

Addressing Distress in Multifamily Rental Buildings

March 8, 2019

NYC Housing Market

NYC housing stock

	<u>Renter Occupied</u>		<u>Owner Occupied</u>	
	<u>Households</u>	<u>%</u>	<u>Households</u>	<u>%</u>
Rent Stabilized	946,514	45%		
Private, Unregulated	879,995	42%		
Rent Controlled	21,751	1%		
Public Housing	184,729	9%		
Other Regulated	27,792	1%		
Mitchell-Lama Rental	43,092	2%		
Mitchell-Lama Coops			55,677	6%
1-4 Family			580,484	58%
Coop			261,667	26%
Condo			108,253	11%
Total	2,103,874	100%	1,006,081	100%
Renter + Owner	3,109,955			

Affordability

NYC continues to face an affordable housing crisis.

The typical renter household in NYC earns...	\$47,200
That means their monthly income is...	\$3,933
Maximum rent that is considered affordable, according to Federal guidelines...	\$1,180
Median contract rent in 2017:	\$1,337
Median gross rent (factoring in utility costs):	\$1,450
Asking rent of units available for rent:	\$1,875

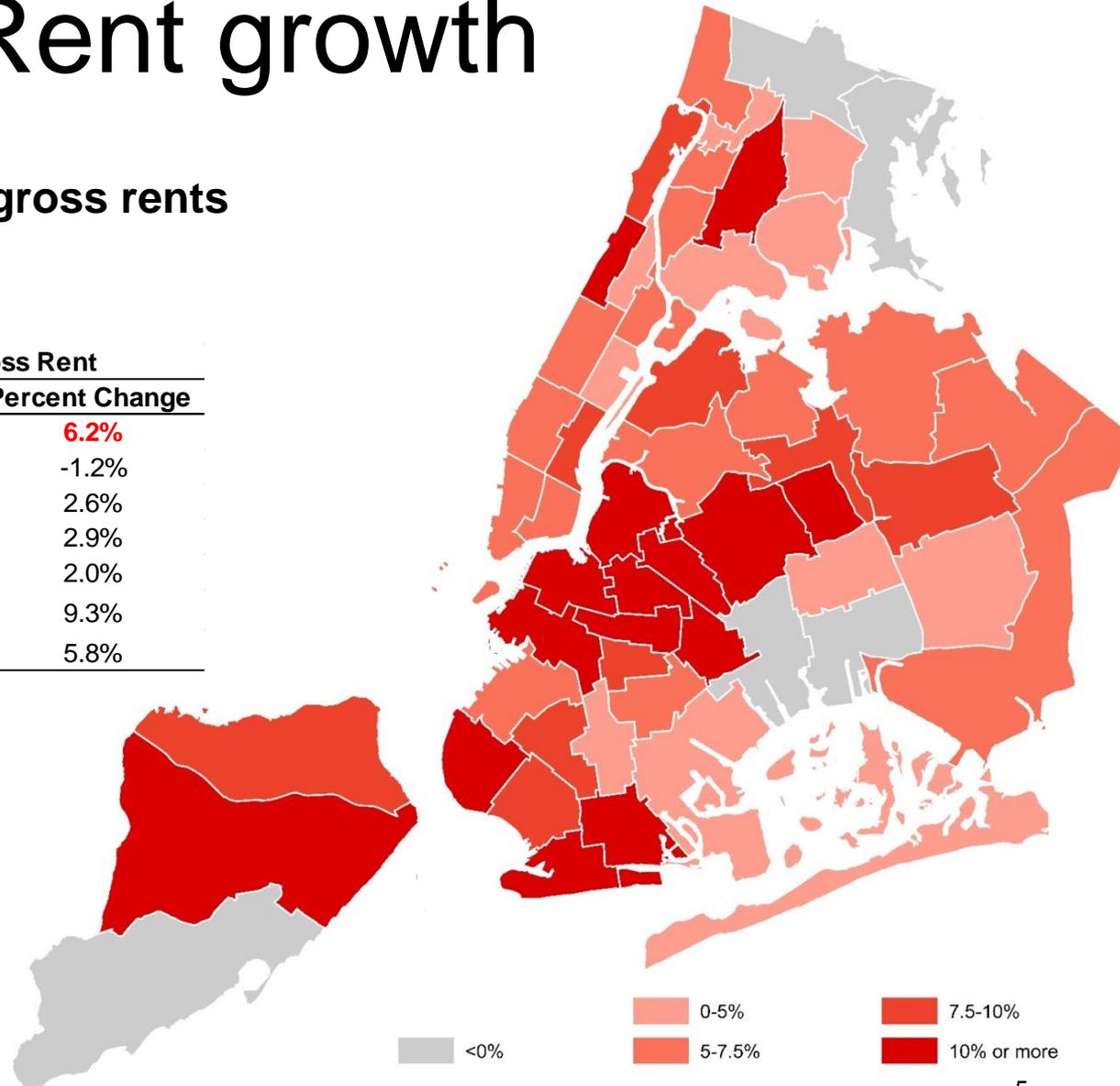
Rent growth

Between 2014 and 2017, gross rents increased by 6.2 percent.

	Median Gross Rent		
	2014(c)	2017	Percent Change
All Renters	\$1,366	\$1,450	6.2%
Rent Controlled	\$1,051	\$1,039	-1.2%
Rent Stabilized	\$1,340	\$1,375	2.6%
Pre-1947 Stabilized	\$1,305	\$1,343	2.9%
Post-1947-Stabilized	\$1,456	\$1,485	2.0%
Private Non-Regulated ^(a)	\$1,675	\$1,830	9.3%
All Other Rental Units ^(b)	\$613	\$649	5.8%

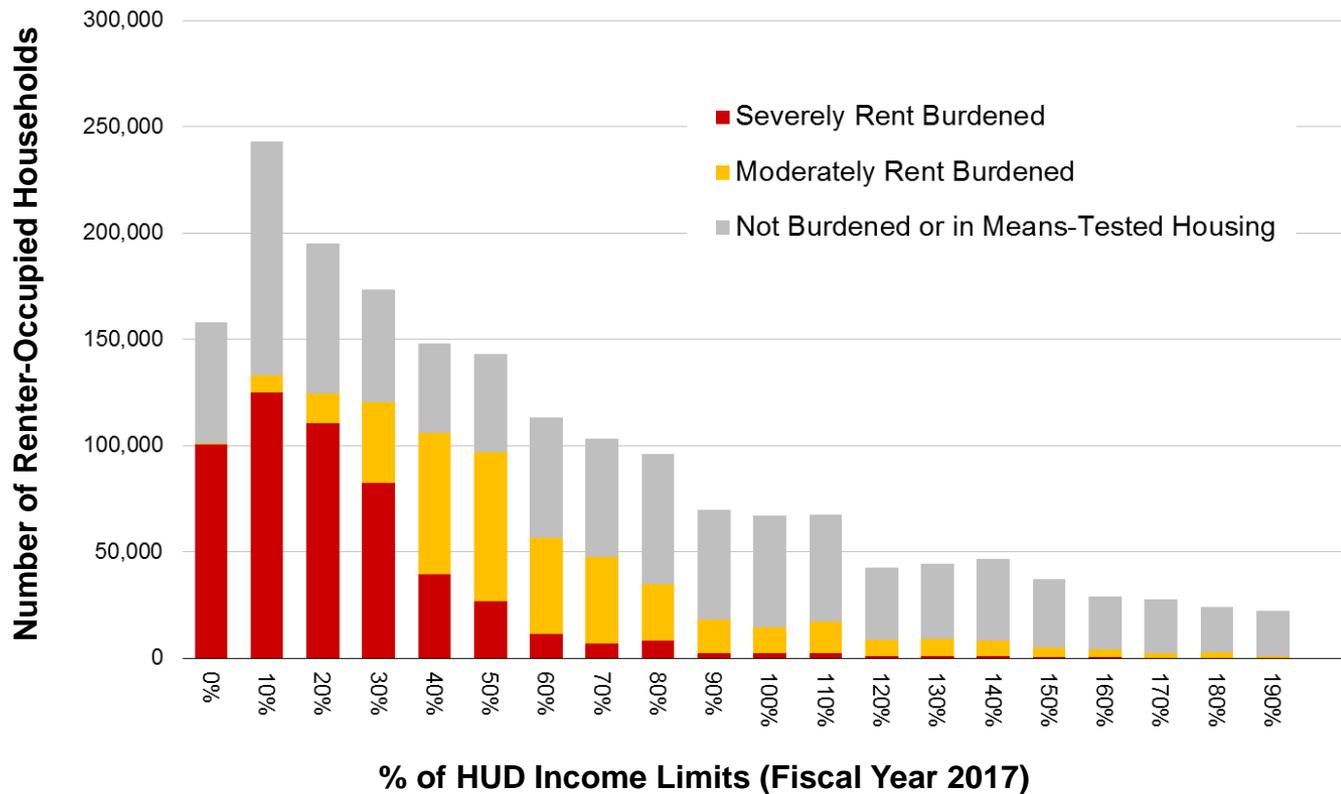
Source: U.S. Census Bureau. See 2017 NYC Housing and Vacancy Survey, Table 13

(a) "Private non-regulated" consists of units that were never rent-controlled or rent-stabilized, units that were decontrolled (including those in buildings with five or fewer units), and unregulated rental units in cooperative or condominium buildings. (b) "All other rental units" includes Public Housing, Mitchell-Lama, *In Rem*, HUD-regulated, Article 4, Municipal Loan and Loft Board units. (c) In April 2017 dollars.



Rent burden

In 2017, more than half of renter households were rent burdened; one third were severely burdened.

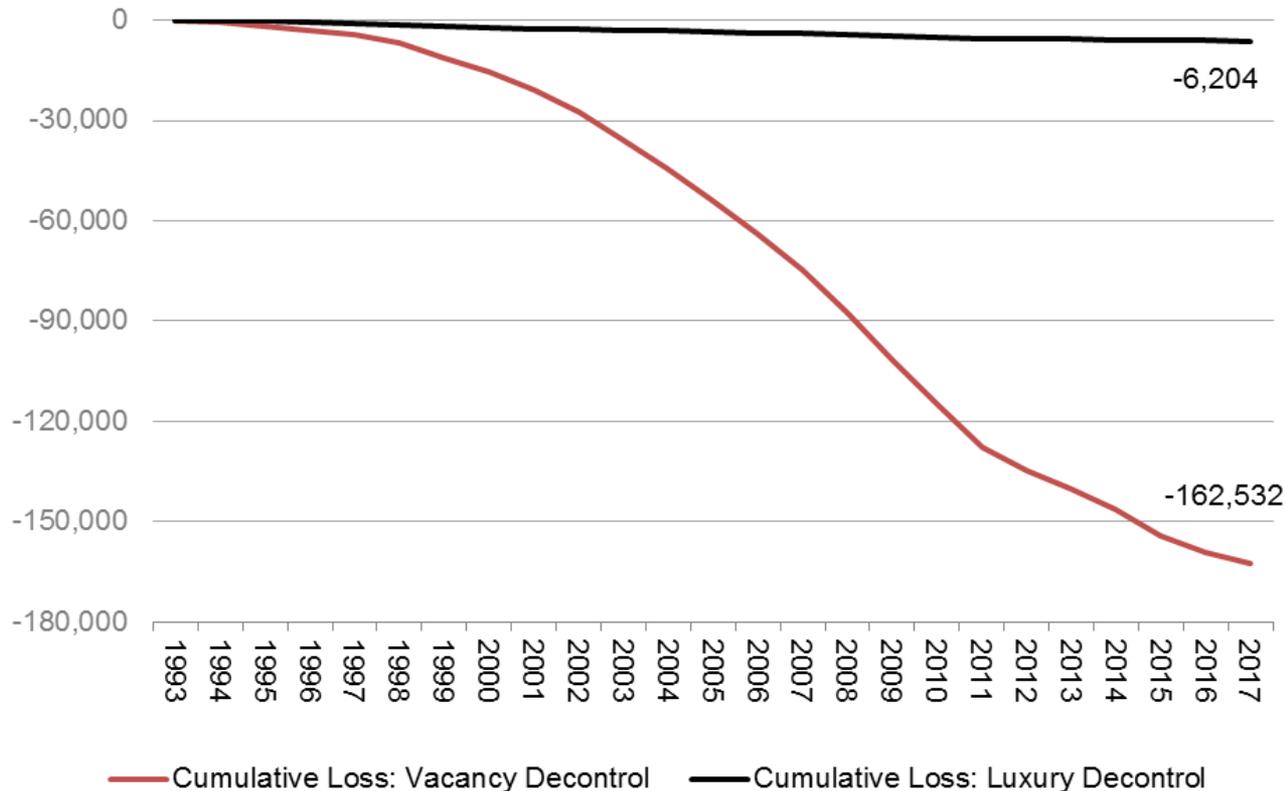


February 2019

Source: U.S. Census Bureau.
See 2017 NYC Housing and Vacancy Survey

Loss of rent stabilized housing

More than 165,000 units have exited rent stabilization through deregulation. Units that have exited rent stabilization through luxury and vacancy decontrol, 1993 through 2017.

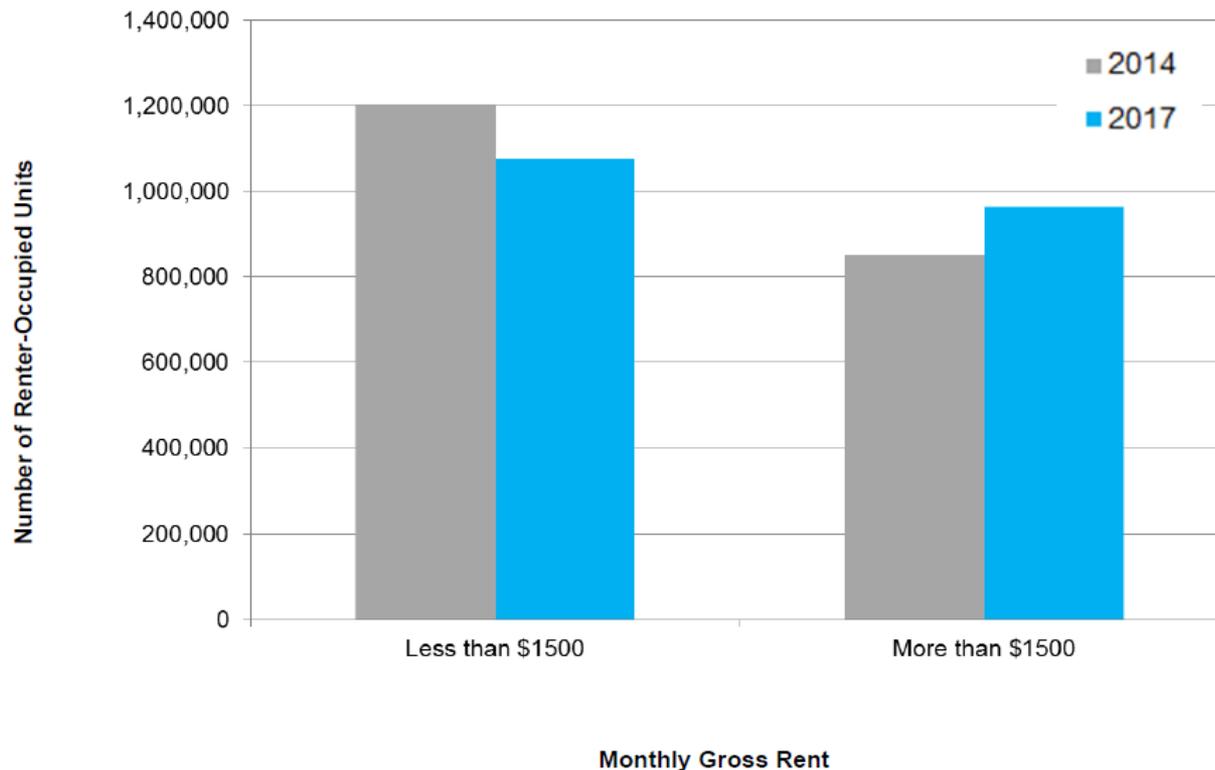


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Source: Rent Guidelines Board, 2018 Changes to the Rent Stabilized Stock (Based on HCR data)

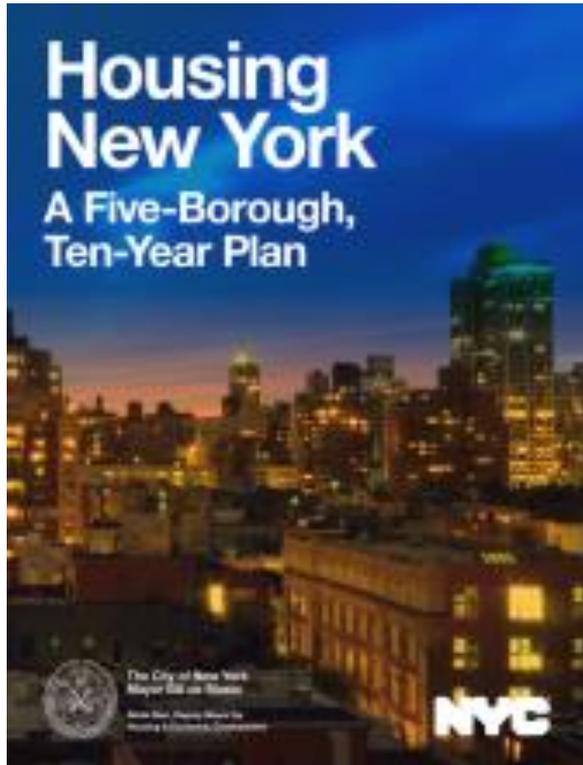
Loss of low cost units

Between 2014 and 2017, we saw a net loss of the lowest cost units (those with gross rents less than \$1,500).



HPD and Housing Preservation

Housing New York

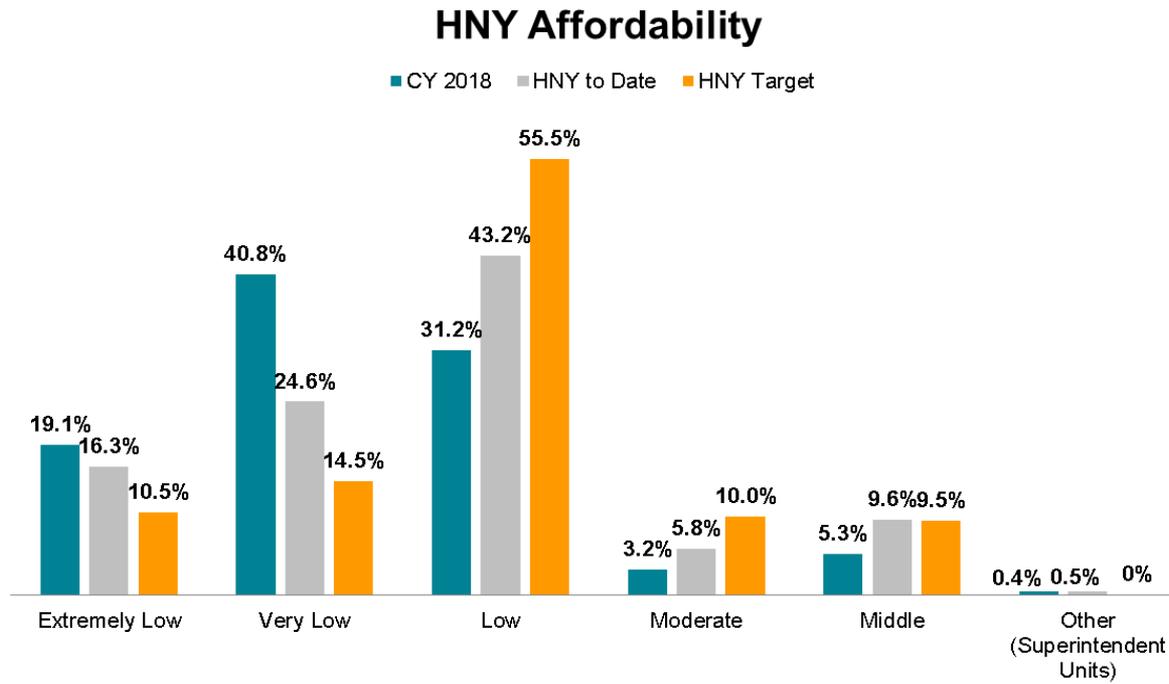


Housing New York (HNY) and HNY 2.0 set forth fundamental objectives:

- Finance the preservation and development of 300,000 affordable housing units by 2026.
- HNY 2.0 expanded emphasis on:
 - Serving seniors
 - Expanding Homeownership Opportunities
 - Leveraging underutilized land
 - Minimizing Displacement/ Housing Preservation



New, Deeper Affordability



- Have created or preserved 121,919 or 41% of HNY Target as of December 2018. CY 2018: 34,160
- Investment of \$5.05B. CY 2018 \$1.7B.
- The City committed an additional \$1.9 billion to achieve deeper affordability—more than 80% of the plan will reach households earning less than 80% AMI.
- Creation of over 9,800 homeless units, and nearly 7,400 seniors served

Why preservation matters

- Addresses physical and financial health of buildings while securing affordable rents for tenants.
- One of the most important tools for giving New Yorkers the choice to stay in their homes.
- HPD administers multiple financing programs to facilitate the physical and financial sustainability and affordability of privately-owned multifamily and owner-occupied buildings, and to rehabilitate formerly publicly-owned buildings of varying sizes.

Preservation tools

- Enforcement programs:
 - Address housing conditions/compliance with housing maintenance code. Residents and community organizations can call in complaints/make referrals, resulting in HPD inspection.
- Tenant protection initiatives:
 - Legal representation, partners in preservation, and related initiatives
- Financing programs:
 - Preservation of rental, homeownership, and existing regulated buildings through loan programs and tax exemptions authorized by statute

HPD Financing Options

Range of programs to facilitate the physical and financial sustainability and affordability of existing privately-owned buildings throughout New York City. Properties do not currently need to be regulated affordable housing to qualify for assistance.

- Property tax exemptions and abatements
- Low-interest subsidy/subordinate loans – includes options for property owners that can leverage some private debt and those that can not – for the following:
 - Rehabilitation
 - Energy efficiency and water conservation
 - Lead remediation
 - Acquisition
- Rental subsidies, including tenant- and project-based Section 8
- Technical assistance

Neighborhood Pillars

- Program to support mission driven organizations in acquiring unregulated properties in order to maintain long term affordability and viability
- Pairs down payment and technical assistance (nonprofits only), acquisition funding through NYC Acquisition Fund, and tax exemption/subsidy for construction/permanent funding to enable preservation purchaser to compete within market
- HPD approves price prior to acquisition – pricing model accounts for existing NOI and stabilized cap rate along with building conditions
- Market pricing typically based on aggressive revenue projections related to rent stabilized units, including preferential rents and turnover projections

Landlord Ambassador Program

- Pilot outreach and technical assistance program launched mid 2017
- Purpose: Improve access to HPD financial assistance and stabilize properties
- Smaller multifamily properties are almost 50% of NYC housing stock
 - Nearly 75% of all buildings in current HPD enforcement programs
 - Less than 25% of units financed by HPD over the last 10 years
- Building characteristics at enrollment:
 - 88% of properties did not have a rent roll
 - 59% of properties had vacancy rates exceeding 25%
 - 55% of properties did not have professional property management
 - Total municipal arrears at enrollment of \$10 million (averaging \$11,982/unit)
 - Total violations per building of about 35 (averaging 5.9/unit)

Landlord Ambassador Program

- Building outcomes since enrollment:
 - 47% increase in properties with a rent roll
 - 72% increase in vacancies filled
 - 15% increase in properties with professional property management
 - 43% increase in payment agreements in good standing
 - 42% properties with reduction in violations
 - 50% of properties apply for HPD financing
- Lessons learned from pilot program:
 - Stabilization can take time, but is possible with a motivated owner and robust outreach and technical assistance
 - Technical support network is limited to non-existent for smaller multifamily owners, and is a real need
 - Affordable financing products for renovations, as well as for emergency conditions, is needed for short and longer term stabilization

PRESERVATION CASE STUDY

Refinance and Renovate

- 3 building, 54-unit project
- Long term owner looking to refinance, renovate, and improve efficiency of the property
- Existing property tax exemption only partially covered liability due to expire in 7 years
- Scope of work included replacement of the roof, windows, water heaters; masonry repairs; energy efficiency and water conservation measures (projected utility savings of 27%)
- Financed with loans from bank and HPD, developer equity; property eligible for new J-51 property tax exemption
- New regulatory agreement
 - Rent Restrictions: 6 units at 65% AMI, 36 units up to 75% AMI, 10 units up to 90% AMI, 1 unit up to 100% AMI (based on current affordability)
 - Income limitations 10% above rent limitations



SOURCES	
Bank Loan	\$2,506,609
HPD Loan	\$1,839,747
Owner Equity	\$275,688
TOTAL SOURCES	\$4,622,403
USES	
Refinancing	\$1,380,747
Rehabilitation	\$2,052,500
Financing/Soft Costs	\$1,189,256
TOTAL USES	\$4,622,403

We want to work with you!

Help us to provide assistance to struggling owners in your loan portfolio

- Host an Owner's workshop
- Collaborate with us on an outreach project to urge owners to make repairs and pay liens
- Send bank inspectors to properties
- Connect owners to our Neighborhood Preservation offices
- Encourage owners to take advantage of financial assistance
- Other creative ways for us to collaborate?

By working together, we can strengthen your assets and increase quality affordable housing in New York City.