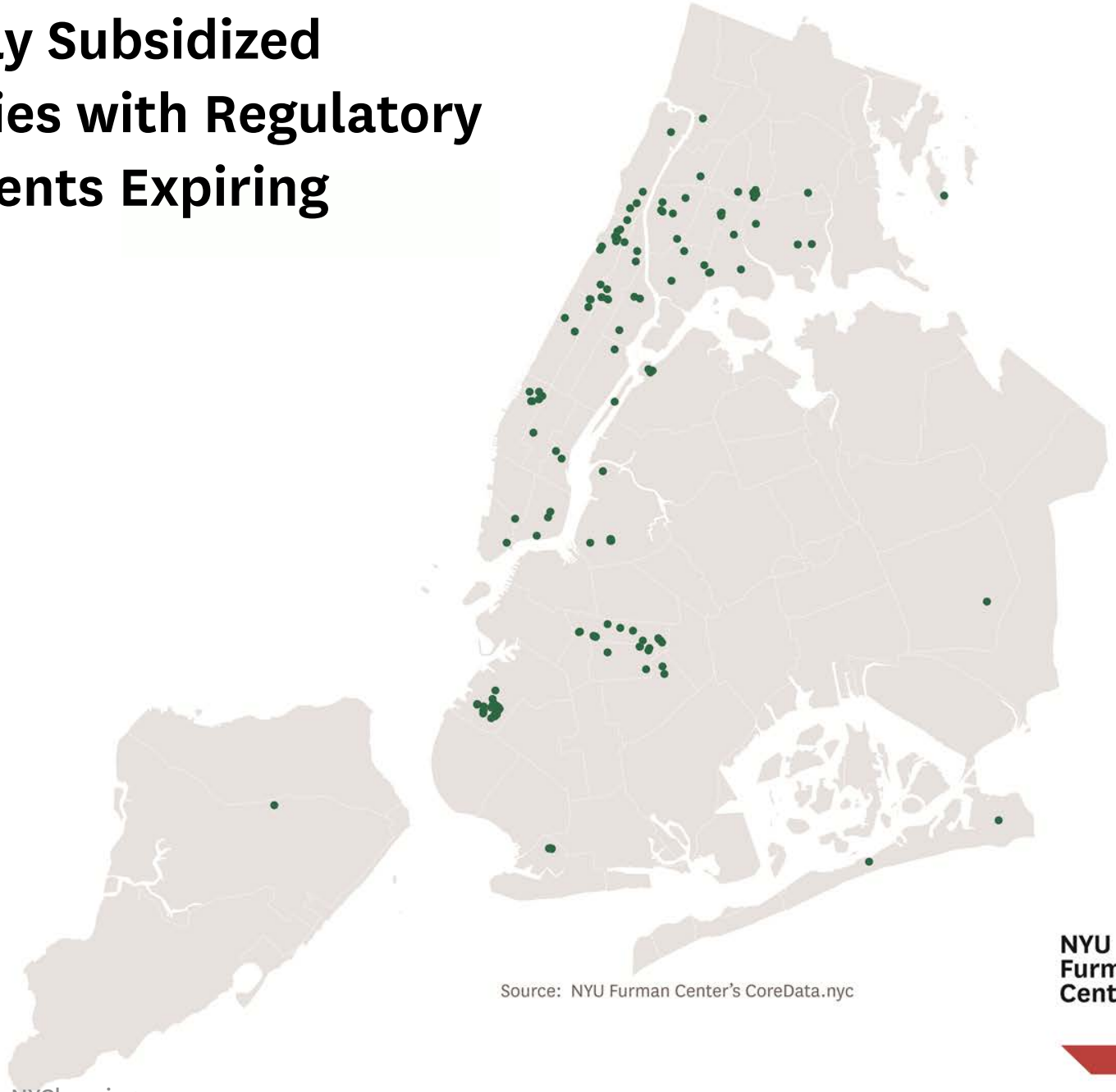
NYU Furman Center

Requiring Permanent Affordability: Costs, Benefits, and Challenges

#NYChousing

Federally Subsidized Properties with Regulatory Agreements Expiring by 2020



Source: NYU Furman Center's CoreData.nyc

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Variation in the Duration of Affordability Restrictions

- 15 Years—Original Low Income Housing Tax Credit (LIHTC)
- 30 Years—Post-1990 LIHTC
- 35 Years—421-a Tax Exemption Program
- 50 Years—New York State 9% LIHTC
- Up to 60 Years—New York City 9% LIHTC
- 99 Years—Leased New York City Housing Authority land
- Permanent—Mandatory Inclusionary Housing

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Two Elements of Permanent Affordability

1. Economic Sustainability

- Sufficient Net Operating Income (NOI) for each unit

  NOI = revenue – costs
- Revenue: rent or co-op/condo fees and possible cross subsidy
- Costs: maintenance & operation (M&O), system replacements (capital reserves), and property taxes

2. Legal Requirement

- Specified income band
- Income-eligible households pay no more than 30 percent of income
- Rules in place indefinitely or government option to renew
- Subject to a regulatory agreement or deed restriction
- Codification of cross-subsidy mechanism

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Decision Making with Uncertainty

- Will there be a shortage of affordable units in the future?
- Will the locations of subsidized housing today still be the preferred locations in the future?
- Will maintenance, operation, and system replacement costs rise faster than affordable rents or co-op/condo fees?
- Would spending more today in order to achieve permanent affordability save the government money in the long run?

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As part of its affordable housing programs, when (if ever) should government require permanent affordability or ensure that it has the option to extend affordable requirements indefinitely?

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