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Industry Insights

Turning the Tide: Making the Case for a Preservation Housing Tax Credit



BY STUART BOESKY

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For nearly four decades, the Low Income Housing Tax Credit (LIHTC) has been the country's most important affordable housing production program. It has financed millions of apartments and created an industry capable of bringing public agencies, private investors, developers and lenders together around complicated transactions.

But LIHTC cannot carry the entire burden of today's housing crisis. At the same time we are counting newly produced affordable apartments, we are losing many existing units. We have not gained any ground if we complete a new LIHTC development while the same number of existing lower-cost apartments are lost to demolition, deterioration or conversion to higher-priced housing.

The loss is happening on an enormous scale. The Harvard University Joint Center for Housing Studies' 2026 State of the Nation's Housing report estimates that the number of inflation-adjusted rental units priced below $1,000 per month fell by more than seven million between 2014 and 2024. Those apartments did not all disappear physically. Many are still standing. They simply no longer rent at levels that lower-income households can afford.

The federal government can stop this by creating a new Preservation Housing Tax Credit to stand alongside LIHTC. LIHTC would continue doing what it does well: financing the production of affordable housing. The new credit would focus on preserving and rehabilitating existing affordable and workforce housing before more units are lost.

Before the Roof Leaks

Creating a distinct preservation program is important, because preservation deals do not always fit neatly into programs designed around new production. Many of the properties at risk are older apartment buildings with affordable rents but no formal income restrictions. Others have existing restrictions that will expire. Some are financially troubled because rents have not kept pace with insurance, utilities, labor and repair costs.

Waiting until these buildings are in foreclosure or severe physical distress is the expensive way to deal with the problem. By that point, the property may need extensive repairs, residents may already be living with poor conditions and the cost of putting the building back on stable footing may be far higher.

In my 43 years in housing finance, I have seen how quickly a manageable problem can turn into a complicated workout when a property does not have the money to replace aging systems or keep up with basic maintenance. Preservation capital is most useful before the roof is leaking, the boiler has failed and unpaid bills have piled up.

There is also a basic question of value for the public dollar. New construction is essential, especially in markets with severe housing shortages, but it is expensive. A new development must account for land, approvals, site work, materials, labor and a construction period that can stretch for years.

Preservation avoids many of those costs. The building and the neighborhood infrastructure

are already there, and people are already living in the apartments. Rehabilitation always requires capital, but saving a sound building before it reaches the point of failure often requires less subsidy than replacing the housing after it is gone. This is not an argument for taking resources away from LIHTC. It is an argument for recognizing that production and preservation solve different parts of the same problem.

A Local Look

The need is particularly clear in New York City, where much of the affordable inventory consists of older, rent-stabilized apartment buildings. Many of these properties have served working families for decades, but their finances have become increasingly strained.

Insurance premiums and operating expenses have risen sharply. Building systems are getting older. Owners must pay for energy improvements and comply with requirements such as the environmentally minded Local Law 97, all while operating on regulated rental income that frequently falls short of the actual increase in expenses.

Whatever one thinks about the politics surrounding rent regulation, the math inside a building still has to work. If a property cannot generate enough income to cover operations, repairs and responsible debt service, maintenance is deferred. Eventually, the building, its residents and its lender all face a much bigger problem.

A Preservation Housing Tax Credit could help address this gap. The credit could be based on eligible acquisition and rehabilitation costs and require the owner to maintain affordability for a defined period. It could be paired with low-cost rehabilitation loans, property tax relief and incentives to extend existing affordability restrictions.

The program should be targeted. Older multifamily buildings, properties facing the expiration of affordability requirements and naturally occurring affordable housing at genuine risk of conversion would be logical priorities. Mission-driven owners could use the credit to acquire properties before a speculative buyer repositions them at higher rents.

Any proposal would need safeguards to make sure the benefit reaches the housing and its residents. The industry understands that. We already work with extended-use agreements, income restrictions, compliance monitoring and complicated capital stacks. The mechanics would take work, but they are well within the experience of the affordable housing community.

Widening the Investor Pool

We should also consider opening the credit to individual investors.

LIHTC relies heavily on banks and other institutional investors. That market has delivered an enormous amount of capital, but it is affected by corporate tax liabilities, Community Reinvestment Act priorities and the investment decisions of a relatively small number of institutions. When demand softens and credit pricing falls, developers receive less equity and financing gaps grow.

Allowing individuals to use preservation credits and related passive deductions against active income could introduce another source of capital. It would diversify the investor base rather than asking the same group of institutional investors to finance every affordable housing need.

It might also have intangible benefits. People tend to better understand investments in which they have a personal stake. Giving individual taxpayers a way to invest in affordable housing could broaden public support for it and help counter some of the opposition that makes both production and preservation more difficult.

LIHTC remains indispensable, and Congress should continue supporting it. But adding credits to the production side while ignoring the steady loss of existing affordable apartments is

like filling a bucket without fixing the hole in the bottom. Preservation can no longer be treated as secondary to production. It needs a federal tax credit and a reliable source of capital of its own.

Stuart Boesky is CEO of Pembrook Capital Management, which he founded in 2006 to provide financing for workforce and affordable housing nationwide. He has 43 years of experience in housing and affordable housing.