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**“CLOSING THE DOOR” ON HOUSING IN NEW YORK CITY
Annual Study Finds Housing Remains at Risk, Due in Part to Predatory Investors
More than 100,000 Apartments and 250,000 People Affected**

Affordable housing remains at risk, even during the economic recession, and the nature and scope of the risks are changing, according to an annual housing report by the Community Service Society of New York (CSS). Reports also indicate as many as 100,000 apartments and 250,000 people are affected by predatory investors.

This year’s CSS report, **“Closing the Door 2009: Risks of Boom and Bust,”** finds that the rate of loss of subsidized housing has slowed due to the difficulty of investors securing financing for all kinds of real estate activity, but that all forms of affordable housing are threatened as the financing unravels for buildings purchased at highly speculative prices by predatory investors in recent years.

“Affordable housing remains a systemic problem in New York, and one of our greatest concerns is the fate of rental units owned by predatory investors,” said David R. Jones, president and CEO of the Community Service Society of New York (CSS). “The thousands of apartments in buildings in default right now are just the beginning. The wave of financial implosions could end up affecting a very large share of apartment buildings where New York City’s low-wage working families live.”

Buildings in default include the 1,230-apartment Riverton in Harlem and dozens of smaller buildings in East Harlem and the Bronx. Many other buildings, including the vast Stuyvesant Town-Peter Cooper Village complex, are also in trouble. The defaults are occurring because the buildings were sold with financing that could only be supported if the buildings rapidly began to produce increased incomes from renters. When the expected rent increases failed to materialize, owners found themselves unable to make mortgage payments. But the report shows that the real estate market is not shifting to reflect realistic expectations of building income. Purchase prices for apartment buildings have returned to pre-boom levels in Upper Manhattan, the Bronx, Brooklyn, or Queens. Instead the market has essentially frozen, leaving tenants and neighborhoods vulnerable to deteriorating building conditions. According to the report, it appears that lenders have contributed to this problem by refusing to acknowledge that their loans are unsustainable and unstable.

“We need a well-designed government program to get banks to restructure unsustainable mortgages on apartment buildings, and make sure that building services are maintained and tenants are not displaced,” Jones said. “Banks need to be working to reset the market and help save, not destroy, rental housing in New York.”

Affordable Housing:

“Closing the Door 2009” also shows there were few changes to the city’s supply of subsidized, privately owned rental housing units in 2008, for the period covered by the 2009 report. The report identifies 679 Mitchell-Lama units lost in two buildings in the Bronx and on Manhattan’s Upper East Side and 78 non-Mitchell Lama project-based Section 8 units lost in two small buildings in Brooklyn and Harlem. The total of 757 apartments lost is the lowest in any year since 2000, but the report warns that the rapid loss of housing stock will resume once the financial markets recover.

CSS has six policy recommendations to address predatory equity and affordable housing in New York. The recommendations are:

- Combat the loss of subsidized housing and strengthen protections for tenants when buildings leave subsidy programs.
- Reduce the exposure of subsidized buildings to predatory practices by establishing a federal “right to purchase” for tenants and their chosen development partners before allowing the properties to leave subsidy programs.
- Ensure that state and city governments have the resources to make the most of the current opportunities to improve affordability.
- Use existing New York State and New York City resources and knowledge of the local market to support preservation purchases of financially distressed subsidized, formerly subsidized, and other buildings by nonprofit organizations with a mission to provide affordable housing.
- Make federal resources available to support the restructuring of debt on overleveraged buildings in New York City and in other parts of the country where apartment buildings are in financial distress.
- Explore the possibility of a federal program to encourage responsible debt restructuring by reducing the regulatory consequences of reporting the related losses on balance sheets.

The report was authored by Tom Waters, Housing Policy Analyst and Vic Bach, Director of Housing Research for CSS.

View a copy of the report, “Closing the Door 2009: Risks of Boom and Bust,” at <http://www.cssny.org/research/housing/>

For 160 years, the Community Service Society of New York has been the leading voice on behalf of low-income New Yorkers and continues to advocate for the economic security of the working poor in the nation’s largest city.