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Lessons from the 1990s Affordable Housing Preservation Crisis

The 1990s were a defining decade for affordable housing preservation in the United States as policymakers took action to prevent a large-scale preservation crisis. Hundreds of thousands of subsidized rental homes created in the 1960s and 1970s were approaching the point when owners could prepay mortgages, terminate affordability restrictions, opt out of affordability commitments, and convert to market rate housing. The risks were so great and large scale, this was the first affordable housing crisis to achieve significant national attention. Policymakers, advocates, owners, and tenants had to invent a preservation system in real time in response to the expiring affordability restrictions.

Threatened properties relied heavily on funding from The Department of Housing and Urban Development (HUD), leading preservation advocates and owners to partner with the federal government to implement national-level strategies to preserve the existing affordable housing stock and keep families stably housed. The result was not a single program but a preservation toolkit paired with burgeoning capital resources. Together these efforts created the basic architecture of affordable housing preservation policy that still shapes the field today.

This brief revisits that pivotal era to examine how policymakers, advocates, housing providers, and residents built a preservation system in response to an urgent national threat. It distills lessons from that experience for policymakers and practitioners working today to preserve affordable homes and protect residents from displacement.

THE 1990S PRESERVATION TOOLKIT

The first major preservation mechanisms of the decade were the Emergency Low Income Housing Preservation Act (ELIPHA, 1987) and the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA, 1990). Both intended to prevent the loss of Federal

Housing Administration (FHA) and HUD-insured affordable housing. In the 1960s, to encourage the development of affordable housing through the private market, owners who had pursued 40-year mortgage loans received HUD or FHA mortgage insurance that subsidized overall mortgage costs in exchange for offering below-market rate affordable rents. Though HUD and FHA mortgage insurance lasted 40 years, contractual agreements gave affordable housing owners the option to prepay the full mortgage after 20 years and remove all affordability restrictions.

By 1987, the National Housing Task Force reported that "hundreds of thousands of units of federally assisted housing [were] threatened by early withdrawal from federal programs through advance payments of assisted mortgages and by the expiration of rental subsidy contracts."[1] The report, along with continued efforts from preservation advocates, successfully shifted the mindset of many that every contract was valuable and must be saved, and owners should be incentivized to continue participation. Shortly following the National Housing Task Force report, Congress passed ELIPHA that directly address subsidized mortgage prepayments and offered incentives for owners such as second mortgages and opportunities to increase rents so they would continue operating the existing affordable housing. However, ELIPHA contained a fatal provision that barred owners of subsidized properties from prepaying their mortgages for a period of two years. Though temporary, this provision outraged owners, who believed that if Congress could pass a time-limited provision, a permanent prepayment moratorium could happen too. Owners of existing subsidized properties understood the mortgage prepayment option to be a contractual right offered by the federal government while tenant advocates were pushing to ensure that no existing affordable housing would be lost, and no tenants would be displaced. In response to ELIPHA, owners filed a class action lawsuit against the government for the mortgage prepayment moratorium. Though unsuccessful, the outcry prompted Congress to pass a successive law that offered a balanced outcome between the interests of owners, advocates, and tenants.

The passage of LIHPRHA represented the political compromise between these competing interests. Dialogue between owners and preservation advocates resulted in acceptance of continued regulation, but with compensation. To limit the prepayment of subsidized mortgages, existing owners were offered three choices:

1. Apply to prepay the mortgages or otherwise terminate commitments to low income tenancy;
2. Extend affordability, not just for the full length of the mortgage, but for the life of the property; or
3. Transfer the property to a nonprofit or other mission-aligned organization

[1] A decade later, Department of Housing and Urban Development (HUD) and National Housing Trust (NHT) analyses found that by 1998 over 925 properties, consisting of nearly 98,000 previously affordable apartments had converted to market rate housing.

HUD offered incentives to property owners who agreed to maintain affordability through the introduction of new short-term Section 8 PBRA or other capital grants. Through LIHPRHA, owners seeking to prepay their mortgage had to file a notice of intention and obtain approval from HUD. Through continued efforts from preservation advocates, HUD declined any prepayments that would have imposed economic hardship on tenants, such as displacement or rent increases. The new statute, along with the additional subsidies and capital resources offered to owners, did not merely offer an interim solution to delay conversions, but extended affordability and preservation of the housing stock through the remaining useful life of the property (approximately 55 years). As of 2023, there were approximately 640 properties with more than 75,000 units subject to LIHPRHA provisions.

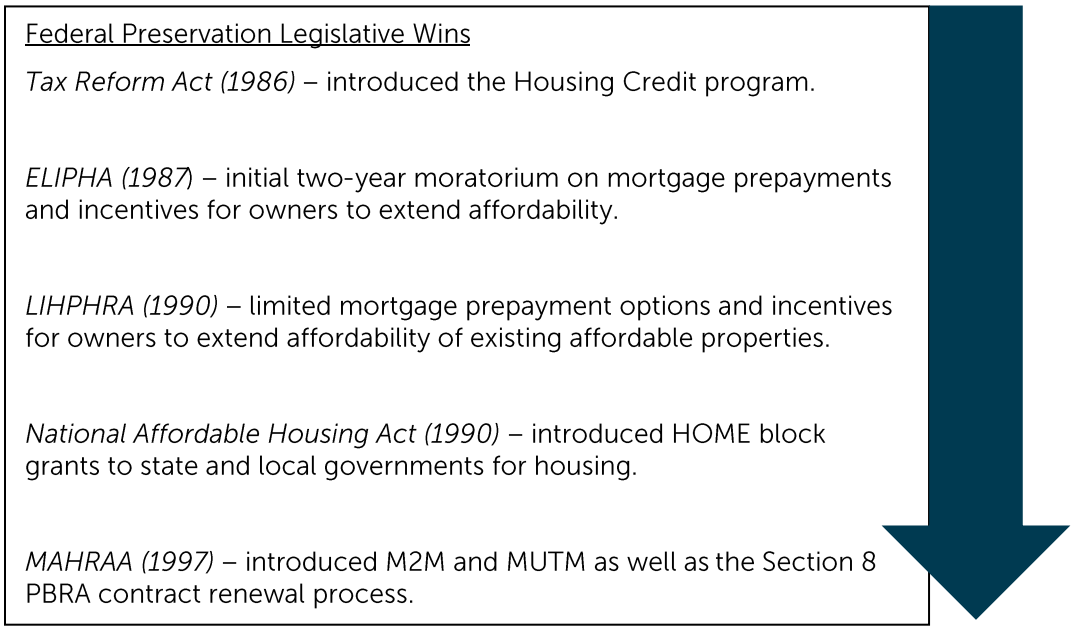
By the late 1990s, Congress and successive administrations reduced their commitment to LIHPRHA, sharply limiting the program's impact. While the program was never repealed, the drastically reduced funding revealed that access to a deep subsidy that allowed owners to recapitalize and renovate properties, and offer residents safe, stable, and quality affordable homes was hugely valuable for both preservation advocates and affordable housing owners. HUD's later guidance also acknowledged that LIHPRHA projects were in need of repair in the 1990s, and that for many properties, the program served as a bridge until they could be refinanced and renovated through other capital funding sources like the LIHTC program. As affordable properties continued to operate, many owners struggled to maintain quality housing due to the low rents they were allowed to charge, and the structure of the subsidized housing programs. By the mid-1990s, many properties were also reaching the end of their original Section 8 Project Based Rental Assistance (PBRA) contracts – first signed in the 1970s.

In 1997, the Multifamily Assisted Housing Reform and Affordability Act (MAHRAA) created a process for the voluntary renewal of Section 8 PBRA contracts. While these contracts were not renewed long-term, MAHRAA created the annual renewal and appropriations process that exists today. However, over the last two decades, without the original long-term assurance of funding and subsidy, many owners have left the program. MAHRAA also introduced two new programs in response to a different but related preservation challenge. Existing subsidized affordable housing properties were facing mounting financial pressures, and advocates were determined to find a solution that would offer owners adequate subsidies to refinance properties and maintain their affordability in addition to funding necessary renovations. Some subsidized affordable housing properties, such as those with Section 8 PBRA, required rents that no longer aligned with market conditions.

- In some cases, the mandated rents were above comparable market levels. Mark-2-Market (M2M) restructured these properties by reducing rents to appropriate market levels, refinancing debt at a level that matched the reduced rental income, and requiring use agreements to continue affordability. By 2001, 1,558 properties were participating in the M2M program, with 62 percent of this subset of properties restructuring their mortgages and reducing rents to market level.

- In other situations, mandated rents were too low, and thousands of Section 8 property owners were choosing to opt out of the program to raise rents. Here, the Mark-Up-To-Market (MUTM) initiative was designed to reduce those opt-outs by allowing qualified owners to renew rents at higher affordability levels. A 2000 HUD Inspector General report found that 61 percent of owners surveyed would have opted out of their Section 8 contracts had MUTM not been available.

Together, these programs were meant to preserve housing while controlling federal costs. M2M relied on the idea that a lower operating subsidy plus restructured debt could stabilize the property for the long term. Though it was estimated to save the federal government over $500 million across a 20-year period, the Government Accountability Office reported in 2001 that the reduced rents would increase the risk that some properties would experience physical and financial problems, especially for those properties where mortgages were not restructured. Further, in 2000, the HUD Inspector General found that MUTM increased rents by an average of $133 per unit per month, illustrating that preserving affordability often required higher ongoing subsidy costs.



Affordability does not preserve itself. Seminal affordable housing preservation policies were bolstered by the introduction of new capital resources to support the preservation of existing properties; funds that supported the rehabilitation of properties and implemented additional affordability restrictions.

Capital programs, in addition to resources allocated through LIHPRHA, MAHRAA, and layered Section 8 PBRA, were key to the preservation of existing affordable properties. The maturation and expansion of the LIHTC program in the 1990s proved to be a necessary parallel to both LIHPRHA and MAHRAA. Though LIHTC was not a preservation program in origin, efforts by leading advocates including National Housing Trust shifted the focus of the program to offer a both/and strategy supporting both new construction and the preservation of existing affordable housing. Today, it is the largest affordable housing preservation tool in the country, offering equity to support the preservation of older subsidized properties. A 2012 report from HUD explicitly recognized the LIHTC program as a desirable long-term strategy to preserve and maintain existing subsidized housing, particularly where owners needed funding for rehabilitation and recapitalization. The practical significance of LIHTC was that it turned preservation from a reactive strategy into a financial transaction: old subsidy plus new equity plus long-term restrictions equals long-term preservation. The introduction of the HOME Investment Partnerships Program (HOME) as part of the National Affordable Housing Act (NAHA, 1990) further bolstered capital resources for preservation, offering flexible grants to state and local governments for the production and preservation of affordable housing among other uses.

The policies of the 1990s did not solve every preservation challenge, but they established several principles that remain relevant today. Those experiences offer a practical roadmap for addressing a more complex preservation environment today.

FOUR KEY LESSONS LEARNED

We have made many strides in policy and practice across the affordable housing industry in the last four decades. Our continued preservation advocacy and research has been effective due to the infrastructure first built in earlier decades and there are some valuable lessons we can learn from previous preservation efforts, that can help inform where we go from here.

Below are four key lessons:

1. The preservation toolkit must combine both policy and capital.
   Any building, as affordability restrictions are extended, needs enough capital resources to survive another 15-30 years. The strongest preservation models of the 1990s were those that required affordability extensions, and at the same time offered enough capital to sufficiently finance deferred maintenance and other rehabilitation of properties. This basic insight, articulated even in early preservation debates, must be the foundation for future affordable housing policy. Policies must also be tenant-focused, because any recapitalization strategy that displaces residents or dramatically increases rents has failed in its purpose.

2. A one-size-fits-all preservation tool does not work.
   Policies and capital are important, but they must also be targeted based on need. Preservation is most effective when there is a flexible toolkit available to match different preservation tools to the preservation needs of the asset. Properties that were the focus of the 1990s preservation crisis each posed different risks: expiring mortgage restrictions, expiring project-based assistance, out-of-balance rents, deferred maintenance, or a combination of all four. The resulting toolkit developed through LIHPRHA where owners could extend restrictions and receive enough value to make the deal work; M2M where rent reductions could be coupled with new debt restructuring and a realistic operating plan; and MUTM where rents needed to increase to meet market and operational needs. Any modern preservation tools should therefore offer different solutions for properties facing differing challenges.

3. Underwriting assumptions matter, because preservation doesn't just happen once.
   Since the 1970s, underwriting has underestimated the costs of maintaining and operating affordable housing. The 1990s exposed that preservation can be undermined by overly optimistic assumptions about rent levels, debt service, or future repair needs. M2M and MUTM responded to a mismatch between rents and operating realities. However, even under M2M, later studies and real-life examples have shown that if rents remain too low to sustain a property, preservation becomes fragile. Today's underwriting guidelines must acknowledge that replacement reserves and operating reserves cannot keep up with the rehabilitation needs and rising operating costs of an affordable housing property over a 30+ year cycle. Programs must build in periodic reassessments and the flexibility to use budget-based adjustments where market-based assumptions do not fit.

4. Finally, the preservation of our affordable housing stock is a coalition project.
   A Harvard Joint Center for Housing Studies report writes, that by the 1990s, owners, advocates, investors, and legislators increasingly worked together rather than in opposition. NHT's role in the LIHPRHA era is a useful example: preservation required advocates who could translate tenant risk into legislative urgency while also working with nonprofit buyers, public agencies, lenders, and owners to make preservation transactions feasible. That coalition was essential because preservation transactions required complex legal, financial, and political coordination. Today's preservation challenges still demand the same kind of cross-sector collaboration and problem solving.

The Role of Philanthropy

The capacity and coalition building, research, and data gathering that was necessary to the development of the 1990s preservation toolkit was greatly supported by philanthropy. Legacy organizations understood change is not possible within a two-year grant cycle, but that sustained funding and support can impart meaningful change. The first signs of the preservation crisis began in the 1980s but tools and programs were still being implemented up into the early 2000s to address continued preservation needs. Operational support allowed affordable housing owners, lawyers, lenders, and tenant advocates to map out the challenges they faced, build a unified preservation coalition, understand where there were real opportunities for state or federal legislation to impact the industry, and develop an actionable preservation toolkit that made real impact.

Long-term philanthropy supported practitioners who were able to impart and receive technical assistance, build a balance sheet, and preserve our existing affordable housing stock at scale. To ensure we could continue the work, philanthropic support assisted in the collection of data that is still so foundational to preservation advocacy today. We now have data to track measurable risk, whether it's units with expiring contracts or owners with prepayment rights. The industry is better prepared to address and implement tailored policy and programmatic solutions to preserve this vital housing stock.

FROM ONE PRESERVATION CRISIS TO ANOTHER

The preservation crisis of the 1990s was primarily one of expiring affordable units. The central fear was that federally assisted apartments would leave the affordable stock as mortgage restrictions, project-based contracts, and use agreements reached key decision points, and owners chose to convert to market rate. The policy responses focused on preventing conversion: limiting prepayment, incentivizing renewed affordability, enabling transfers to mission-driven purchasers, and restructuring subsidy and debt so properties could remain financial healthy and affordable.

Today we face a much broader preservation crisis.

Decades of successful preservation efforts have created new and more complex challenges; more affordable housing properties exist today and require reinvestment and recapitalization. However, we continue to operate with a limited pool of capital resources.[2] Affordable homes from the 1960s and 1970s, as well as LIHTC properties from the early 1990s, those kept affordable through Section 8, HOME, and other privately owned subsidized properties are all in need of preservation after decades of use, especially where prior preservation transactions

[2] The One Big Beautiful Bill Act (2025) enacted the largest permanent expansion of the LIHTC program, increasing the 9 Percent Credit by 12% and lowering the Private Activity Bond test threshold from 50% to 25%.

extended affordability without fully funding rehabilitation, replacement and operating reserves, or climate resilience. Federal, state, and local governments also struggle to provide adequate appropriations to support growing preservation needs, all while the housing narrative has shifted towards new supply. Some of these properties are also reaching the end of their formal affordability periods, with unprecedented numbers of LIHTC units scheduled to expire over the next decade and many owners also seeking early exits where market rents make conversion attractive. At the same time, underwriting expectations have not kept pace with reality, as mission-oriented owners are trying to stabilize existing affordable housing portfolios that have been affected by higher insurance and other operating costs, interest-rate pressure, economic vacancy, and uneven subsidy renewals that were not embedded at project inception 30 years ago.

Today's preservation agenda must be multi-faceted: preserve expiring units, stabilize existing affordable housing portfolios, and repair deteriorating properties before they become uninhabitable or financially unsustainable.

PRESERVATION TOOLKIT 2.0

Today's preservation challenge is more complicated than the one in the 1990s, but the core questions are related. How do we keep older subsidized housing affordable as restrictions expire? How do we stabilize portfolios facing rising costs and fragile rental income? How do we bring in enough capital to repair deteriorating properties without displacing residents? And how do we make sure the policy and underwriting framework is flexible enough to address strong-market conversion risk, weak-market disinvestment risk, and portfolio-level stress at the same time? Maintaining the status quo is not an option, from a fiscal and housing quality perspective. As we work to increase the affordable housing supply, we will need more resources to address our growing preservation needs, especially as we continue to bring much-needed new housing supply online.

That means today's preservation policy agenda should be built around **five priorities**:

1. Stabilize affordable housing debt, rents, and operating income through programs before these properties turn to default, sale, or physical decline.

2. Layer in new capital resources to address deteriorating affordable units and resilient retrofits, and new operating resources to ensure mission-driven owners can keep homes safe and affordable for very low income households in need.

3. Extend affordability through durable use restrictions and ensure adequate incentives encourage long-term stewardship of existing affordable homes.

4. Implement realistic underwriting methodologies that provide for physical needs and long-term market realities over the life of a property or affordability period.

5. Protect tenants from displacement through the useful life of an affordable housing property.

CONCLUSION

The successful preservation breakthroughs of the 1990s catalyzed the affordable housing industry, bringing a new perspective on the value of preserving our existing affordable housing stock, the role of the federal government, and the development of new policies and programs. However, preserving affordability is not a single moment in time or a passive act, and it is not just about stopping a conversion or a sale. Preservation is an ongoing need, and as the challenges we face today have evolved, so too must the solutions.

The solutions that were implemented in the 1990s had to align owner incentives, generate recapitalization resources, protect tenants, and keep properties physically viable for decades to come. Then, the crisis was the looming loss of expiring subsidized units. Today, the crisis is the combined pressure of expiring subsidized units, unstable preservation portfolios, and aging buildings whose physical needs exceed available capital. The solutions today need not look so different, as preserving affordability continues to mean building a financing, operating, and accountability ecosystem that is strong enough to keep older homes affordable, safe, habitable, and financially viable for the future. Today's challenges mirror those this industry has weathered in the past. As an industry, we must take those lessons to provide affordable housing for generations to come.

