



Save Our Homes

A Call to Action



Save Our Homes: A Call to Action

BACKGROUND: SECTION 8 BUILDINGS

During the 1970s and 1980s, a critical affordable housing program for New York was the Federal government's project-based Section 8 program. Unlike Section 8 portable vouchers, which are tied to tenants, project-based Section 8 is tied to a property. In project-based Section 8 developments, all eligible tenants pay 30% of their income in rent and a subsidy from HUD covers the remainder.

During these two decades, developers in New York City created about 90,000 affordable apartments through Federal subsidy programs, including Section 8. Developers were guaranteed low-risk ventures and generally received very good returns on investments. However, many of the contracts that govern affordability have come to term, and while many owners will choose to renew contracts, many will not, choosing instead to rent units at market rates.

The Section 8 crisis by the numbers:

- 77,000 units of HUD-assisted housing city-wide
- 35,000 units with contracts to expire in the next five years
- Median family income of tenants: \$11,570
- 9,100 units permanently lost in New York City since 1995

Over the next five years, contracts on over 34,000 section 8 units will expire. According to HUD data, project-based Section 8 losses for New York City total 9100 units between 1995 and 2005. Since many of these losses occurred before today's super-heated housing market, many more developments are now at risk than in previous years.

As shown by the map on the following page, Section 8 buildings are throughout the city. (For a list of addresses by Council district, please visit www.anhd.org/resources.) These buildings are especially concentrated in neighborhoods that are experiencing new waves of gentrification, in Mott Haven in the Bronx, Bedford Stuyvesant in Brooklyn, St. George on Staten Island, and East and Central Harlem, Washington Heights-Inwood, and the Lower East Side in Manhattan.

Section 8 buildings in NYC shown with City Council districts

(represents 48,570 units)

Buildings in Section 8 shown by date of expiration

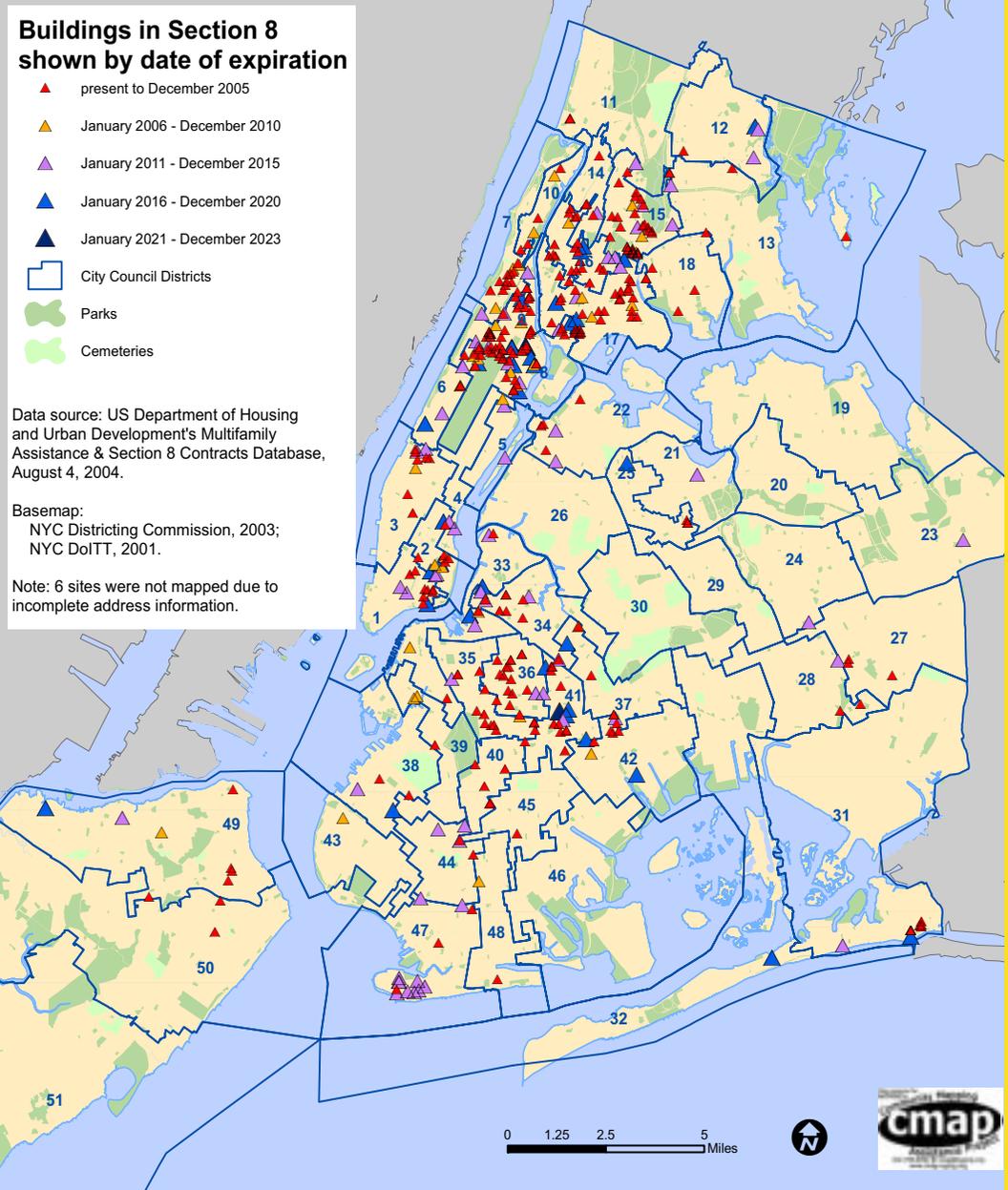
- ▲ present to December 2005
- ▲ January 2006 - December 2010
- ▲ January 2011 - December 2015
- ▲ January 2016 - December 2020
- ▲ January 2021 - December 2023

- City Council Districts
- Parks
- Cemeteries

Data source: US Department of Housing and Urban Development's Multifamily Assistance & Section 8 Contracts Database, August 4, 2004.

Basemap:
NYC Districting Commission, 2003;
NYC DoITT, 2001.

Note: 6 sites were not mapped due to incomplete address information.





Who lives in Section 8 housing, what happens to them during opt-outs?



On the whole, this affordable housing stock serves very low income New Yorkers. The median income of project-based Section 8 households is only about \$11,570 per year. Seventy-five percent of these households earn incomes that average less than \$15,000 per year. Senior citizens and individuals with disabilities comprise 40% of the tenant population living in project-based Section 8 developments.



Opt-outs puts tenants at risk of homelessness and displacement. During opt-outs tenants may apply for “enhanced voucher,” which would offset the new market rent prices. Unfortunately, due to the enhanced vouchers’ new rules around such issues family size, many current tenants do not receive these vouchers. Vouchers are a much less stable source of housing assistance, with problems well documented around lease-up, renewal, and certification for eligibility. Even after receiving vouchers, many households may not be able to maintain them over time.



Opting out also results in a permanent reduction of affordable housing in a neighborhood and throughout the city. When Section 8 homes are lost as affordable, they are lost forever. And the loss of affordable apartments continues the trends in our communities that threaten to further segregate the city by race and class.

NEW HOPES AND NEW CHALLENGES FOR SAVING HOMES

In the light of Local Law 79’s very recent passage, New York’s next mayor is in a good position to commit to New Yorkers that not another home should be lost.

In August, the City Council passed local law 79, the Tenant Empowerment Act. This law gives tenants and not-for-profits the right to purchase Section 8 developments at risk of opting out of the program. While the law presents opportunities for preservation, it also presents a challenge to the City, and especially to whomever is elected New York’s Mayor.



A multi-faceted approach, drawing on New York's strengths.

Making the right of first refusal into a meaningful ability to purchase requires comprehensive action by New York's public, financial, and not-for-profit sectors. It also requires the Federal government to act, and for the Mayor to bring political capital to bear in achieving protections for tenants.

The City has vast experience in coordinating preservation responses over the distressed stock in the form of in rem programs, and should mount a parallel response for HUD-subsidized, Mitchell Lama, and other programs at risk.

Financing solutions from the City. Tenants and not-for-profits will attempt to use the right of first refusal legislation to acquire buildings and preserve them as permanently affordable. But because they will have to pay market rates to acquire the building, tenants and not-for-profits will need "gap financing" from the City to make deals work and still keep rents affordable. Even though this will require additional resources from the City, it remains much less expensive to preserve Section 8 than to produce new affordable units.

A coordinated response from local and citywide groups. Fortunately, many of New York's community organizations have a strong track record of working with tenants, and with owners of Section 8 developments to keep properties in the Section 8 program. Owners often choose to renew contracts when strong tenant associations work with local groups, with elected officials and the City to find the right preservation incentive package from HUD. Local law 79 also presents a relatively short time frame for tenants and affordable housing groups to take action. Luckily, for situations where the owner will definitely leave the program, New York's not-for-profit housing movement has a tremendous track record of acquiring and preserving housing. Still, both housing and organizing groups will need additional support and require coordination to address expiring properties in their neighborhoods.

Support from HUD to make transactions work: After local law 79, tenants need to be sure that HUD subsidies are kept in place, even over the course of a transaction that places the building in the hands of the not-for-profit. Without these subsidies, it becomes virtually impossible to preserve Section 8 properties at the income levels they are meant to serve. In high-market areas, where owners are most likely to opt out of the program, the key to preserving properties and transferring them to not-for-profits is the continuation of the project-based subsidy.

CONCLUSION

Many of New York City's neighborhoods have experienced revitalization and economic change in recent years. In many ways, affordable housing investments of the last three decades paved the way for positive community changes – turning around dilapidated buildings, creating new housing on vacant lots, and allowing residents the security of homes that are safe, decent, and affordable.

New York's next mayor should make this simple commitment:
"Not another home will be lost on my watch."

But the city's overall housing turnaround has a very dark side. As a result of the housing boom, and increased income inequality, low-income New Yorkers face an intense, unsustainable struggle to pay rent and make ends meet. Approximately $\frac{1}{2}$ of *all* renters pay more than half their income toward rent. Among very low-income renters, more than 70% of households carry this heavy burden.

Around the city, Section 8 developments – when properly maintained – are oases of quality, stable housing. In the context of the city's affordability crisis, Section 8 developments form the 'heart and soul' of many of the city's most vibrant neighborhoods around the city, and a base from which long-term residents can continue to contribute to community.

Without project-based subsidies, residents would certainly be displaced from their homes and from their newly-unaffordable neighborhoods. In these ways, section 8 developments are also bulwarks against neighborhoods becoming more segregated by race and class.

New York's next mayor should make this simple commitment: "Not another home will be lost on my watch." Here's how it could happen:

1

Establish an intergovernmental 'preservation czar' to coordinate preservation and advocacy around publicly-assisted housing.

The office or agency should pro-actively identify developments around the city at risk of opting-out, and bring together local, state, and federal agencies with the goal of directing resources from appropriate levels of government to maintain them as affordable and to provide for rehabilitation as required. This position or agency should assess which developments are most likely to opt out or prepay, and ensure that tenants have been assisted

by a community organization who can work with Section 8 developments, and with legal counsel. The office should also assist community organizations and tenants who are trying to acquire properties under local law 79, and coordinate with community groups in ongoing policy developments with HUD in New York and Washington that impact preservation. If this agency is external to HPD, it is critical that it have the backing of the Mayor, with sufficient staff and the ability to direct preservation resources. Within HPD, there should also be a comprehensive, coordinated preservation response on the many issues that require the City's direct intervention.

2

Help more tenants keep their homes by connecting them to community groups and legal representation.

Many of New York's community organizations have a strong track record of working with tenants, and with owners of Section 8 developments to keep properties in the Section 8 program. Owners often choose to renew contracts when strong tenant associations work with local groups, with elected officials and the City to find the right preservation incentive package from HUD. ***To better coordinate the local response to opt-outs, the city should expand the number of groups funded through its neighborhood preservation consultant program from forty to sixty, while also increasing grants from \$60,000 to \$100,000 to cover expanded responsibilities.*** The Section 8 Crisis also necessitates a change in terms of the contract so as to emphasize tenant organizing. HPD must recognize that preservation of HUD-assisted housing is a critical component of neighborhood preservation. It also should increase funding for the Community Consultant Contracts from \$1 to \$5 million, so that legal services may be eligible to receive funding to act as counsel to tenants and so that citywide agencies may provide technical and organizing support in preservation efforts.

3

Create a \$75 million annual acquisition grant fund for tenants and nonprofits to preserve Section 8 housing as permanently affordable and to allow rehabilitation as necessary.

Local Law 79, recently passed, provides tenants and their designees a right of first refusal to purchase assisted properties at a market value to be determined by appraisers. Based on recent project-based losses of approximately 1,000 units per year, and a \$75,000 per unit average acquisition grant, the City should budget for the transfer of approximately 1,000 units annually to tenant and not-for-profit hands, thus ensuring their permanent affordability, over the course of 10 years, allowing for \$750 million during this period. (Preservation of Mitchell Lama developments is more resource

intensive and will require additional subsidies). This goal will require additional policy changes on a variety of fronts, including commitments from the City and from private lenders to support and finance individual deals; commitments from lenders to work with HUD and not-for-profits around financing that may continue HUD subsidies; and a commitment on the part of lenders to expand pre-development grants. *The creation of this acquisition fund amounts to just a 10% increase in the City's capital budget expenditures toward housing, and is a cost-effective way to build upon and expand New Housing Marketplace commitments to preservation.*

4

Bring the full political capital of the City to make sure HUD does right by New York, by providing appropriate resources and protections to tenants.

The expiring use crisis is by definition a failure by the Federal government to ensure permanent affordability in projects, and actions by HUD and the Bush Administration have increasingly undermined the Section 8 program, causing resource shortfalls and spurring owners to exit it. The Mayor of New York City must recognize the impact that this office can have in affecting policy both at the local and national levels, and use that position to promote policy and legislative initiatives in Washington DC that foster preservation of the federally subsidized housing stock in NYC. This is especially important in the critical issue of making sure that HUD continues project-based subsidies and implements preservation incentives to expiring and distressed Section 8 developments as they are transferred to a not-for-profit owner. In high-market areas, where owners are most likely to opt out of the program, the key to preserving properties is the continuation of the project-based subsidy. Other actions at the Federal level the City could support include legislation to reduce tax burdens on owners who sell to not-for-profits who will preserve the properties as affordable; and implementation of a viable plan to transfer distressed project-based Section 8 developments to not-for-profits.