

## Taking Stock: The Role of “Preservation Inventories” in Preserving Affordable Rental Housing

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**N**ationwide, some 1.5 million families live in privately owned rental units that receive ongoing federal subsidies to keep rent levels affordable to low-income families. Millions of additional families live in housing developments operated by public housing authorities, funded by the low-income housing tax credit or supported with subsidies provided by state or local governments. As a result of changing market conditions, heightened demand for rental housing, and physical deterioration, this crucial part of the housing portfolio is at risk of loss as eligible owners “opt out” of subsidy programs, raise rents to support needed capital improvements, or allow older buildings to deteriorate beyond repair. Similar threats also jeopardize the ongoing affordability of unsubsidized rental units that help house millions of additional families.

Responding to threats from these and other factors, states and localities have started compiling “preservation inventories.” These inventories collect available data on the existing affordable rental housing stock, facilitating analysis of the portfolio and identification of at-risk properties. Armed with accurate, up-to-date information, communities can act quickly to preserve this irreplaceable resource. This review collects lessons learned from preservation inventories developed in five areas with support from the John D. and Catherine T. MacArthur Foundation — Cook County, Illinois; the District of Columbia; Florida; New Jersey; and New York City. While each of these data collection efforts is at a different stage of implementation, together they offer some initial lessons about how preservation inventories can be developed and the ways in which they can be used to advance preservation policy objectives.

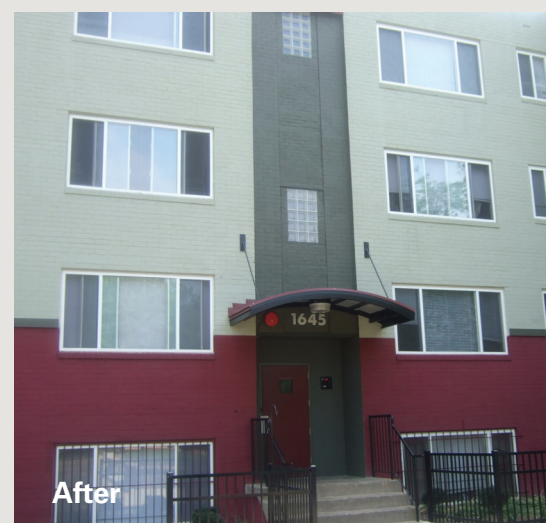
### Galen Terrace: Before and After



Courtesy of NHT/Enterprise Preservation

Facing poor management, increasing criminal activity, and physical deterioration, Galen Terrace Apartments, an 84-unit project-based Section 8 property in the Anacostia neighborhood of Washington DC, had been one of the District's most troubled properties. In 2006, members of the Galen Terrace Tenants Association exercised their right of first purchase and, in partnership with The National Housing Trust/Enterprise Preservation Corporation and Somerset Development Company, began making substantial renovations.

Improvements to the property include better lighting, secure key card building entry systems, and new kitchens and baths. With support from Enterprise's Green Communities Initiative, Galen Terrace is also now energy efficient. Units feature Energy Star appliances and lighting, efficient heating and cooling systems, and water collection rain barrels. An on-site community center provides after-school and summer programs for youth and computer, financial literacy, and parenting classes for all residents. The property's Section 8 contract has also been renewed, ensuring it will remain affordable for at least another 20 years.



Courtesy of NHT/Enterprise Preservation

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## Data Collection: An Essential First — and Recurring — Step

While challenging and time consuming, ongoing data collection is key to maintaining an accurate, up-to-date preservation database. As Bill O'Dell, manager of Florida's Housing Data Clearinghouse, points out, "Do not marginalize the importance of data collection. Analysis is important, but collecting the data and maintaining it over time is crucial."

Preservation inventories are typically compiled by research institutions or public agencies that have housing affordability and preservation as part of their mission. These databases include basic characteristics of the subsidized housing portfolio, including, but not limited to:<sup>1</sup>

- Project name
- Address
- Housing type (senior, family, etc.) or target population (e.g., income-level served)
- Total number of units
- Number of affordable units
- Years affordability restrictions begin and expire
- Funding sources
- Physical condition of the property

Other information may be added depending on the desired scope of the database; the availability of the necessary data; and the ways in which the inventory will be used.

All of the data collection initiatives examined for this brief rely heavily on data from the U.S. Department of Housing and Urban Development (HUD), which tends to be more complete and readily available than information from state or local sources. Nevertheless, even assembling the "basics" listed above can be a formidable challenge. Existing data sets often have gaps or lack critical information. Database administrators may encounter



inconsistencies or duplicate records when combining records from more than one source, even for seemingly uncomplicated attributes such as the property name, address, or number of units receiving rent subsidies. Often, data used in preservation inventories is gathered by multiple agencies and departments that adhere to different standards and use a variety of software programs. Combining this information into a single database can create major logistical complications. Tracking down unavailable or hard-to-find information, some of which may be protected or proprietary, presents yet another obstacle.

In response, researchers have developed an array of creative solutions and work-arounds that address these and other challenges. In Florida, for example, database managers use "business rules" to resolve the inconsistencies that appear when matching and merging data from multiple sources. One business rule establishes a ranking system for data sources: HUD has been determined to be the most reliable source, followed by the Florida Housing Finance Corporation, USDA Rural Development, and local housing finance agencies. When minor variations in project characteristics are reported, administrators accept the figure from the most reliable source first. Major discrepancies are resolved on a case-by-case basis before being added to the inventory.

<sup>1</sup>In most places, the scarcity of project-level information on the unsubsidized stock limits comprehensive data collection and analysis of this part of the market. However, researchers in Cook County are making efforts to capture data on this market segment using data from the County assessor's office, real estate brokers and property management companies.

Managers of the District of Columbia's preservation catalog invite users to submit comments and corrections for individual properties, which are then included in a Notes field to supplement the more formal data gathering process. In New Jersey, difficulties combining data from incompatible sources were resolved by limiting the sources used to those agencies with similar data collection standards and methodologies. As more states and localities become involved in preservation initiatives and refine their data collection processes, it is likely that wider cooperation will generate more solutions to these challenges.

## What's All the Data For? Using the Inventory

Once information has been collected and assembled, state and local agencies often choose to focus attention on a subset of properties that appear to be at elevated risk of loss from the affordable housing stock. This process generally involves three steps:

**1 Identifying properties at risk of loss from "opting out"** — The most basic criteria for assessing risk of loss as a result of owners' decisions to "opt out" of rent-restricted subsidy programs is whether a property is approaching the end of its use-restriction requirements due to contract expiration, bond or mortgage maturity and/or eligibility for prepayment of a subsidized or insured mortgage. Some practitioners further narrow the list of priority properties to those with characteristics that have been shown to be associated with a heightened risk of loss from the affordable housing portfolio, including project rents that are substantially lower than local market rents, family occupancy, and for-profit ownership.<sup>2</sup>

**2 Identifying properties at risk of loss from deterioration** — Properties may also be at risk of loss as a result of physical deterioration that renders them uninhabitable, although the data available to assess physical condition are limited and can be difficult to access. One measure used by database administrators is a building's REAC score — a number assigned to all multifamily properties that are subsidized or insured by HUD by the Department's Real Estate Assessment Center (REAC), based on the properties' physical and financial condition. Until recently, submission of a Freedom of Information Act request was often needed to obtain this information; however, in November 2007 HUD published for the first time REAC scores for nearly 25,000 projects. The release

identifies projects by name, city, and state, but does not include street addresses — an omission that may limit the usefulness of the data.

## **3 Collecting project-specific data elements for high-risk properties** —

Once the overall database has been narrowed to a sub-set of properties deemed to be at heightened risk of loss from the subsidized inventory, practitioners can begin to collect detailed information about each at-risk property, assess the actual risk of loss and, when needed, take preventive action to keep units in the affordable housing inventory. In Cook County, Illinois, for example, an initial analysis of the assisted housing stock has helped to winnow down a list of 400 subsidized properties to a manageable inventory of fewer than 100 at-risk properties that can be addressed on an individual basis.

## Policy Implications — Early Identification and Better Response

Assembling a preservation inventory is not an end in and of itself, but rather a means to the policy end of preserving and maintaining affordable rental housing. Ultimately, the real measure of success is the extent to which these data collection and analysis efforts help to achieve these goals. The databases allow communities to take stock of their preservation challenges and prioritize where action is needed, both at the project level — "What properties need to be contacted and offered incentives to remain affordable?" — and at the community level — "In what neighborhoods do we need to target efforts to preserve affordable rental housing?"

In areas where at-risk properties are concentrated, localities may choose to craft and implement broader revitalization strategies that can help to reduce these losses on a community-wide basis. In New York City, for example, information about the properties most vulnerable to loss through "opt outs" has been linked to a mapping application, allowing easy identification of neighborhoods where the risk of housing loss is greatest and a broader approach to preservation may be appropriate.

Practitioners and those who compile the databases suggest that preservation databases can also influence public policies in meaningful ways, including:

- **Increased awareness of the at-risk affordable housing stock** — Decision-makers may be able to better understand the need for preservation-related initiatives when presented with a comprehensive

<sup>2</sup>These characteristics are identified as primary risk factors in Multifamily Properties: Opting In, Opting Out and Remaining Affordable. 2006. Prepared by Econometrica, Inc. and Abt Associates, Inc. for the U.S. Department of Housing and Urban Development Office of Policy Development and Research.

## Both Mayor Bloomberg in New York City and Governor Corzine in New Jersey have implemented broad affordable housing plans that include goals related to housing preservation.

database containing the number of subsidized housing units and the number with affordability covenants due to expire in the near future. This increased awareness can lead to greater allocation of resources for preservation purposes. In Florida, for example, for the first time the Housing Finance Corporation recently reserved a share of Low-Income Housing Tax Credits for

preservation deals. According to Patricia Roset-Zuppa of the Shimberg Center for Affordable Housing, “That [decision] came out of the work we do, maybe not directly, but as a result of us all spending time talking about preservation and having the data there to demonstrate that we have an issue.”

### What About the Unassisted Stock?

States and localities also face the loss of units that do not receive subsidies but, as a result of market conditions, age, or other factors, are affordable to low-income households. While analysis of data on broader rental housing market trends is less common among preservation practitioners, many have expressed an interest in collecting this level of information to enable identification of communities that are “heating up.” The early identification of such communities could help prevent the loss of unsubsidized affordable rental housing units to condo conversion and substantial rent increases by giving city officials the opportunity to act quickly and offer incentives to private owners who agree to keep a portion of units affordable to low- and moderate-income households. In addition, identification of at-risk unsubsidized rental units in cities that have weak markets or an older housing stock can help prevent the deterioration and loss of units in need of capital investment. When accompanied by outreach from the local housing finance agency or other organization equipped to offer a refinancing package or broker a transfer of ownership, early identification can help to preserve market-rate affordable housing.

- **Increased support for a comprehensive housing strategy** — Many local jurisdictions have adopted comprehensive housing strategies that address the spectrum of housing needs, including preservation. Both Mayor Bloomberg in New York City and Governor Corzine in New Jersey have implemented broad affordable housing plans that include goals related to housing preservation. Development of an assisted housing inventory can provide data that help explain why rental housing preservation may be needed to achieve city- and state-wide housing goals.
- **Increased capacity and resources for preservation initiatives** — In New Jersey, Home and Mortgage Finance Agency staff have plans to use information gathered in their data warehouse to make the case for increasing resources allocated to preservation and related activities. In addition to creating a consolidated database of assisted properties, researchers in New York City will also assess the existing capacity of local housing organizations to manage preservation activities and determine the need for an independent preservation entity.
- **More sophisticated policies and systems to facilitate transfer of ownership** — Non-profits and other mission-driven organizations may have difficulty assembling adequate funds on a very short timeline, but with sufficient notification, properties have a better chance of being successfully transferred to an owner that is vested in preserving affordability. The Interagency Council in Cook County is developing an outreach system that will enable agency staff to contact the owners of high-risk subsidized properties and, when appropriate, refer potential deals to preservation-minded organizations.

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## Abstracts

The following table summarizes the types of rental housing data and other features included in the five initiatives reviewed for this brief.

	DATA SOURCES INCLUDED, BY TYPE OF ASSISTANCE				NOTES
	Federal	State	Local	Unassisted	
Cook County, IL data clearinghouse (developed by the Interagency Council, a partnership of local, state and federal agencies)	X	X	X	X	Data on unassisted properties will be obtained primarily through cooperation with the County assessor's office and private property management companies
District of Columbia Preservation Catalog (available at <a href="http://www.nlihc.org/doc/dcpreservationcatalog.pdf">http://www.nlihc.org/doc/dcpreservationcatalog.pdf</a> )	X	X	X		In addition to data gathered from published reports, the Preservation Catalog is supplemented with input from local advocates and technical assistance providers
Florida Housing Data Clearinghouse (available at <a href="http://flhousingdata.shimberg.ufl.edu/">http://flhousingdata.shimberg.ufl.edu/</a> )	X	X	X		A separate database contains data on public housing and units that receive assistance through project-based Section 8
New Jersey Data Warehouse (maintained by the Housing and Mortgage Finance Agency [HMFA])	X	X			Market analyses by The Reinvestment Fund for areas surrounding HMFA-assisted properties will supplement the Data Warehouse and be used by HMFA to identify neighborhoods in which to focus preservation efforts
New York City consolidated database (to be maintained by the Department of Housing Preservation and Development)	X	X	X		In New York City, data on high-risk properties has been linked to mapping technology, allowing identification of areas where the risk of loss is greatest and implementation of a neighborhood-level approach to preservation may be appropriate

Data from federal sources may include information on developments that receive assistance through HUD or the United States Department of Agriculture's Rural Development programs, as well as properties in the Low-Income Housing Tax Credit database. Data from state sources may include information on developments that receive assistance through housing bond issues and other state-administered programs, such as housing trust funds, as well as recipients of state-level HOME Investment Partnerships Program funds (federal matching block grants reserved exclusively for affordable housing). Data from local sources may include information on developments that receive assistance through local level programs, including recipients of local HOME funds.

Policy briefs in this series are prepared by the Center for Housing Policy for the John D. and Catherine T. MacArthur Foundation. The Foundation's grantmaking is intended to raise the priority and profile of affordable housing policy by investing in the creation of new knowledge about the supply and demand for rental housing and affordable housing's connection to other social policy issues. This series presents key findings from affordable housing research supported by the Foundation.



As the research affiliate of the National Housing Conference (NHC), the Center for Housing Policy specializes in developing solutions through research. In partnership with NHC and its members, the Center works to broaden understanding of the nation's housing challenges and to examine the impact of policies and programs developed to address these needs. Combining research and practical, real-world expertise, the Center helps to develop effective policy solutions at the national, state and local levels that increase the availability of affordable homes.

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- **Early identification of these properties is made possible through use of the local data clearinghouse.**

Keeping track of the affordable housing stock over time also allows program administrators to track trends in the inventory and evaluate the effectiveness of preservation initiatives. Over time, subsidized housing inventories may also help researchers and advocates better understand the effectiveness of various methods of housing assistance in providing sustainable affordable housing opportunities. With a clear and comprehensive account of the outcomes related to various policies and programs, policymakers can make better-informed decisions about the design and re-design of new and existing programs. In Florida, for example, administrators of the Florida Housing Data Clearinghouse regularly prepare reports on the characteristics of the state's assisted rental stock and households in need of affordable housing for the Florida Housing Finance Corporation. The 2007 report included for the first time a risk assessment based on data from the preservation inventory.

## Additional Resources

The Shimberg Center for Affordable Housing at the University of Florida has compiled a comprehensive collection of resources, all of which are available at <http://preservation.shimberg.ufl.edu/ResearchAndReports.html>. Selected documents include:

- **Creation of a National Preservation Data Infrastructure Final Report** — Reports on the proceedings of a meeting in May 2007 on the creation of a national preservation data infrastructure.
- **Affordable Housing Preservation: Building a National Data Infrastructure** — Summarizes responses to a survey on the state of preservation-related data collection completed by housing-related organizations.

The National Low Income Housing Coalition is researching the feasibility of creating a national database of subsidized rental properties, and has undertaken case studies in 4 states to inform this research. Reports below are available at [www.PreservationCatalog.org](http://www.PreservationCatalog.org).

- **An Exploration of State- and Local-Level Subsidized Housing Catalogs: Initial Findings** — Presents responses to interviews with 15 organizations involved in the creation and/or maintenance of a subsidized housing catalog.
- **The Preservation Catalog: Findings from Two Case Studies** — Compares efforts to assemble a preservation catalog in the District of Columbia and Florida, including lessons learned.

The HUD publication *Opting In, Opting Out and Remaining Affordable* was prepared by Econometrica, Inc. and Abt Associates, Inc. to facilitate identification of HUD-assisted properties likely to "opt out" of federal subsidy programs. The full report is available at [http://www.huduser.org/Publications/pdf/opting\\_in.pdf](http://www.huduser.org/Publications/pdf/opting_in.pdf).