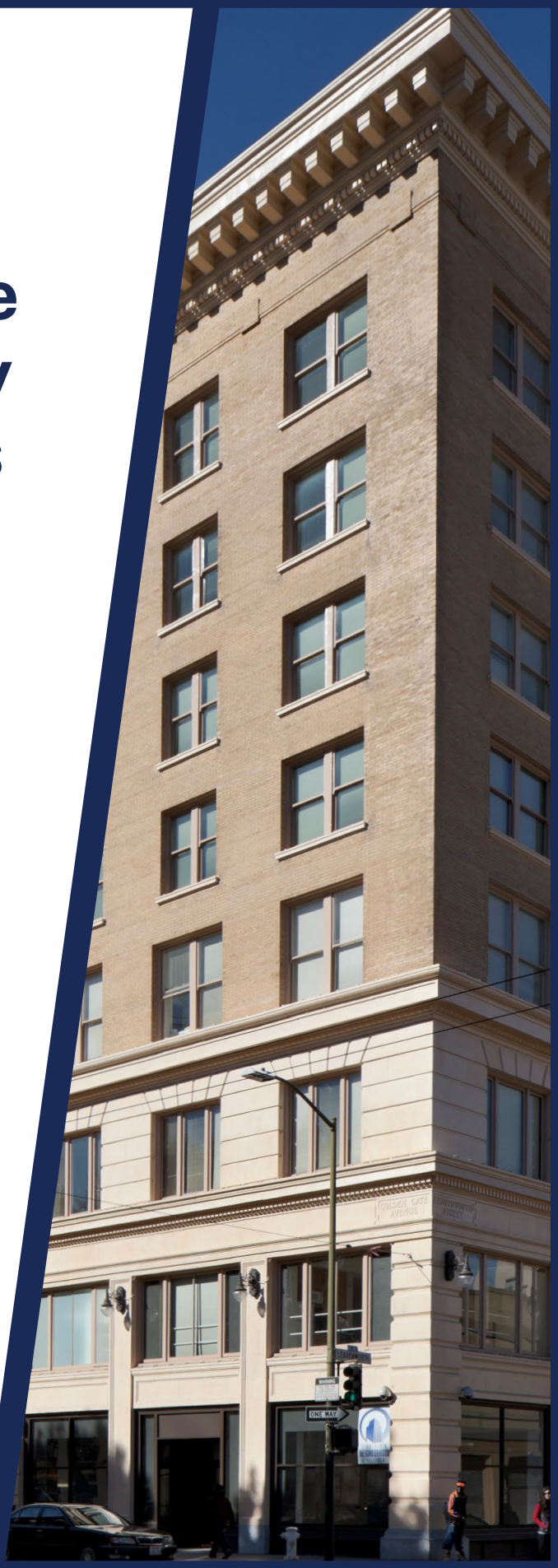
Preserving Affordable Single Room Occupancy Portfolios Across California

SUMMARY FINDINGS

November 2025



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Acknowledgments

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We also wish to acknowledge the Enterprise team that created this resource. Marc Tousignant served as lead author and analyst, editing support was provided by Karen Whitaker, and Christina Ta was involved in data analysis and staff support to the workgroup.

Finally, we thank the Conrad N. Hilton Foundation for their ongoing support to Enterprise and specifically resourcing responses to the issue of affordable housing preservation.

COVER PHOTO: Kelly Cullen Community (photo by: Mark Lutheringer)

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Ambassador Hotel (photo by: Mark Ellinger)

Background

In January 2024, Enterprise launched a new statewide effort to support the often-overlooked — but absolutely essential — stock of at-risk affordable single room occupancy (SRO) housing in California. Through a new statewide SRO preservation workgroup, six nonprofit owners of permanent supportive housing and affordable SROs from across Northern and Southern California have been meeting monthly to tackle shared challenges and explore collective solutions.

From managing aging buildings with little to no reserves to navigating complex regulatory hurdles, these groups are confronting the realities of keeping their SROs viable for the long haul. Over the past year, the cohort partnered with Enterprise to dig deeper — aggregating data across their portfolios to better understand the risk factors, property conditions, and trends shaping California's SRO landscape. The goal: To strengthen advocacy and secure the investments needed to preserve these critical homes for the future.

Methodology

A data collection tool was developed based on a shared set of property-level metrics designed by the workgroup. Enterprise compiled and analyzed that data during the summer and conducted follow-up interviews to clarify responses and complete informational gaps.

All information was self-reported with no separate check made to verify collected data with other source materials, like property or organizational financials, loan, regulatory, or grant agreements, affordability covenants, etc. The specific properties that comprised the data set were volunteered by workgroup members based on their consideration of being at-risk permanent SRO housing (i.e., not interim or transitional housing). There was neither a universal risk definition that was used as a filter to determine consideration for analysis nor a universal SRO definition aside from units lacking private bathrooms. Although the workgroup at the time of data collection consisted of six organizations, only five contributed data.

Property Characteristics

The workgroup identified 39 SRO properties representing a total of 3,054 units. There were 38 units across four of the sampled buildings that were not reported as true SRO units, leaving 3,016 SRO units in total. As the workgroup was quick to reaffirm in the monthly meetings, not all SRO buildings (or units) are synonymous with permanent supportive housing (PSH) or even special needs units, though PSH units represent most units (1,862) in the data sample. The average amount of units per building was 78 while the median was 62 units (see Table 1).

Unit Types and Configurations

Information was also collected on individual unit configurations, as not all SRO buildings are configured the same with respect to unit amenities and layout, though commonly they are considered by definition to lack private bathrooms. Private showers were lacking in 79% of the properties and to a similar degree (69%) lacked private toilets. There was a little more variation reported in the kitchen formats, with nine buildings (23%) possessing full kitchens, another seven (18%) with kitchenettes and the majority of buildings (59%) lacking any kitchen amenities at all.

Looking beyond the unit configurations, we also asked owners about common areas and individual office spaces, given their importance to allow for on-site supportive service provision and community building. Spaces for community activities were overwhelmingly present, in 92% of projects, with 87% of projects including individual office space. Given the wide percentage of properties able to accommodate physical spaces for services, it was therefore not surprising that 85% of projects reported providing some level of on-site services within the building though respondents were not asked to report the various types of services available within that community.

Table 1: Summary of Enterprise Statewide SRO Preservation Workgroup Member Portfolios

Organization/Owner	Total Projects	Total Units	Total SRO Units	Total PSH Units
Abode Communities	2	296	296	142
A Community of Friends	4	163	163	159
Chinatown Community Development Corporation	11	674	636	67
SRO Housing Corporation	14	808	808	793
Tenderloin Neighborhood Development Corporation	8	1,113	1,113	701
TOTALS	**39**	**3,054**	**3,016**	**1,862**

Property Age and Placed in Service Dates

SRO properties are inherently quite old as they represent some of the earliest acquisition and rehabilitation examples in the affordable and supportive housing universe. On average, the SRO properties in this sample were constructed in the early 20th century, with 1928 being the average year for the original building date, even earlier for the median building date of 1913. For the most part, nonprofit owners financed, acquired, and rehabbed these buildings to place them in service (PIS) as deed-restricted affordable housing assets in the late 1990s or early 2000s (average PIS date was 2001; median PIS date was 1997).

Project Rehabilitation Needs

Respondents were also asked to identify the per unit amount required for rehabilitation of the property, representative of hard and soft costs. It is important to note that these estimates were self-reported — not necessarily backed up through a third-party physical or capital needs assessment. Such figures are important because they indicate the potential recapitalization need and demand on public finance systems (public lenders and private investors) to facilitate the modernization and/or potential conversion (to studio units for instance) of these developments.

Per unit rehab estimates averaged about $165,000 — high at first glance, but understandable given the age of these properties and the difficulty of keeping up with maintenance and capital improvements when operating revenue and rental income are limited. There were lower per unit rehab estimates provided in limited cases (~10% of properties) because those properties had been rehabilitated within the past five years.

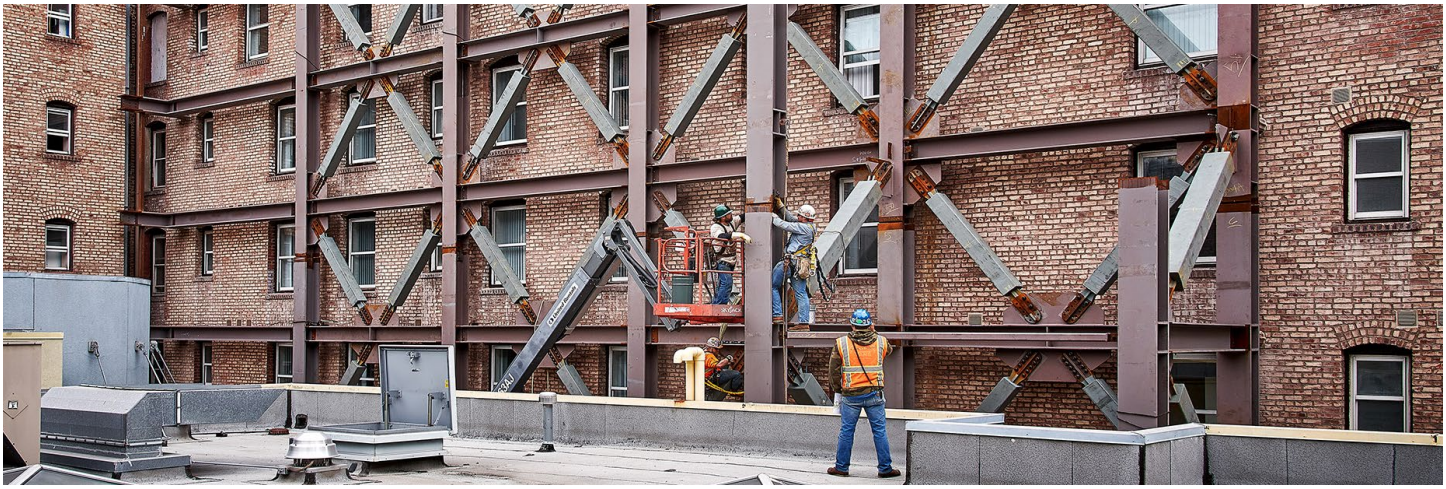
Though not all SRO owners in the workgroup were looking to reconfigure the building to convert it from an SRO layout toward a studio format, there were nine (23%) properties that were flagged as conversion candidates. This type of physical redesign is a practical strategy for owners that are pursuing public funding that disfavors the classic SRO format and either incentivizes or requires complete units such as studio or one-bedroom units as a condition of funding.

But there are other public policy considerations with these conversions since creating more expansive and complete units often leads to an overall reduction in total units. State and local ordinances as well as affordable housing financing programs can prohibit or limit any reduction in units (or require an equal replacement amount or a net gain of additional units to be created as an alternative) when SRO properties are being demolished or rehabilitated. Even in the absence of such regulatory constraints, with an undersupply of deed-restricted, low-income housing in communities struggling to meet affordability needs, it is a difficult proposition for policymakers and local housing officials to afford any loss in the regional housing stock.

Financial Health

Together with the building's physical needs, which were not studied intensely here but noted above with estimated rehab costs, property-level financial health is another key risk factor and indicator of project viability. Respondents were asked to assess the financial health of the property according to one of three ratings: 1) cash flows, 2) breaks even, or 3) runs an operating deficit.

While it is not uncommon for aging affordable housing that has been in operation for over 20 years to show signs of financial distress, especially with income and revenue being well outpaced by recent operating expense trending, a concerning 95% of projects reported an operating deficit. Of the projects surveyed, 5 percent (two properties) reported positive cash flow. Both are fully subsidized with federal project-based rental assistance through the Section 8 program administered by the San Francisco Housing Authority (SFHA), including one property that recently participated in the state of California's Loan Portfolio Restructuring Program (LPR).



Ambassador Hotel (Photo by: Keith Baker)

Vacancy Rates

Vacancy rates were also assessed across the SRO portfolios, since workgroup discussions have emphasized marketing challenges and difficulties keeping these buildings fully occupied. Those concerns were validated in the findings, as a stunning 20% vacancy rate on average was reported across the sample. Only six projects indicated single-digit vacancy rates. These findings stand in stark contrast to typical underwriting assumptions and serve as reminders of how financial health can be easily compromised when rental income and/or rental subsidies are not being maximized.

> **"TNDC was formed in 1981 when grassroots organizers came together to protect low-income residents from being displaced by the planned incursion of luxury hotels into the Tenderloin. A commitment to preservation has guided us ever since. SROs continue to be a critical source of affordability in San Francisco. Rehabilitating these buildings is part of our responsibility as an affordable housing organization — work that not only preserves the housing stock, but also improves safety, dignity, and stability for the people who call these places home."**
>
> **– JENNIFER DOLIN, CEO**
> TENDERLOIN NEIGHBORHOOD DEVELOPMENT CORPORATION

Project-Based Rent Subsidies

An additional area of analysis was the degree to which properties and units were covered with project-based rental assistance. These subsidies are critical resources to ensure a project can remain financially viable to supplement limited rental income from very low to extremely low-income households. Just more than one half (57%) of all units possess such subsidies, though that coverage was far greater (86%) for those units identified as PSH.

This area of the research represents another worrying characteristic: 43% of units in this sample lacked any form of long-term rental assistance. The absence of a consistent rental or operating subsidy in the portfolio, together with above average vacancy rates, is clearly creating a significant burden for owners to keep properties financially viable. This often results in what is referred to in the industry as deficit contributions or sponsor advances. This type of dynamic means that nonprofit owners must offset these operating losses through their own organizational resources, hardly a sustainable strategy over the long term.

Project Deficits and Sponsor Advances

To get a better understanding and assessment of these operating shortfalls and related sponsor advances, the workgroup provided data over five consecutive years (from 2020-2024). Members were asked to report on annual advances made by the organization to support deficit properties. Across the 37 properties reporting deficits, representing 2,657 units, these housing providers contributed more than $24 million of their own resources to address operating gaps in distressed SRO properties.

Notably, total advances within this portfolio rose annually, showing a concerning trend, especially with substantive jumps in the last two years. Members attributed this recent spike primarily to dramatic increases (between 200-500%) in insurance costs that started to arrive in 2023 during policy renewals.

Together with pandemic-era emergency rental assistance programs that were expiring around the same time, and the eventual exhaustion of project-level operational reserves, owners were left with no option but to subsidize projects from their own resources. On a per unit level, advances averaged $1,731 per unit per year but climbed steadily each year, essentially rising 200% between 2020 and 2024 (see Table 2).

Alignment with State of California Low-Income Housing Tax Credit (LIHTC) Program Guidelines

Because of the importance of the LIHTC program in a project's current financial stack or as a potential resyndication option, owners were asked to self report if their SRO portfolios qualified as special needs or at-risk projects under current California Tax Credit Allocation Committee (CTCAC) guidelines. Just over one fifth of properties (21%) met the special needs criteria, and a slightly higher percentage (36%) can be considered at risk. The latter at-risk category is seen generally as the imminent threat that the project's affordability protections are set to expire and that the project could convert to market-rate housing.

The fact that there is such limited alignment within the sample based on these two CTCAC programmatic criteria is significant for multiple reasons. First, it calls into question the long-held assumption that all SRO buildings effectively serve as special needs housing. Second, it indicates that to make these properties more competitive — or even qualify them for state tax credit financing — program guidelines could potentially be adjusted to establish additional preservation pathways.

Table 2: Sponsor Advances for Deficit SRO Properties (2020-2024)

Year	Total Advances	Average Advances Per Unit Per Year
2020	$2,141,030	$971
2021	$3,683,151	$1,312
2022	$4,294,855	$1,386
2023	$6,047,236	$2,121
2024	$8,122,732	$2,866
TOTALS/AVERAGE	**$24,289,004**	**$1,731**

Affordability Risk

As we consider the long-term future of this SRO stock — and how preservation risk is often defined as the potential near-term loss of a project's affordability protections — it is important to also assess affordability risk. Most public finance programs that fund affordable housing preservation limit eligibility to projects with affordability terms that have already expired or are set to expire within the next five to 10 years. The goal is to extend affordability and prevent these properties from being converted to market-rate housing, a risk often referred to as conversion risk.

Because the assets studied here are in the hands of mission-driven nonprofit organizations that are committed to keeping this housing affordable for generations to come, one could argue that there is less of a concern of conversion risk with publicly financed, deed-restricted SROs. Such owners are far more likely to extend or renew the affordability covenants so that the buildings can continue to operate as affordable housing.

Consistent with other Enterprise **research** on preservation needs for at-risk, aging permanent supportive housing in Los Angeles, these assets generally do not face near-term affordability risk, as state and local public financing typically extends affordability terms to 55 years — still on the distant horizon. Instead, the more notable threat to long-term project sustainability is depreciation risk, meaning the project is facing imminent physical and financial needs that can imperil the project's health and sustainability. For example, this could be chronic operating deficits, having low or depleted project reserves, or showing significant deferred maintenance and building system upgrade needs.

Civic Center Residence

Civic Center Residence

Sixteen properties reported some form of affordability risk, either the affordability terms had expired or will within the next five to 10 years.[1] All these properties are in Southern California, which is a promising sign for San Francisco but points to attention needed in Los Angeles to prioritize expiring covenant renewals.

When we studied the types of capital financing associated with these properties, all near-term affordability risk is shared almost equally between the State's Housing and Community Development Department (HCD) or the Community Redevelopment Agency for Los Angeles (CRA). The presence of affordability risk in the HCD portfolio is important because the state recently launched the Portfolio Reinvestment Program (PRP) to recapitalize certain HCD-assisted legacy assets and therefore that program represents a potential preservation pathway for eligible projects.

Here are additional details on near-term risk projects in Los Angeles:

- Ten projects representing 533 units reported expired affordability terms. Three of those projects expired nearly 10 years ago (all in 2015), with the remainder having expired between 2018-2020.
- Only one project (containing 150 units) reported affordability expirations within the next five years (2026).
- An additional five projects representing 400 units will see their affordability terms expire within the next five to 10 years.

On a final note, for the two San Francisco-based portfolios represented in the sample, the earliest project affordability expiration was not until 2050, a clear contrast from the Los Angeles properties and an affirmation that affordability threats are rather peripheral concerns relative to other risk factors.

[1] One 29-unit project was reported as both having an expired covenant through one funder and another through a different funder that will expire within the next five to ten years (in year 2031).

Las Palomas

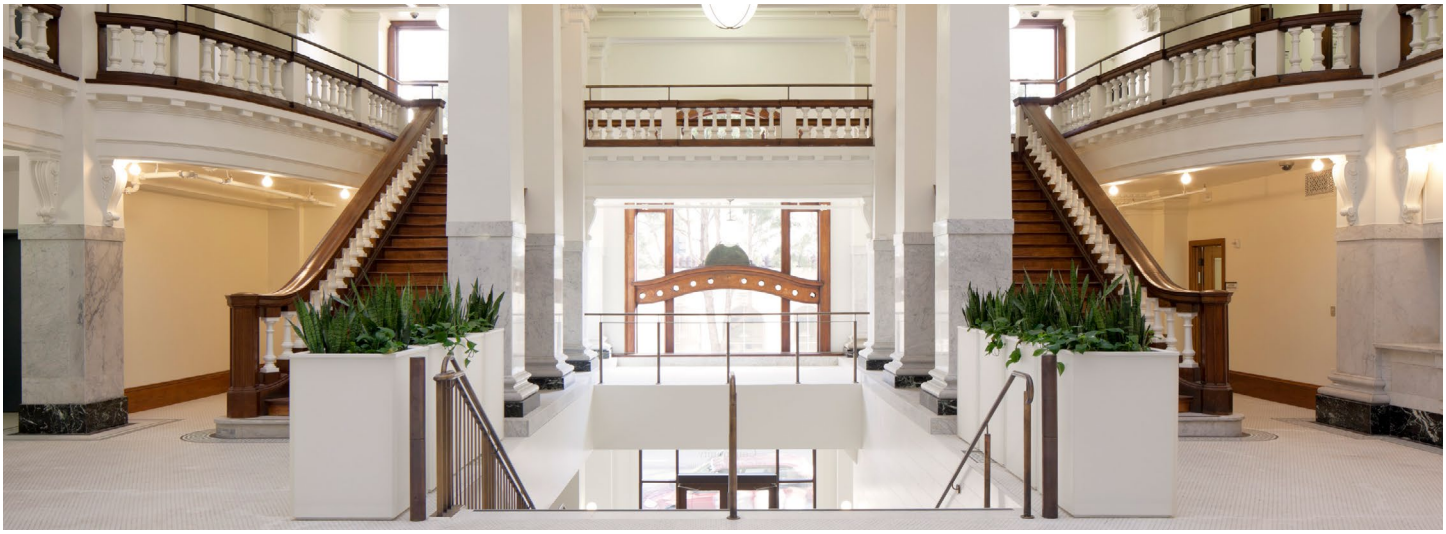
Kelly Cullen Community (photo by: Mark Lutheringer)

Conclusion & Recommendations

This brief of these at-risk SRO portfolios provides valuable insights into project characteristics, operational threats, and more immediate and longer-term priorities for preservation policy. Many traditional affordable housing developments generate enough rental income beyond their operating costs to help owners secure rehabilitation financing through conventional debt or tax credits. However, these SRO properties often struggle to do this unless they have recently been repositioned.

Low rents and limited revenue, lack of sufficient rental subsidies, difficulties marketing units, and maximizing occupancy leave owners with the inability to leverage debt or tax credits to provide the means to finance necessary rehabilitation. Without the opportunities for physical modernization and financial restructuring, these important housing assets risk further disrepair and will drain vital organizational resources and capacity, if strategic and substantive set of preservation pathways are not provided.

With an eye on these concerns, realizing other SRO owners across the state are facing similar needs, the workgroup reached consensus on a set of key public policy recommendations to sustain and preserve deed-restricted SROs.



Kelly Cullen Community - Lobby (photo by: Mark Lutheringer)

Capital

- Provide a basis boost for qualifying SRO rehabs that are converting to complete units and that do not qualify currently as special needs projects. This would be similar to the 30% basis boost for Difficult Development Areas/Qualified Census Tracts (DDA/QCT).
- Re-establish the CTCAC SRO set-aside to facilitate more resyndications.
- Expand California Debt Limit Allocation Committee (CDLAC) eligibility for the Preservation Pool for PRP at the 20-point level and for SRO properties converting to individual bathrooms and cooking facilities at the 14-point level.
- Calculate the rent savings benefit in the CDLAC tiebreaker numerator differently for rehabilitation projects whose actual rents have been lower than TCAC rent limits. For these projects, the rent savings would be the county fair market rent (FMR) minus the average of actual rents charged over the last three years.
- Adjust the CDLAC tiebreaker denominator by 15% for rehabilitation projects involving seismic upgrade or environmental mitigation with the requirements for a threshold basis limit increase.
- Continue to allocate funding for the State Portfolio Reinvestment Program (PRP); maintain the existing program carve-out for residential hotels; continue advocating for AB 1789 to expand program eligibility to a wider array of distressed properties.
- Advocate that the new Homekey+ program eligibility criteria include projects that are rehabbing or converting an existing affordable housing site that will result in the creation or addition of PSH units.
- Permit housing finance agencies to adopt higher vacancy assumptions (above 10% for instance with TCAC) when underwriting or restructuring SROs.
- Advocate for dedicated preservation carve-outs for existing, at-risk SROs within new or existing affordable/PSH ballot-funded programs (e.g., Bay Area Housing Finance Authority, Los Angeles County Affordable Housing Solutions Agency, United to House LA).

Rent Subsidies & Operations

- Address the chronic under-subsidization of legacy project-based Continuum of Care (CoC) housing by collaborating with local CoCs and public housing authorities (PHAs) to maximize contracted rents and advocate for federal reforms that align CoC rental assistance with market-based rents — similar to HUD's fair market rents for studio units.
- Establish dedicated subsidy programs for extremely low-income and very low-income households through regional ballot measures (e.g., Proposition G in the Bay Area), including shallow subsidy models that can be layered onto existing, unsubsidized non-PSH SRO housing.
- Support owners and public housing authorities through financial and technical support to fully convert all remaining SRO Mod Rehab contracts through the Rental Assistance Demonstration (RAD) program.
- Widen RAD eligibility to include former Shelter Plus Care contracted programs.
- Advocate that public housing authority administrative plans be adjusted to allow for existing non-subsidized SROs to be eligible, if not prioritized, for project-based voucher allocations.

Angelus Inn (SRO Housing) - Before and after renovation in 1993

Regulatory

- Adjust state and local housing regulations (e.g., State Housing Crisis Act) to allow for an overall reduction in total units, when necessary, post-conversion or rehab.
- Adjust CTCAC guidelines (Section 10320(b)(7) to allow projects involving the demolition of existing residential units or separating an existing project to no longer need waiver approval to be exempt from the requirement to increase the unit count by 25 or 50% of the existing demolished units, whichever is greater.
- Allow PSH residents that are permanently or temporary relocated due to an SRO rehabilitation to maintain eligibility (homeless status) for other PSH programs; work with regional CoCs to ensure such program transfers are eligible under Coordinated Entry prioritization criteria.
- Work with jurisdictional partners such as building and planning departments to permit SRO demolition when necessary, considering current residential hotel ordinances.
- Adjust Coordinated Entry prioritization criteria for SRO housing placements as applicable, to allow for match flexibility to improve referral flow, reduce rematch rates, and overall housing utilization.

About Enterprise Community Partners

Enterprise 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**.