Rights of first refusal overview

Right of first refusal policies can be used in two contexts to preserve the stock of rental housing.

First, they can help preserve the ongoing affordability of dedicated affordable rental housing by giving priority consideration to mission-oriented buyers when the owner of a subsidized rental property decides to stop participating in a subsidy program. Second, they can be applied to unsubsidized rental properties, helping to preserve the availability of rental units and in some cases facilitate conversion to dedicated affordable rentals. Eligible buyers may include tenant associations, nonprofit and for-profit developers, and/or state or local government agencies—all of which ordinarily require a longer timeframe to assemble financing and can have difficulty competing with market-rate or luxury developers. Right of first refusal policies may give these buyers an exclusive period within which to make an offer on the property, or the option to match any offer made by a private buyer. Especially in strong and/or growing housing markets, right of first refusal policies help to preserve rental housing and prevent the conversion of subsidized rental properties to another use by enabling their sale to stakeholders who are committed to long-term affordability.