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**CSS CALLS FOR INVESTIGATION INTO SPECULATION IN AFFORDABLE HOUSING  
Study Finds “Predatory Equity” Is Destroying Subsidized Housing in NYC**

The Community Service Society of New York (CSS) is calling for an investigation into the role of “predatory equity” in the loss of affordable housing, in conjunction with the release of their new housing report entitled, “Closing the Door 2008: Subsidized Housing Losses in a Weakened Market.”

The report identifies “predatory equity” as a driving force for the loss of thousands of subsidized housing units. In addition to the role of predatory equity, the report also chronicles another year of rapid losses of subsidized housing losses and the impact of subsidized housing and the credit crisis.

New York City’s supply of subsidized, privately owned rental housing continued to erode at a very fast pace in 2007, according to the report. From January to December, 3,656 units were lost. Almost all of those lost were Mitchell-Lama rentals and were located in low-market areas of the city, largely in the Bronx.

“The economic downturn is especially dangerous for low-income New Yorkers, who become collateral damage in times of a tight and unstable economy and overzealous investors,” said David R. Jones, president and CEO of CSS. “From the bailout proposal to ‘predatory equity,’ these programs continue to give to the rich and rob the poor, and it must stop now.”

In calling for an investigation into the role of “predatory equity,” Jones is asking for federal and state policy makers to investigate the new group of real estate investors who have transformed the market for investments in rental housing for low to moderate income New Yorkers. He said, “They (investors) are paying unprecedented prices for housing

designated as rent-stabilized buildings, from Upper Manhattan and the Bronx to Brooklyn and Queens. This is gentrification in its worst form,” Jones added.

Backed by capital raised on the world’s most competitive markets, these investors have a high tolerance for risk and a willingness to pay unprecedented prices. Housing advocates label this type of investor “predatory equity” because private equity firms play a prominent role in financing these deals and because of similarities with predatory lenders in the subprime single-family mortgage market: lax underwriting standards, a willingness to speculate on future price increases, a reliance on securitized debt, and indifference to the social fallout for tenants and neighborhoods. Predatory equity has played a prominent role in the Mitchell-Lama buyout wave since 2004.

According to “Closing the Door,” there are more than 50,000 apartments belonging to predatory equity investors, including at least 16 former Mitchell-Lama buildings as well as rent-stabilized buildings. The purchase of each of these buildings was based on the belief that the buildings’ net income would rise rapidly after the sale despite the loss of subsidy income in many cases. These speculative investments place tenants, communities, and the buildings themselves at risk.

Jones has asked the New York Attorney General, the federal Securities and Exchange Commission, and the federal Government Accountability Office to investigate “predatory equity,” and local policy makers to host field hearings to gain testimony from investors and housing advocates and tenants.

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For 160 years, the Community Service Society of New York has been the leading voice on behalf of low-income New Yorkers and continues to advocate for the economic security of the working poor in the nation’s largest city.