Preserving an Aging Permanent Supportive Housing Portfolio

Assessing Risk and Opportunities in Los Angeles

As part of a larger programmatic focus to protect and preserve existing permanent supportive housing (PSH) inventory, Enterprise has been tracking and reporting on a cohort of aging, at-risk PSH properties across Los Angeles County since 2017. This January 2026 update, *Preserving an Aging Permanent Supportive Housing Portfolio in Los Angeles: Assessing Risk and Opportunities*, builds on our most recent assessment conducted in 2022.[1] The report provides policymakers and housing officials with a clear understanding of preservation risk and solutions to sustain this critical housing.

The Importance of Preserving PSH

Preserving and modernizing our existing project-based PSH is both an integral strategy toward the long-term goal of ending homelessness and a companion approach that complements PSH production efforts. Ensuring the long-term sustainability of a growing universe of PSH assets offers multiple benefits, including protecting and extending long-term affordability commitments, addressing renovations and building system upgrades, strengthening financial viability, and improving the quality of life for residents. Preservation strategies must address unique elements and barriers, which are physical, financial, and public policy related.

Preservation Barriers	
Physical	• Deferred maintenance needs • Outdated layouts that are incompatible for supportive services delivery and community building • Compliance with accessibility requirements, energy-efficiency mandates, and seismic risk
Financial	• Escalating operational costs (i.e., insurance) outpacing revenue, leading to negative cash flow and owners having to subsidize properties through their own organizational resources • Limited or depleted project reserves • Underutilization concerns due to higher vacancy rates and lease-up delays • Lack of or insufficient rental subsidies
Policy	• Limited public finance options for recapitalization (e.g., projects being ineligible or non-competitive) • Resource and/or services capacity constraints to meet the needs of the highest acuity households that are prioritized through regional Coordinated Entry systems

[1] For the purposes of this assessment, risk is defined as projects that are at least 15 years from when they were first placed in service or since their original acquisition and rehabilitation date and include one or more of the following criteria: 1) projects with affordability restrictions expiring within the next five years; 2) projects that require physical or financial restructuring within the next five years to remain viable.

Trends in the PSH Preservation Landscape

California's permanent supportive housing preservation landscape has evolved in recent years, driven by new financing tools, operational pressures, and growing awareness of what's at stake. The table below highlights four key developments shaping PSH stock.

Preservation Trends	
Emergence of New State and Local Capital Preservation Tools	Key examples are **the state's Portfolio Reinvestment Program (PRP),** launched in 2022 to recapitalize state-assisted, legacy affordable housing, and the **Los Angeles Housing Department's Homes for LA program,** which includes a preservation component, a separate shallow operating subsidy option, and expands eligibility to qualify preservation projects that are not facing near-term affordability loss.
Dramatic Escalations in Insurance Costs and Impacts on Affordable Housing	According to recent scans we have done with affordable housing developers across California, **PSH providers saw insurance premiums increase 81-821% between 2019 and 2024.** As property cash flow and reserves diminish, owners are compelled to mitigate higher costs by increasing insurance deductibles, not filing claims, deferring maintenance, and investing less in property operations and resident services.
New Research Examining the Physical Needs of Aging PSH Sites	Our Avoiding the Domino Effect study, published in July 2025, found that aging PSH projects require approximately **$15,000 per unit over the next two years for repairs, deferred maintenance, and replacements (e.g., roofs, elevators, HVAC systems). The report also calls for increasing replacement reserve requirements by $500 per unit per year.**
Dissolution of Skid Row Housing Trust	The 2024 collapse of Skid Row Housing Trust, one of the pioneers for the PSH model, represented a "worst-case" scenario on the preservation risk spectrum. The organization's demise reflected an untenable economic reality operating and sustaining aging (mostly single room occupancy) PSH sites while opportunities to seek reinvestment and recapitalization remained out of reach.

Key Findings

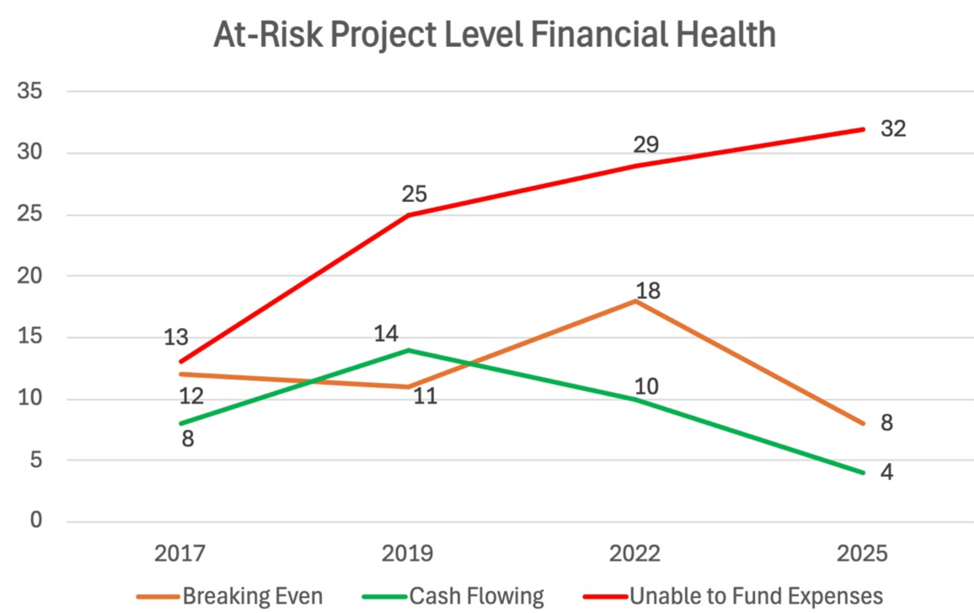
The findings from this year's scan reveal a PSH preservation landscape marked by incremental progress alongside deepening financial and physical distress. While recent capital investments have helped stabilize a small number of at-risk sites, the majority of aging PSH projects continue to struggle with unsustainable operating conditions, rising rehabilitation costs, and structural vulnerabilities that threaten their long-term viability.

Key Finding #1: **At-risk PSH sites are beginning to benefit from federal and state capital reinvestments**. Four sites, representing 340 units, were preserved in the past year. Overall, we identified 45 at-risk PSH projects (1,729 units), a 21% decline from the previous total found in 2022.[2]

Key Finding #2: Across the at-risk PSH projects being tracked, total rehabilitation costs were approximately $198 million. The **average estimated rehab cost per unit (RCPU) was $98,000, up 56% from 2022.**

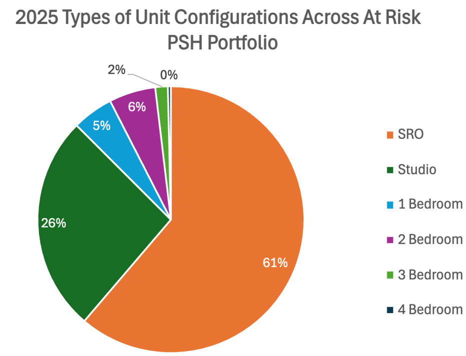
Key Finding #3: Aging PSH projects continue to face challenges with sustaining healthy financial operations. Some nine out of 10 projects (91%) reported breakeven operations or worse, **with 73% of all projects "underwater" or unable to fund expenses.** As a result, **owners are subsidizing operations quite significantly through their own organizational resources, an average of $142,118 per project per year and $3,580 per unit per year.**

Key Finding #4: Aging PSH sites tend to be concentrated in the downtown LA area and Hollywood. **Forty percent (40%) of at-risk projects are located within Los Angeles City Council District 14.**



[2] The drop in overall projects between 2022 and 2025 largely reflects the dissolution of Skid Row Housing Trust, which resulted in 10 sites (609 units) being removed from the at-risk list (as they were transferred to a private owner).

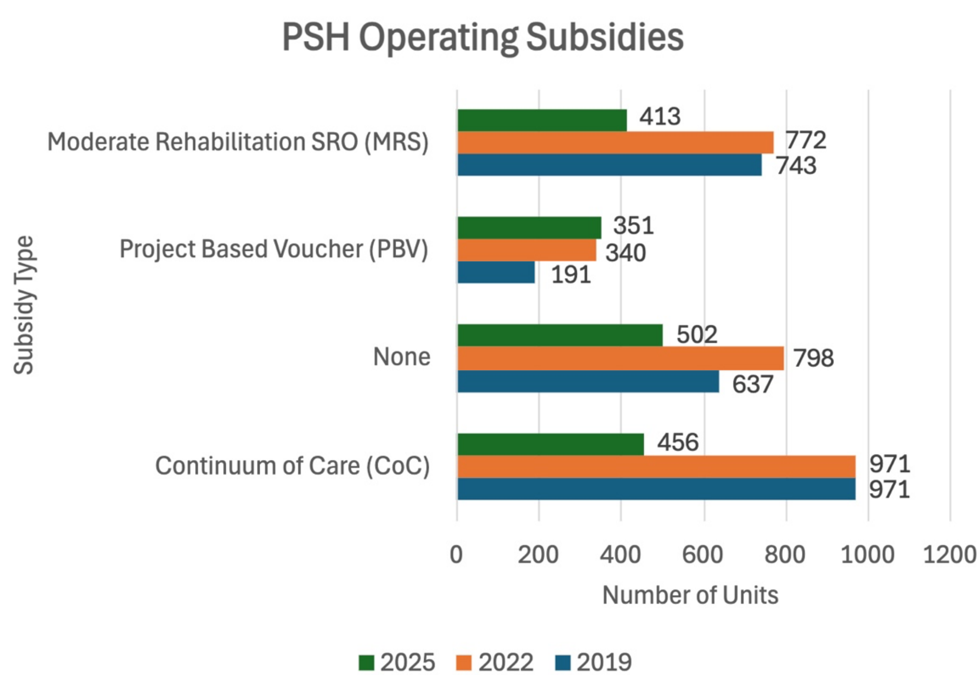
Key Finding #5: Single Room Occupancy (SRO) units comprise the majority (61%) of the at-risk PSH inventory. This model of PSH is significant because it has fallen out of favor with public funders and investors that prefer or require "complete" units in the form of studios and efficiencies that have individual kitchens and private bathrooms.



Key Finding #6: Affordability risk continues to remain a concern but comes secondary relative to financial and physical viability threats. **Approximately one-third (630 units) of all units face expirations in the next 10 years.**

Key Finding #7: Projects averaged **12% vacancy rates,** far higher than historical (and modern) underwriting assumptions. **Additionally, 41% of vacant units experienced above average levels of damage, resulting in an additional 33 days and $3,000 more per unit on average to address those repairs.**

Key Finding #8: Aging PSH sites are heavily reliant on federal rent subsidies, such as the HUD Continuum of Care (CoC), SRO Moderate Rehab (MRS), and Section 8 Project-based Voucher programs. **Some 29% of PSH units lack any form of project-based operating subsidy.**



Recommended Solutions

Based upon the findings, the following six solutions offer a framework for strengthening PSH preservation efforts across policy, finance, and operations. Together, they reflect the range of interventions needed to address the financial, physical, and regulatory challenges facing aging PSH sites in Los Angeles County.

Preservation Solutions	
Committing to Ongoing PSH Preservation Risk Tracking	Policymakers should require local housing officials to monitor PSH preservation risk on a recurring basis. That means distinguishing PSH assets from other affordable housing investments because of their unique public benefits, economic constraints, and role in our homelessness response.
Protect Projects with Expired and Near-term Affordability Covenants	Even if conversion risk is minimal, ensuring that legacy PSH projects remain affordable for another generation of use should be a top priority. It is critical to work with PSH owners before affordability terms mature to explore opportunities to restructure loans and regulatory terms.
Use Regulatory Discretion and Flexibility to Adopt Portfolio Stabilization Policies	Sponsors of aging PSH assets are facing significant operational deficits due to rising expenses and flat or reduced income. Public lenders can use their regulatory discretion and flexibility to embrace strategic approaches to promote long-term affordability and physical and financial sustainability.
Continuing to Prioritize, Dedicate, and Scale Preservation Capital Solutions	Simply put, aging PSH projects as preservation candidates do not fare well with our current suite of public finance tools. It is necessary to have dedicated or incentivized sources of public capital for aging PSH projects to be competitive or eligible for recapitalization opportunities.
Maximize Rent Subsidy Payments and Ensure Subsidies are Sustainable and Cost-Aligned	The types of rent subsidies associated with aging PSH projects, such as the federal Continuum of Care program, have proven insufficient to sustain modern PSH operations. Maximizing subsidy levels and payments standards, when possible, seems imperative in the short-term, in addition to pursuing RAD conversion for eligible MRS properties.
Conduct a Deeper Cost Analysis of PSH Operating Costs and Mitigate Cost Escalations	There is a need to revisit cost allowances and assumptions, informed by deeper economic analysis on operating trends, to document and acknowledge that housing and serving higher acuity residents is more expensive and requires additional resources and underwriting and asset management approaches. Reducing vacancies, housing placement timelines, and insurance cost escalations are other avenues to improve financial gains for owners.

Full Report

For the full report, *Preserving an Aging Permanent Supportive Housing Portfolio in Los Angeles: Assessing Risk and Opportunities*, please visit www.enterprisecommunity.org/preserving-psh-la.

About Enterprise

Enterprise Community Partners is a national nonprofit that exists to make a good home possible for the millions of families without one. We support community development organizations on the ground, aggregate and invest capital for impact, advance housing policy at every level of government, and build and manage communities ourselves. Since 1982, we have invested $80.9 billion and created 1 million homes across all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands – all to make home and community places of pride, power and belonging. Join us at enterprisecommunity.org.

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