Expanded access to capital for owners of unsubsidized affordable rental properties overview

Privately-owned, non-subsidized rental properties are a critical source of affordable housing in many cities, towns, and counties. Many of these properties need capital for rehabilitation including the replacement or upgrade of such major building systems as the plumbing, heating, and electrical, as well as structural elements like the roof, exterior walls, foundation, and windows. However, not all owners of unsubsidized affordable rental properties are able to access from the private sector sources any or all of the capital they need. Local jurisdictions can assist these owners by offering a variety of subsidies in the form of grants, tax credits, and low-interest loans.

In markets with weak demand, programs to expand access to capital can help these owners finance necessary capital improvements and avoid abandonment or disinvestment. In strong rental markets, such programs may be able to slow the rate of growth in rents of properties by reducing the likelihood that the properties are substantially rehabilitated and repositioned to rent at much higher levels (or demolished to make way for luxury multifamily units). However, programs to assist owners in accessing capital alone will not stop owners from raising rents when the market conditions would allow them do so.

Some owners may like the idea of maintaining the affordability of their units and will trade off the possibility of raising rents in return for financial subsidies, thus making it possible for current tenants to stay and minimizing turnover. In these cases, eligibility for the incentive may be made contingent on an agreement to maintain affordable rents for a specified period of time or to place the property under existing rent regulation programs that will limit the pace of any escalation of rents.

In some cases it may be more feasible to use the subsidies to facilitate transfer of ownership to a new mission-driven entity that is committed to keeping the rents affordable. In this case, the units can be added to the stock of dedicated affordable housing. Click here for tools for creating and preserving subsidizing dedicated affordable housing.