

## Preserving aging affordable housing

Housing Cities Symposium (<http://www.housingcities2009.com/>) ♦ Harvard Graduate School of Design  
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<p>"Who are you?" "You mean me or my evil twin?"</p>	<p><b>Recap Advisors</b>, the financial services arm of CAS Partners, works inside the US for program participants on asset management and financial restructuring of existing affordable rental housing.</p> <p>The <b>Affordable Housing Institute</b> is a non-profit consultancy that works outside the US helping people develop sustainable housing finance ecosystems worldwide. <i>"We've lost billions so you don't have to."</i></p>
<p>"How does it feel to be 100?" "Beats the alternative"</p>	<p>Unless property is physically unsalvageable, virtually all existing affordable housing should be preserved and periodically revitalized. (The production paradox of affordable housing is that the very same people who fight tooth and nail to prevent you from creating it new also fight tooth and nail to prevent you from taking it out of the inventory.) Even when physically unsalvageable, demolition/ rebuilding on the same site enables 'subsidy portage' preservation.</p>
<p>"Don't laugh, it's paid for"</p>	<p>With inflation and increasing urbanization along the coasts, 99% of the time, existing affordable housing is cheaper to preserve than to rebuild new.</p>
<p>"It's always something ..."</p>	<p>For aging affordable housing, at-risk is a chronic condition. If not prepayment, then physical obsolescence. If not owner opt-out, then owner decline. Permanent affordability is an El Dorado, fabled but unreal. Properties need recapitalization/ restructuring no less frequently than every 10-15 years.</p>
<p>"Look to your left ... look to your right"</p>	<p>The great unvoiced worry in affordable rental housing nationwide is the impending demise of many sponsors, many of them non-profit. When sponsors die, their properties become orphans. Who's next?</p>
<p>"What can we do that's fast, reliable, and free?" "Uh ..."</p>	<p>Affordable housing, aside from being one of the most complex public-policy interventions (mixing the fastest asset of capital and the slowest of property), always costs money, and deeper affordability costs more money. Politicians are seldom willing to pay what it takes to do things 'right,' with the result that what gets preserved is what can scramble for enough money to be preserved.</p>
<p>"How's your tax credit?" "Compared to what?"</p>	<p>The LIHTC industry today faces two massive and linked problems: re-pricing LIHTC (down from 85¢ to perhaps 65¢, with greater variation), and re-underwriting the pipeline (07 and 08 unsold allocations). Worse, the recently enacted stimulus legislation is of limited help and may retard recovery.</p>
<p>"What should we reinvent?" "What <i>shouldn't</i> we reinvent?" "The mission ..."</p>	<p>With a few exceptions (e.g. Cambridge), the 1,200,000-apartment public housing inventory nationwide is physically obsolescent, with a capital backlog probably between \$30-40 billion. More urgently, the public housing <i>delivery system</i> is economically and administratively obsolescent. Reinventing public housing as a delivery system, enabling housing authorities to become the Essential Housing Authority, is a critical priority that cannot wait any longer.</p>

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