Avoiding the Domino Effect

Evaluating the Physical Conditions of Aging Permanent Supportive Housing Sites

July 2025

Enterprise®

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Acknowledgments

This report owes much to the dedication and expertise of Rod Lane, Principal at Lane Consulting Services (LCS). With decades of experience in affordable and supportive housing design and construction management, Rod's deep commitment to preserving this vital housing stock was pivotal. He and his team were instrumental in conducting the physical needs assessments (PNAs) of the sampled at-risk permanent supportive housing (PSH) properties, forming the basis of this report. Rod also generously offered his time to debrief study participants and share insights at workgroup meetings and industry conferences.

We are also deeply grateful for the unwavering support and participation of the various nonprofit PSH owners who are on the frontlines of our homelessness response. They contributed to the study in multiple ways, least of which being their time and making their housing communities available for assessment. If this research can serve as a meaningful step toward ensuring lasting sustainability for our aging PSH portfolios, it will be due to their deep and steady commitment to the mission of housing affordability and resident well-being.

A special thanks goes to Cedars-Sinai for taking a leap of faith to invest grant resources to provide additional insights into the physical conditions and needs of our existing stock of site-based PSH. Their partnership extends far beyond addressing and improving health outcomes for those existing homelessness and/or housed in PSH; they truly believe in the power of the PSH model and its long-term vitality. We would like to specifically thank Emily Skehan, a PSH champion who brought a collegial spirit throughout this study.

Finally, we extend our gratitude to Marc Tousignant of Enterprise Community Partners. In addition to directing the Southern California Market's PSH programming efforts, he served as project manager and played a key role in preparing this report.

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An Essential Component to Improving Health

Cedars-Sinai is committed to improving the health of the Los Angeles community and believes that housing is an essential component of that effort. We know that safe and stable housing is one of the most powerful social drivers of health and as a health system, we are committed to supporting homelessness prevention and intervention. Our grantmaking efforts in this area focus on connections between healthcare and housing systems, and our philanthropy works to prevent and end homelessness among older adults, youth, and young adults in Los Angeles County.

Cedars-Sinai frequently partners with other leaders in the space to identify opportunities where transformation across the housing system is both needed and possible. In the aftermath of Skid Row Housing Trust's collapse, one of the many issues that came to the fore is how legacy housing can fall into disrepair and begin a cascading cycle of neglect that ultimately leads to the loss of vital housing. Because of this, we asked Enterprise to extend their biannual risk assessment to include both a deeper analysis on vacancies across Los Angeles, as well as a targeted analysis of the average cost to keep aging units online, the latter of which they have worked to provide in this report.

Much like how preventative health efforts can reduce catastrophic health outcomes, proactive investments in preservation allow critical housing to remain operational. This study recommends a one-time infusion of $15,000 per unit and an ongoing commitment of $500 per unit per year to bolster building reserves to help keep housing units "off life support" and allow them to continue serving as homes for community members.

The average unit age in this report is 26 years. With relatively small investments now, it is likely that these units will continue to function effectively as housing for at least another quarter century.

Introduction

The motivation behind this study stems from a simple yet urgent reality: the very site-based PSH assets that communities rely on so intensely as critical interventions in ending homelessness are aging rapidly, and disinvestment threatens their long-term viability. Since 2018, Enterprise has been studying this issue specifically in Los Angeles to quantify and characterize the risk profile for the region's at-risk, aging PSH properties.

This research has identified more than 50 properties (and nearly 2,500 units), representing some of the earliest examples of the model (typically acquisition and rehabilitation projects, often Single Room Occupancy hotels) that are facing significant physical, financial, and/or affordability risk. What we have learned is that the greatest threat to this portfolio is not any imminent expiration risk of the project's affordability protections but rather that projects require significant physical improvements, modernization, and financial restructuring to ensure viability for another generation or more.

While biannual assessments have illuminated specific risk factors and recapitalization needs, they have not included a substantive evaluation of the physical conditions of these properties. To do so would require much more specialized attention and expertise and ideally through the lens of a physical needs assessment (PNA). Such assessments are common prerequisites when affordable and supportive housing owners apply for financing to develop a site or rehab a building.

But if that capital financing opportunity is not being pursued (or available), and the cost can be prohibitive for nonprofit owners, too often assessments are not being done on a routine or proactive basis. Even for owners that can benefit from recent PNAs, there remains the likelihood that the project's financial position is such that major improvements being recommended (like replacing roofs or upgrading heating and cooling systems) are out of reach without a major capital infusion.

Against this backdrop, Enterprise seized a unique opportunity to dive deeper to study the physical conditions of a sample of 20 aging PSH properties that are being tracked during the biannual PSH risk assessment in Los Angeles.

Our goal was twofold.

Gain Deeper Insights: This study sought to explore and understand the immediate and short-term physical needs required to maintain property viability. The participating owners appreciated receiving this information and the accompanying technical advisement.

Inform Policy and Advocacy: Beyond individual property insights, this research aims to empower the field with data to advocate for policy reforms and funding solutions that ensure the long-term health of PSH portfolios, the residents they serve, and the organizations that manage them.

Methodology

The project unfolded into two distinct phases.

1) **Physical Needs Assessments (PNAs)**: We conducted PNAs on a sample of 20 at-risk, aging PSH properties across Los Angeles County.
2) **Summary Report and Policy Recommendations**: We aggregated the PNA data, summarized key findings, and identified policy implications.

Enterprise subcontracted with LCS Consulting to conduct the PNAs on the selected property sample and to assist with the preparation of this summary report. As noted earlier, the properties were drawn from a larger data set of at-risk PSH properties that Enterprise's Southern California office has been tracking since 2017 and that are contained within real estate portfolios that are owned and operated by nonprofit organizations that comprise the Los Angeles PSH Preservation Workgroup. This workgroup is convened by Enterprise on a quarterly basis as a peer network to exchange knowledge and strategies relative to preserving at-risk PSH assets.

Properties were identified in consultation with LCS, Enterprise, and with the consent and participation of the PSH owner associated with the prioritized PSH property. Since we knew we could not reach each of the 50+ properties in the larger Enterprise at-risk PSH dataset, based on available resources, we decided to select and study 20 properties.

Our goal was to ensure that each of the seven nonprofit owners had the chance to nominate one or more properties for study. Owners that had a greater share of properties in the larger dataset were afforded the chance to nominate up to three to four properties. Participation in the PNA study was completely voluntary.

Properties were not chosen with any specific criteria in mind (like geography, target population, building size or type, funding source, etc.) but rather because the owner had prioritized that property for possible rehab or reinvestment.

In some cases, LCS leveraged recently conducted PNAs to avoid duplication. It was understood that the chosen projects would not be made public in the final summary report; only the PSH owner received the report on the specifics of the conditions identified at their property.

Between June and August of 2024, LCS conducted the PNAs for the following organizations:

- Abode Communities
- A Community of Friends
- Hollywood Community Housing Corporation
- LA Family Housing
- SRO Housing Corporation

The assessments represented a mixture of approximately four hours on-site, including photographs and interviews with maintenance and operations staff, and then evaluated across a series of building and site metrics and a rating scheme. We looked initially at 30 building components that are essential to keeping a building operating in a cost-effective, safe, and sustainable manner.

After the data was compiled, that list was narrowed to 25 building components that seemed to be most common and important. These components were chosen based on their impact on the economics of operational costs, safety, building longevity, and resident well-being. Properties were evaluated individually using these risk factors and then together across the entire data set to identify what trends and conditions most impact property viability and financial health. This analysis is based on our assessments of the conditions at 20 buildings.

In fall 2024, Enterprise and LCS provided each participating owner with individualized assessment summaries, followed by virtual debriefings to offer deeper insights, answer questions, and provide technical guidance on how to incorporate the findings into their short- and long-term portfolio management strategies.

Key Findings

Physical Needs Assessments Scoring Results and Takeaways

The PNAs focused on key building elements that could potentially present significant risk to the longevity of the building, and the safety and quality of life of its residents. The reports identified the 25 most critical and common building elements across the following categories:

- Site conditions
- Systems (mechanical, electrical, and plumbing
- Fire and life safety
- Building envelope and structure
- Interior conditions

Each element was scored on a scale from 0 to 3, with 0 being satisfactory or no issue and 3 being the most severe and accordingly color-coded from green to red from increasing severity. Scores were assigned based on the following criteria:

- Level of condition (from satisfactory to not functioning/failed)
- Urgency for repair or replacement (from none to immediate)
- Safety impact (from satisfactory to immediate hazard)
- Cost impact (defined as less than $5,000; from $5,000 to $10,000; and greater than $10,000)

The data for the 20 properties were aggregated by averaging the ratings for each element into a chart that revealed the items with the greatest level of need (see Table 1 and accompanying legend).[1]

- Roofs, HVAC systems, and interior finishes had the highest level of need overall as they each scored highly on all of the respective rating criteria.
- Elevators and waterproofing were also rated as high need, with the added distinction of being among the most expensive improvement categories.
- Interior stairways and fencing, walls, and railways represented some of the lowest scores, assessed at less than 0.5 on average.

[1] Though the assessment looked at the most common building elements, not every building element that was subject for scoring was found to be deficient (meaning scoring at least a "1"). For example, roof deficiencies were found in all 20 properties whereas only 6 properties were found to have deficiencies in their common kitchens. "Average level of need" represents the average rating across all 20 properties regardless of whether there was any deficiency identified or not (i.e., 0 to 3). The "average per occurrence" represents the average rating for each category among properties where some level of deficiency occurred (e.g., 1 to 3).

Table 1: Average Level of Need Rating Overall by Building Element

OCCURENCES	CATEGORY	CONDITION	URGENCY	SAFETY	COST	AVERAGE LEVEL OF NEED	AVE. PER OCCURENCE
20	Roof	2.2	2.7	1.8	2.9	2.4	2.44
20	HVAC Systems	2.2	2.3	1.5	2.8	2.2	2.28
17	Interior Finishes	1.8	2.2	1.3	2.3	1.9	2.21
14	Appearance-General	0.9	1.1	0.9	1.3	1.0	1.46
14	Building Envelope General	0.9	1.0	0.5	1.5	1.0	1.38
13	Fire Alarm System	1.2	1.8	1.4	1.3	1.4	2.18
13	Windows, and Glazing	1.2	1.3	0.9	1.8	1.3	2.05
12	Structural	0.8	1.4	0.8	1.2	1.0	1.78
11	Security Cameras	1.4	1.5	1.2	1.6	1.4	2.56
10	Waterproofing	1.8	2.0	1.9	2.0	1.9	2.70
10	Lighting	0.8	1.1	0.7	1.2	0.9	2.02
10	Doors - Exterior	0.9	1.1	0.8	0.7	0.9	1.80
10	Cleanliness/Appearance	0.8	0.9	0.6	0.7	0.7	1.48
9	Domestic Hot Water System	0.9	1.2	0.5	1.1	0.9	2.13
8	Elevators and Lifts	1.6	1.9	1.2	2.7	1.8	2.18
8	Common Bathrooms	0.8	1.1	0.6	1.5	1.0	2.08
8	Interior Doors	0.7	0.8	0.5	0.8	0.7	1.68
7	Pests	0.7	0.8	0.6	0.6	0.7	1.86
7	Walkways, Steps and Stairs	0.5	1.1	0.5	0.9	0.7	1.69
7	Fencing, Walls, and Railings	0.1	0.5	0.3	0.3	0.3	1.57
7	Interior Stairways	0.4	0.4	0.2	0.8	0.4	1.57
6	Cleanliness/Janitorial	0.8	0.9	0.8	0.7	0.8	2.53
6	Plumbing	0.7	0.8	0.4	0.8	0.7	2.30
6	Unit Bathrooms	1.0	1.2	0.7	1.2	1.0	2.20
6	Common Kitchen	0.3	0.8	0.5	0.5	0.6	1.84

Legend

OCCURENCES	*The number of times that this category was present and had any deficiency in any of the 20 properties*			
RATING 0 to 3				
CONDITION	Satisfactory	Somewhat Damaged	Badly Damaged or badly Worn	Not Functioning, Failed
URGENCY	None	Long Term	Mid Term	Immediate
SAFETY	Satisfactory	Somewhat Unsafe	Unsafe	Immediate Hazard
RECOMMENDATION	None	Needs Maintenace	Repair	Replace /Major Repair
COST	None	Low Cost (<$5,000)	Medium Cost ($5,000 - $10,000)	High Cost (>$10,000)
AVERAGE LEVEL OF NEED	*The average rating across all 20 properties whether there was any level of deficiency or not (i.e. 0 to 3)*			
AVE. PER OCCURENCE	*The average rating across each category among properties where some level of deficiency occurred (i.e. 1 to 3)*			

Short-Term Repair and Replacement Costs

The property-level analyses also estimated costs for the recommended immediate (current year) and midterm (three year) needs for maintenance, repairs, and replacements. On average, approximately $15,000 per unit is needed for repairs, deferred maintenance, and replacements ($4,604 per unit for immediate needs and $10,264 for midterm needs).

Notably, the funding deficit appears to be universal and relatively consistent across the sample even though the highest and lowest per unit estimates for immediate and midterm maintenance, repairs, or replacements differed by $40,000 per unit (see Table 2).

Table 2. Estimated Short-term Repair & Replacement Costs (Per Unit)

	Average	High	Low
Immediate Needs	$4,604	$10,700	$403
Midterm Needs	$10,264	$34,617	$127
Total Needs (Immediate & Midterm)	**$14,868**	**$44,797**	**$1,793**

Project Reserve Analysis and Projections

The property-level analyses also estimated costs for the recommended immediate (current year) and midterm (three year) needs for maintenance, repairs, and replacements. On average, approximately $15,000 per unit is needed for repairs, deferred maintenance, and replacements ($4,604 per unit for immediate needs and $10,264 for midterm needs).

Notably, the funding deficit appears to be universal and relatively consistent across the sample even though the highest and lowest per unit estimates for immediate and midterm maintenance, repairs, or replacements differed by $40,000 per unit (see Table 3).

This calculation provides an estimate of the additional annual funding required to properly maintain PSH properties, beyond the reserve levels required in past years. In essence, it reflects the additional reserve contributions per unit that would have been necessary to keep the property regularly maintained.

Assuming these physical needs arose due to inadequate maintenance and replacement reserves, we estimate that an increase of at least $500 per unit per year from the current annual repair and maintenance reserve schedule is necessary to ensure long-term upkeep. This figure is represented in Table 3 as the "Additional Annual Reserve Deposits per Unit."

Affordable housing project reserves can vary in type but represent an insurance policy on the part of lenders and investors for planned and unplanned project expenses that cannot be covered from cash flow. Ensuring the appropriate level of reserves is vital for maintaining the overall financial health of the property. For the context of this report, the reference is to replacement reserves, which are funded annually from project operations to cover ongoing capital needs for the life of a project.

Table 3. Suggested Annual Replacement Reserve Increases (Per Unit)

	Average	High	Low
Units	48	152	15
Year in Service	26	39	13
Additional Annual Reserve Deposits Needed	**$569**	**$1,149**	**$138**

Comparative Analysis: Rent Subsidies, Construction Type, Building Age and Size

To observe any additional data patterns or distinctions, we compared the PNA scoring with other project characteristics that fell outside of the immediate PNA scope. In this case, we looked at four additional criteria:

1. Projects with at least 50% of total units with project-based rent subsidies
2. Construction type – new construction versus acquisition and rehabilitation
3. Building age – for example, buildings placed in service 30 years ago versus newer housing
4. Size – defined by PSH that had less than 40 units and those that had more.

For projects that met one or more of the four project characteristics, we specifically sought to see how they differed according to average level of need, average number of building issues requiring attention, and average deferred maintenance cost. Here are some of the findings, illustrated as well in Table 4.

- **Project-based Rent Subsidies (at or >50% of units)**: Buildings with rent subsidies on at least 50% of total units showed a level of need fairly close (6% higher) to projects lacking that degree of subsidy. They also had 15% more issues that needed to be addressed and more than one-third (37%) less cost to address deferred maintenance.
- **Construction Type (new builds vs. acquisition/rehab buildings)**: Surprisingly new construction buildings and those purchased and rehabbed had nearly the same level of need and number of issues to address. The new builds, however, required more than twice (111%) as much money to address deferred maintenance compared to those purchased and rehabbed.
- **Building Age (projects <30 years old)**: New construction properties or those with major rehabs done 15-30 years ago performed worse than those over 30 years old. They reported 13% higher levels of need, 22% more issues to address, and nearly 75% more costs to meet deferred maintenance needs.
- **Building Size (projects w/40+ units):** Buildings with more than 40 units, when compared to those with less than 40 units, were found to have 17% higher levels of need, 6% more issues to address, and 18% less costs to address these issues.

Table 4. Physical Condition Comparison Matrix

Project Characteristics	Average Level of Need	Average Number of Issues	Average Deferred Maintenance Cost
Rent Subsidies: 50% or More Units Subsidized	+6%	+15%	-37%
Construction Type: New Construction	+7%	+6%	+111%
Age: Less Than 30 years Old	+13%	+22%	+74%
Size: More than 40 Units	+17%	+6%	-18%

These findings highlight the complex relationship between building characteristics, age, size, and maintenance needs. It is particularly noteworthy that newer buildings (15-30 years old) seem to require more maintenance and at a higher cost than older buildings (over 30 years old). This could potentially be due to differences in construction quality, materials used, or maintenance practices over time.

The data also suggests that while larger buildings (over 40 units) may have more issues and a higher level of need, they benefit from economies of scale when it comes to addressing these issues, resulting in lower maintenance costs per unit. Altogether, we caution any overreliance on these comparative findings and suggest additional research on a wider set of varying properties could better test these results.

Areas for Future Research

While this study provided valuable insights, it also raised several important questions that warrant further investigation. Exploring these areas with a larger and more diverse sample could yield critical information to strengthen long-term PSH management. Key areas for future research include:

- How and in what ways do funding sources and underwriting standards relate to the property's physical health? How do they impact the use and availability of replacement reserves?
- How and by how much should replacement reserve deposit requirements be increased to ensure the operational success and longevity of PSH projects?
- What accounts for a lower level of need for acquisition/rehab projects versus ground up construction?
- Are there practical construction standards that should be applied to the design of PSH housing that could reduce repair costs and extend the longevity of the properties?
- What maintenance, training, management, and inspection approaches and standards should be considered as best practices and adopted within the field?

Key Recommendations

As Los Angeles confronts the growing challenges of an aging PSH portfolio, it is critical to adopt proactive strategies that preserve their stability and ensure continued support for vulnerable residents. Informed by this report's findings, these three recommendations offer a roadmap for maintaining the viability and livability of aging PSH properties while supporting the broader goals of equity, sustainability, and homelessness prevention.

Recommendation #1: Create additional or dedicated funding pathways to invest in the immediate needs of distressed PSH properties

Though not the subject of this analysis to understand why aging PSH properties are facing such financial distress, it was clear that owners are suffering from a lack of resources to stay current with deferred physical needs and to modernize their portfolios. Simply put, the spiral of funding neglect (or starvation) and deferred maintenance that can lead to catastrophic consequences, imperiling project viability, organizational health, and residential well-being and stability, is just too risky and costly if not addressed.

Policymakers and housing officials should prioritize these investments through adaptations to current capital programs or by dedicating new or emerging resources with this specific purpose in mind. Even an initial step of creating a small recapitalization program for PSH owners to resolve immediate physical needs would be impactful.

Recommendation #2: Revisit underwriting assumptions regarding project reserve levels and deposit requirements

There was hardly a more notable takeaway from the research or conversations with PSH owners than to learn the stark reality that project reserves are far too insufficient or nonexistent to accommodate the costs of the types of physical improvements that were rated so highly in the PNA scoring (e.g., roofs and HVAC systems). Industry standards relative to reserve deposit requirements need to increase to ensure that resources are available and adequate for planned and unplanned maintenance and repair.

Our analysis pointed to an increase of at least $500 per unit per year, more than double current norms. This type of recommendation is suggestive of a larger theme that emerged from the research and emphasized in conversations with project sponsors: Managing PSH assets over the long-term is more challenging and costly than what is expected of traditional affordable housing and therefore should be treated differently (e.g., fees, allowances, etc.) from a regulatory and deal structuring perspective. To that point, we should build a sufficient level of reserve funds into the pro forma for new or newly rehabbed projects based on a realistic projection of reserves needed for repairs and the long-term maintenance needs for a given property, serving a specific tenant population.

Recommendation #3: Equip PSH owners and their partners to be more capable and effective long-term stewards

Ensuring there is sufficient attention to an aging PSH building's physical needs is not just a financial constraint. There is also a capacity building aspect that often goes unrecognized. Together with the need for more reinvestment in aging PSH portfolios, we should also provide funding and capacity building (training and tools) for managing routine maintenance and monitoring the conditions in PSH properties.

Owners acknowledged, for instance, how challenging it can be for maintenance or operations staff, who are not construction managers, to vet proposals or oversee efforts to replace or upgrade certain building elements due to their technical nature. There should be a commitment to establish an accessible and responsive training curriculum for frontline building staff and asset managers on the technical aspects of long-term portfolio management. Also, we believe it should become standard practice that a capital needs assessment (CNA) be conducted every five years, with an assurance that its recommendations will be funded.

Conclusion

While this research served the primary purpose to illuminate the physical conditions and needs of a growing and aging portfolio of project-based PSH in the Los Angeles region, it also stands as a reminder of what can happen if we do not adopt and sustain a long-term focus on preserving our existing PSH stock. Maintaining the PSH assets that have already been built and are operational should not be an afterthought or peripheral consideration in the homelessness response or affordable and supportive housing ecosystem.

These programs and communities are proven and effective tools to address housing security and supportive services needs for the most vulnerable. To that end, there are efficiencies in adopting a long-term asset management and preservation approach so that these communities can continue to meet over time the needs of those exiting homelessness and our various systems of care that serve them.

That said, it is clear from even the small sample that we have observed of Los Angeles' aging PSH inventory, that these properties are threatened by a lack of properly funded maintenance, repair, and replacement costs. The funding deficit appears to be universal and relatively consistent. On average, approximately $15,000 per unit is needed for repairs, deferred maintenance, and replacements. Additionally, an increase of at least $500 per unit per year is required to ensure long-term property upkeep.

We did not come across a single example during the project PNAs or in our follow-up conversations with PSH owners that suggested there are sufficient resources within the project budget and reserves to address these deferred maintenance needs and building systems upgrades. It is not that owners are reluctant or unwilling to make such improvement, they simply do not have the resources, especially less so for older PSH properties that were not underwritten up to today's standards, as evident in aspects like replacement reserve requirements. They are being forced to grapple with skyrocketing operating costs that well outpace revenue at the expense of being best positioned to fully meet the property's ongoing and evolving physical needs.

Several factors influence the funding required to support a project's long-term viability, including construction type, the initial condition of the building, the scope of rehabilitation, and the quality of construction in new developments. Most importantly, a one-size-fits-all approach to reserves is ineffective. Realistic maintenance reserve requirements must be established and funded from the outset — whether during initial pro forma calculations, immediately upon project completion, or once existing projects have stabilized. Reserve needs should be reassessed every five years and funded accordingly. Maintenance and replacement needs should never be deferred; with adequate planning, monitoring, and funding, they never will be.

For tax credit-funded projects, the expectation of re-syndication fosters the misconception that maintenance and repairs can be postponed until a large infusion of funds becomes available after Year 15 when the investor (the limited partner) has already realized the program's tax benefits. However, the best-maintained properties, whether in affordable housing, market-rate housing, or the public sector, rely on consistent and sufficient maintenance and repair budgets. Too often, tax credit-funded projects neglect critical upkeep while waiting for re-syndication, leading to significant deferred maintenance.

Moreover, not only is the re-syndication pathway difficult to achieve—just talk to nonprofit owners with aging PSH assets about their experiences and fortunes securing new funding to recapitalize their portfolios—but it is also often wasteful. Allowing a property to deteriorate increases costs and building elements with remaining useful life are frequently replaced simply because it may be another 15 years before additional funding is available.

Many PSH owners have no choice but to accept this uncertain funding cycle, often receiving new funding too late, if at all, potentially leaving residents with a less-than-ideal quality of living because the property is not being modernized. In severe cases, delayed funding has threatened a project's viability, triggering a cascade of decline. That scenario is what we are looking to avoid at all costs.

There are larger conversations and advocacy strategies within the PSH field to secure more resources to recapitalize and preserve at-risk PSH since these kinds of projects have historically not fared well with being competitive or eligible candidates within the current suite of public finance programs. In a different world, there would be more preservation pathways to allow owners to do the full scope of rehab and modernization needed. But in the interim, and as a more immediate intervention, why not craft some type of short-term funding opportunity to allow owners to catch up on deferred maintenance needs? Even with this small sample, the analysis and per unit estimates on immediate and midterm replacement needs can be instructive to help size such a program.

After all, there is a harmful domino effect when we delay funding and let buildings decline with an increase in deferred maintenance. Costs rise as conditions deteriorate, repairs become replacements, rental income is impacted if rent subsidies become abated or vacancies rise, all leading to more financial hardship for the property and a downward spiral. The cascading consequence is illustrated in Chart 1: Seven Steps in How Buildings Decline.

The cost of properly correcting current deficiencies should also be viewed in relation to the alternatives. Just look at what happens when PSH properties fall into disrepair and default, as we saw recently with the Skid Row Housing Trust portfolio, and the exorbitant public cost burden of resourcing a receivership to stabilize and ultimately transfer those properties to other owners. Or compare such investments that add years to a property's useful life with the expense of building an entirely new PSH community; they represent but a fraction (10-20%) of the cost and yet add a generation or more of longevity to that property.

Sustaining and reinvesting in our existing PSH assets while we expand our supply through housing production are priorities that should not be competing with one another but rather balanced together and seen as complementary. Implementing preventative measures with an eye on long-term viability is not only a prudent and responsible approach to public policy and portfolio management but also a vital strategy to avoid the perpetuation of this downward domino effect.

Chart 1: Seven Steps in How Buildings Decline