD vouchers providing rent protection. Thus, we recommend supporting proposals to both enhance SCRIE and DRIE benefits and to widen access to these programs. More specifically, we recommend that these programs be modified to provide a rent rollback, so that eligible individuals pay no more than 30% of their income toward rent.

Information Access

12. Pressure contract administrators at HUD, the Department of Housing & Community Renewal (DHCR), HPD, and other subsidy providers to make property information more transparent and accessible. One reason why risk assessment and proactive preservation is so difficult is the lack of document transparency and coordinated information sharing among city, state and federal contract administrators. Property information is scattered among different sources and often difficult to locate. Tenant organizations, nonprofits, housing advocacy groups, and other concerned parties could more effectively respond to housing threats if contract information and other property documents were made more readily accessible.

Conclusion

New York City's diverse neighborhoods are rapidly becoming enclaves that only those of higher means can afford. Preservation of the remaining subsidized housing stock in Upper Manhattan is critical to ensure that the existing low and moderate income households of the Upper West Side, Manhattan Valley, and Morningside Heights are not displaced; that housing is available in these neighborhoods for low and moderate income households in the future; and that mixed-income neighborhoods remain a hallmark of the New York City environment.

Appendix A – Methodology

Phase One: Data Collection

This study was segmented into three phases. Phase One involved preparing a database of affordable housing developments located in the catchment area of Manhattan's CB7 and parts of Manhattan's CB9 and CB10. We focused on the subset of affordable housing that includes the following types of subsidized developments: 1) Mitchell-Lama rental properties, 2) properties with HUD operating contracts (Section 8, Rent Supp, RAP, Section 202, and Section 811) and 3) HUD financed properties. We selected this subset because of the deep impact their loss would have on the community. De-subsidizing these buildings would constitute the removal of all of the assisted units in the complex rather than the piecemeal loss that occurs in rent regulated properties when affordable units become vacant.

Buildings were identified using both publicly accessible and neighborhood based information sources. In total, 47 buildings in our catchment area were identified as having one or more of the above-mentioned subsidies. First we collected descriptive project information such as property name, location, program type (i.e., Mitchell-Lama rental, HUD operating contract, or HUD financed), and number of total units and assisted units. We then retrieved the following types of data in order to assess each property's risk of de-subsidization:

- Ownership structure (i.e., for-profit or nonprofit)
- Contract type (e.g., HAP, ACC, SUP, etc.)
- Contract effective date
- Contract expiration date
- Contract administrator (e.g., HPD, DHCR, HUD, etc.)
- Contract renewal plans/status
- Pre- or Post-MAHRA status
- Type of financing
- Mortgage status, interest & maturity date
- Mortgage balance
- Refinancing status
- Insured status
- HUD REAC scores & score date
- Rent/Fair-Market-Rent ratio

Retrieval of the data necessary for populating the fields of our database was time consuming, reflecting a few factors. First, information had to be collected from a variety of city, state and federal sources (See Table 1 below), not all of which are easily or publicly accessible. For example, while HUD makes a number of property databases accessible to the public, pertinent and relevant property information can often only be gleaned by canvassing multiple databases – there is no central database housing all of HUD's knowledge about a particular property. DHCR, on the other hand, provides very little publicly accessible and easily identifiable information about Mitchell Lama properties. Second, some key property-level information is not published (i.e. REAC scores, Opt-Out notices), which can be difficult if not impossible to obtain from HUD or contract administrators without connections or protracted political maneuvering. (We were fortunate to be able to obtain this information.) Finally, much information tied to local regulation of the properties (i.e. land disposition agreements, tax abatements, etc) is either not housed in a publicly accessible fashion, or requires time-intensive sorting through scanned documentation made available in the City's ACRIS database. Often, the most important and helpful property information is only found by speaking directly with tenants and/or managing agents.

Table 1. Data Resources: Mitchell-Lama, Section 8 and HUD Financed Properties

Data Resource	Data Provided
HUD	• Multifamily Assistance and Section 8 Contracts Database • Insured Mortgage Database • Terminated Multifamily Mortgage Database • Active 202/811 Database • Active 236 Database • Assigned Contract Administrators Database
HUD-NYC	• REAC Scores • Opt-out Notices
NYC Contract Administrators	• Contract Information • REAC Scores
Tenants & Neighbors	• NYC Section 8 Mod-Rehab Property Names & Addresses (compiled from various agency databases)
DHCR	• 2005 Mitchell-Lama Report
HPD Online	• Property Ownership Information
ACRIS Online	• Property Ownership Information
New York State Dept. of State	• Business & Corporate Entity Information
PropertyShark.com	• Property Information
Property Managers & Tenant Associations	• Property Information • Tenant Preservation Plans

Phase Two: Data Analysis

Phase Two involved synthesizing the collected data and assessing the level of risk for each of the 47 identified properties. Each building is unique, with different funding sources and subsidy restrictions. As such, no single approach to risk analysis could be applied to all. However, some fundamental knowledge was required for judging the risk exposure of our inventory. This included:

1. **Understanding the physical and financial condition of properties**
   REAC scores are an immediate indicator of the physical stability of HUD-financed properties. REAC inspections measure the physical and financial condition of a building, the management capacity of the owners and/or property managers and resident satisfaction. Properties are evaluated on a scale of 0-100. Properties with scores below 60 indicate physical distress or financial default and may be subject to HUD enforcement actions that may include foreclosure, contract termination, or encouragement to prepay or to opt-out of program subsidy. Indicators of financial distress are typically more time-consuming to obtain – for example, information about the presence or absence of tax or utility liens – but also very important.

2. **Knowing the structure of the property owning entity**
   We generally believe that nonprofit owners with housing-oriented missions are less likely to consider market conversion than for-profit owners. Because they are mission-driven and committed to serving their communities, we assume that they intend to preserve the affordability of the properties they own. We do not make the same assumption about for-profit owning entities of subsidized housing, nor about nonprofit organizations whose missions are not in the

realm of housing, as they may be driven more by market conditions than by an interest in preserving housing affordability.

3. **Analyzing the relationship between assisted rents, fair market rents (FMR), and true market rents**
   Research indicates that properties with rents below the local FMR are more likely to leave the assisted stock. These properties are generally located in neighborhoods where owners believe that they can successfully obtain higher rents in the unassisted market.

4. **Knowing the contract expiration date and mortgage status of the assisted properties**
   Contract expiration dates indicate how soon properties will be at risk, the likelihood of program opt-out, and the time frame available for preparing preservation strategies. Mortgage status and maturity dates indicate the probability of buy-out.

Phase Three: Summarizing and Sharing Findings
This final phase involved sharing the study's research findings and recommending an initial series of interventions for preserving the remaining Section 8, Mitchell-Lama and HUD financed stock in our catchment area. This micro-level evaluation of the city's affordable housing stock was meant to educate and spur action among those who can affect change in these three community boards. It is also meant to reinforce or to encourage other studies of its kind and to generate the development of more creative solutions to the affordable housing dilemma citywide.

Appendix B – Property Inventory By Risk Category

Table 2. Properties Lost in 2006

Council District	Mitchell-Lama
6	Columbus House 95 W 95th St. (248 DUs)
	Columbus Manor 70 W 93rd St. (202 DUs)
	Town House West Apts. 5 W 91st St. (48 DUs)
	Westwood House 50 West 93rd St. (123 DUs)
8	Westview Apts. (Manor) 765 Amsterdam Ave. (137 DUs)

Total Units = 758

Table 3. Properties At High Risk in the Near Future (Before 2010)

Council District	HUD Subsidized Section 8		Mitchell-Lama
	For-Profit Owned	Nonprofit Owned &/or Managed	
8	Morningside Apts. 107 W 109th St. (49 DUs) HUD contract expires 10/31/08	Manhattan Avenue Apts. 152 Manhattan Ave. (81 DUs) HUD contract expires 3/31/10	Stern Residence 121 W 105th St. (43 DUs)
		Sojourner Truth Houses 73 W 105th St. (92 DUs) HUD contract expires 5/31/06	Trinity House 100 W 92nd St. (199 DUs)
9	Harlem West II 50 Morningside Ave. (49 DUs) HUD contract expires 11/30/09	Antlers Apartments 2079 Frederick Douglass Blvd. (82 DUs) HUD contract expires 7/10/11*	
	Harlem West III 365 W 118th St. (70 DUs) HUD contract expires 9/30/09		
	Harlem West IV 400 Manhattan Ave. (93 DUs) HUD contract expires 4/30/10		

Total Units = 758

*Although the S8 contract expiration is post-2010, we are concerned that this property may face foreclosure

Table 4. Properties at Risk 2010+

Council District	HUD Subsidized Section 8	Mitchell-Lama
6	311 West 94th Street 311 W 94th St. (19 DUs) HUD contract expires 1/14/11	Independence House 175 W 94th St. (120 DUs) 8A expires 6/25/15
8	West 107th Street 18 W 107th St. (61 DUs) HUD contract expires 6/30/10	
	Morningside Housing 410 W. 110 St (139 DUs) HUD contract expires 4/28/11	
	Columbus Townhouse 600 Columbus Ave (33 DUs) HUD contract expires 12/2/16	
	North Park Apts. 14 W 102nd St. (122 DUs) HUD contract expires 4/18/24	
9	Charles Hill Towers 2050 FDB (102 DUs) HUD contract expires 6/26/10	
	Marlene Estates 271 W 113th St. (46 DUs) HUD contract expires 1/1/19	
	Morningside I 20 Morningside Ave (109 DUs) HUD contract expires 8/31/22	

Total Units =751

Table 5. Properties With Low Risk

Council District	
6	Hargrave House, 111 W. 71st St (112 DUs) <Project FIND>
	110 West End Avenue (186 DUs)
	Capitol Hall 166 W 87th St (201 DUs) <Goddard Riverside>
	Hamilton House, 141 W 73rd St (175 DUs) <Project FIND>
	Phelps House, 595 Columbus Ave. (169 DUs) <Goddard Riverside>
	Turin House,. 609 Columbus Avenue (189 DUs)
	Westside Community Residence, 482 Amsterdam Ave. (16 DUs)
	Tower West Apts, 65 W 96th St. (216 DUs)
8	Cathedral Parkway Towers, 424 Cathedral Parkway (37 DUs)
	John & Carroll Kowal House149 Manhattan Avenue (72 DUs) <WSFSSH>
	153 Manhattan Avenue (18 DUs) <MVDC>
	18 W. 103rd St (8 DUs)
	931-933 Columbus Avenue (16 DUs) <MVDC>
	Bridge House #7, 13 W 103rd St. (17 DUs) <The Bridge>
	Fania Gersham House, 140 W 105th St. (29 DUs) <WSFSSH>
	Red Oak Apartments, 135 W 106th St. (231 DUs) <WSFSSH>
	Marseilles Apts., 230 W 103rd St. (135 DUs) <WSFSSH>
	Park West House. 52 W 105th St. (16 DUs) <The Bridge>
	Postgraduate Center Residence III, 201 W 98th St. (21 DUs)
	Valley Apartments, 12-18 W 109th St. (126 DUs) <MVDC>
	West 104th St. Apartments, 65-73 W 104th St. (59 DUs) <MVDC>
	Westside Continuing Care Group Home, 19 W 100th St. (18 DUs)
	Kurt & Leah Schneider Apts, 7 W 102nd St. (55 DUs) WSFSSH
9	269 W 118th St. (22 DUs)
	Echo Apartments, 1050 Amsterdam Ave. (99 DUs) Ecumenical Development Corp
	Manny L. Wilson Towers, 565 Manhattan Ave. (102 DUs)
	Postgraduate Center Residence II, 126 La Salle St. (33 DUs)
	Wyatt Tee Walker Senior Apts., 2177 Frederick Douglass Blvd. (80 DUs)
	Lucille Clarke Housing. 244 W 112th St. (61 DUs)

Total Units = 2519

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Articles & Reports

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Econometrica, Inc. January 2006. *Multifamily Properties: Opting In, Opting Out and Remaining Affordable.* Washington, D.C.: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

Susman, Sue. September 2005. *A Mitchell-Lama Tenant "Buyout" Handbook.*

Thompson, William C. May 25, 2006. Affordable No More: An Update – New York City's Mitchell-Lama and Limited Dividend Housing Crisis is Accelerating. New York: Office of the New York City Comptroller.

Waters, Tom and Victor Bach. 2006. Closing the Door: Accelerating Losses of New York City Subsidized Housing. New York: Community Service Society. http://www.cssny.org/pdfs/ClosingTheDoor_Brief.pdf. A special thanks to Tom Waters for providing detailed property information about the existing subsidized housing stock located in our specific study area between 1990 and 2006.

Web Sites

Automated City Register Information System (ACRIS)
www.nyc.gov/html/dof/html/jump/acris.shtml

Department of Housing Preservation & Development (HPD)
www.nyc.gov/html/hpd/html/home/home.shtml

HUDClips
www.hudclips.org

New York State Department of State (DOS)
www.dos.state.ny.us/

New York State Division of Housing and Community Renewal (DHCR)
www.dhcr.state.ny.us

New York State Tenants and Neighbors Coalition
www.tandh.org

PropertyShark
www.propertyshark.com

Save Mitchell-Lama
www.insaf.net