Preserving Affordable Rental Housing: A Definition

Affordable rental housing is preserved when an owner acts to keep rents affordable for low- and moderate-income households while ensuring that the property stays in good physical and financial condition for an extended period.

Preservation projects frequently involve transfer or sale to a new owner, but existing owners can preserve their properties too. All preservation owners must have a clear mission or legal obligation to maintain the affordability of a high-quality rental home. These owners can be nonprofit, for-profit or even private individuals.

Every privately owned, occupied rental property can be a preservation candidate, whether or not it was developed with prior government assistance. Of course, not every existing property can or should be saved. But long-term subsidy contracts can still be retained by transferring them to a replacement or nearby property.

Affordable rental housing is preserved when an owner acts to keep rents affordable for low- and moderate-income households while ensuring that the property stays in good physical and financial condition for an extended period.
The U.S. supply of affordable rental homes is shrinking. Four key factors are driving the loss of homes affordable to low- and moderate-income renters.

1. Housing markets have soured. On the coasts, but also in parts of the Midwest and other regions, housing costs have climbed. Thousands of apartments have been turned into condominiums or high-end rentals. While the homeownership market has cooled, experts forecast increased tightening in the rental sector.

2. Aging properties are becoming run down. One-half of the existing rental stock predates 1970. Millions of units are short on basic amenities: new roofs, windows, heating and cooling systems. Even many long-time owners lack financial incentives or means to invest in costly repairs, including new energy systems.

3. Renters are under renewed financial pressure. For low- and moderate-income renters, housing costs have climbed. Thousands of apartments affordable for 15 years or more are now unaffordable. Every privately owned, occupied rental property can be a preservation candidate, whether or not it was developed with prior government assistance. Of course, not every existing property can or should be preserved. But long-term subsidy contracts can still be retained by transferring them to a replacement or nearby property.

4. Long-term subsidies and restrictions are expiring. Billions of dollars in tax breaks, government-backed loans, capital grants and rent subsidies on the coasts, including New York, Boston, San Francisco and Los Angeles. Foreclosures also are on the rise because of rental defaults. As counterparties in the homeownership market, banks and mortgage investors have been forced to write off billions in losses each year, leaving many buildings foreclosed, abandoned or demolished each year. Foreclosures are high on the rise because of rental defaults. As counterparties in the homeownership market, banks and mortgage investors have been forced to write off billions in losses each year, leaving many buildings foreclosed, abandoned or demolished each year. Foreclosures also are on the rise because of rental defaults.

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Operating costs are rising. Rental owners of all kinds find it hard to keep up with rising property taxes, energy costs and insurance. Some walk away, leaving many buildings foreclosed, abandoned or demolished each year. Foreclosures are on the rise because of rental defaults. As counterparties in the homeownership market, banks and mortgage investors have been forced to write off billions in losses each year, leaving many buildings foreclosed, abandoned or demolished each year.

Long-term subsidies and restrictions are expiring. Billions of dollars in tax breaks, government-backed loans, capital grants and rent subsidies allowed the private sector to build and maintain more than 3 million affordable rental homes over the past 50 years. In exchange, owners committed to keep apartments affordable for 15 years or more. These obligations expired in 1995, forcing owners to take hundreds of thousands of units out of these programs.

Preserving Affordable Rental Housing: A Definition

Affordable rental housing is a precious resource when an owner acts to keep rents affordable for low- and moderate-income households while ensuring that the property stays in good physical and financial condition for an extended period.

Preservation projects frequently involve transfer or sale to a new owner, but existing owners can preserve their properties too. All preservation owners must have a clear mission or legal obligation to maintain the affordability of rental homes. These owners can be motivated by tax credits, the profit in a weaker or unattractive market.

For additional information, organizations and resources to help preserve and improve affordable rental housing, please visit www.windowofopportunity.macfound.org.

For more information, including specific funding guidelines and a current list of affordable housing grantees, please visit www.windowofopportunity.macfound.org or email housing@macfound.org.

The John D. and Catherine T. MacArthur Foundation is a private, independent grantmaking institution helping to build a more just and equitable world. Through the support it provides, the Foundation furthers development of knowledge, creates individual and community-strengthening institutions, helps improve public policy, and provides information to the public, primarily through support for public interest media. With assets of more than $6.5 billion, the Foundation makes approximately $260 million in grants annually.

The Window of Opportunity housing preservation initiative is part of MacArthur’s larger program focused on stable, affordable housing with a special emphasis on rental housing. The Foundation welcomes inquiries about the work and encourages interested parties to contact recipients of its support and other housing leaders.

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The John D. and Catherine T. MacArthur Foundation + 140 South Dearborn Street + Chicago, IL 60603-5285 + 312-704-5000
Across the country, state, local and federal policymakers are helping communities manage the new stock of low-rent rental homes. There are some ways they are doing this.

Better information and coordination. The State of Florida built a database containing all government-subsidized rental housing, then government contractors in the state, Chicago, Wisconsin, and Cook County, Illinois, help coordinate preservation activity. The government is providing outreach, education and support.

More regulatory support and flexibility. In Illinois, Illinois law provides for at least 2 years’ notice before a property owner can opt out of preservation; the state funds property preservation advocacy. In California, ten other states and localities across the country.

What Is “Affordable” Rental Housing?

We also provide funding for 25 mission-driven housing developers and public-sector preservation initiatives in Chicago, New York City, and ten other states and localities across the country.

Policies That Work

Sight Out of the Low-Income Renter Household

Matters Initiative of the Housing Partnership Network, Street Law, Inc., and the National Housing Law Project.

The National Housing Forum predicts that all efforts set aside existing funds or give preservation owners extra perks when they comply for tax credits, bond and grant grants.

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Almost all of us are renters at some point in our lives. Today, one-third of U.S. households—36.8 million—derive most of their income from rental property, making them eligible for renter assistance. Across the country, state, local and federal policymakers are working together to renew the existing stock of low-cost rental homes, recognizing the ways this can help stabilize the lives of those who struggle to make ends meet and help families thrive.
Almost all of us are renters at some point in our lives. Today, one-third of U.S. households—new from college graduates to aging seniors and young families saving to buy their first place. Homeownership may be the American Dream, but for millions of people renting is the best or only option.

Growing challenges for U.S. renters. Millions of renters regularly find their housing unstable, secure a below-poverty rental home—"especially so with access to schools and work. In 2006, almost 8 million low- and moderate-income renters spent over half of their earnings on housing, a record high.

Part of the problem is that wages at the bottom of the economic ladder have not kept pace with rising rents. The stock of low-cost rental homes also has declined due to demolition, conversion and the expiration of government subsidies and affordability restrictions. Billions of taxpayer dollars were invested over the past 50 years to create and maintain the rental homes that are being lost today. In 2005, almost 9 million low-income renters paid $400 per month or less, in inflation-adjusted terms, declined by 1.2 million. If current trends continue, another 1 million low-cost rentals will be lost over the decade ahead.

More than housing at stake. Research suggests that people who rent, unlike homeowners, do not have a stake in a neighborhood. This means that renters may be less likely than homeowners to be motivated to maintain neighborhoods.

The problem of affordable rents has existed, preservation of affordable rental housing below market rates to secure, stabilize, and improve communities at scale, and provide resident services. In 2007, for example, 46,000 affordable rental units were converted to owner occupation. The U.S. Department of Agriculture is revitalizing rental housing for the elderly in the Glades in South Florida, the Coachella Valley in California, and ten other states and localities across the country. It is an ongoing rent subsidy. The federal government also funds approximately 2 million vouchers that renters use to pay for their rent. These are issued through the public housing program, run by state or local agencies.

Who Rents? 

- Low-income renters, seniors, citizens receiving Social Security, veterans, low-wage workers and young families.
- Number of households (in millions) 
  - Under $15,000: 16.0
  - $15,000 to $24,999: 33.6
  - $25,000 to $39,999: 16.6
  - $40,000 to $59,999: 16.5
  - $60,000 or more: 14.8
  - African-American: 15%
  - Hispanic: 17%
  - White: 57%
  - Other: 15%
  - Less than $15,000: 15.6
  - $15,000 to $23,999: 25.0
  - $24,000 to $35,999: 25.8
  - $36,000 or more: 24.6
  - Male: 74%
  - Female: 26%

What is “Affordable” Rental Housing? 

- Most housing experts agree that households generally should not spend more than 30 percent of their annual income on rent and other housing costs. In the U.S., a household with a total income of $30,000 would be considered as having an affordable rent on $900 or less per month.

- Most affordable rental housing is the U.S. is publicly operated and run by its government. Approximately, 3 million units were developed with government-backed housing. About half of this, or 1.5 million units, have either been converted to owner occupation. The federal government also funds programs that expand the supply of affordable homes for people of moderate incomes. In 2006, the Federal government funded 12,700 units of public housing on 10 sites in 6 states and localities.

- In 2007, federal outlays on expenditures totaled approximately $33 billion for all rental housing programs operating in the U.S. By comparison, the total outlays on existing, affordable rental homes for years to come. The budget shows that, at $22 million annually, helping to preserve 2,200 at-risk affordable rental homes since 1997.

- A one-penny tax on real estate in Fairfax County, Virginia, raises more than $20 million each year to preserve 2,000 low-income rental units since 2003.

- In Cook County, Illinois, tenants of rental housing get a break on property taxes when they make needed repairs and keep their rent or other housing costs. In the U.S., a household with one full-time minimum wage worker would earn $10,712 annually, enough to afford a monthly rent of $268.

- We invite others to join us in supporting our nation’s affordable housing problem. Although there are many opportunities to work together, we are especially excited about the following:

- Reverse the loss of existing, affordable rental homes by making repairs, maintaining buildings, using tax credits, and working with policymakers to address the affordability crisis.

- Make it easier, faster and more cost-effective for affordable tenants or a state or local agency have the right to buy the property. A state or local housing or health care program.

- Make the effort to meet this nation’s growing need for decent, affordable housing for millions of people renting is the best or only option.

- More broadly, our goal is to stimulate housing policy reform and new development, and following the lead that Seattle took in 2006, and other states have followed.

- We are particularly concerned about the preservation of affordable rental housing for low-income families and seniors, and public-sector preservation initiatives in Chicago, New York City, and other states and localities across the country.

- What Is “Affordable” Rental Housing? Most housing experts agree that households generally should not spend more than 30 percent of their annual income on rent and other housing costs. In the U.S., it is considered safe if at least 30 percent of a household’s income goes toward rent.

- Most affordable rental housing is the U.S. is publicly operated and run by its government. Approximately, 3 million units were developed with government-backed housing. About half of this “excess” rent money goes toward rent. The federal government also funds programs that expand the supply of affordable homes for people of moderate incomes.

- Almost all of us are renters at some point in our lives. Today, one-third of U.S. households—new from college graduates to aging seniors and young families saving to buy their first place. Homeownership may be the American Dream, but for millions of people renting is the best or only option.
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1. Housing markets have soared. On the coasts, but also in parts of the Midwest and other regions, housing costs have climbed. Thousands of apartments have been turned into condominiums or high-end rentals. While the homeownership market has cooled, experts forecast increased tightening in the rental sector.

2. Aging properties are becoming run down. One-third of the existing rental units predates 1970. Many longtime owners lack financial incentives or have been turned into condominiums or high-end rentals. While the homeownership market has cooled, experts forecast increased tightening in the rental sector.

3. Preservation projects frequently involve transfer or sale to a new owner, but existing owners can preserve their properties too. All preservation owners must have a clear mission or legal obligation to maintain the affordability of the homes they rent. These owners can be nonprofit, for-profit or even public entities.

4. Long-term subsidies and restrictions are ending. Billions of dollars in tax breaks, government-backed loans, capital grants and rent subsidies that owners have been using to keep rents affordable for low- and moderate-income households while ensuring that the properties stay in good physical and financial condition for an extended period.

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