New York City's Sisyphean Quest for Affordable Housing

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The New School

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New York Times: Manhattan Apartment Prices Near Million-Dollar Mark, Reports Say
(Median sales prices of coops and condos at $999,000)

Douglass Elliman: Approximately 39% of all coop sales and 60% of condo sales in the 1Q of 2015 were paid for with cash, for a weighted average of 47%

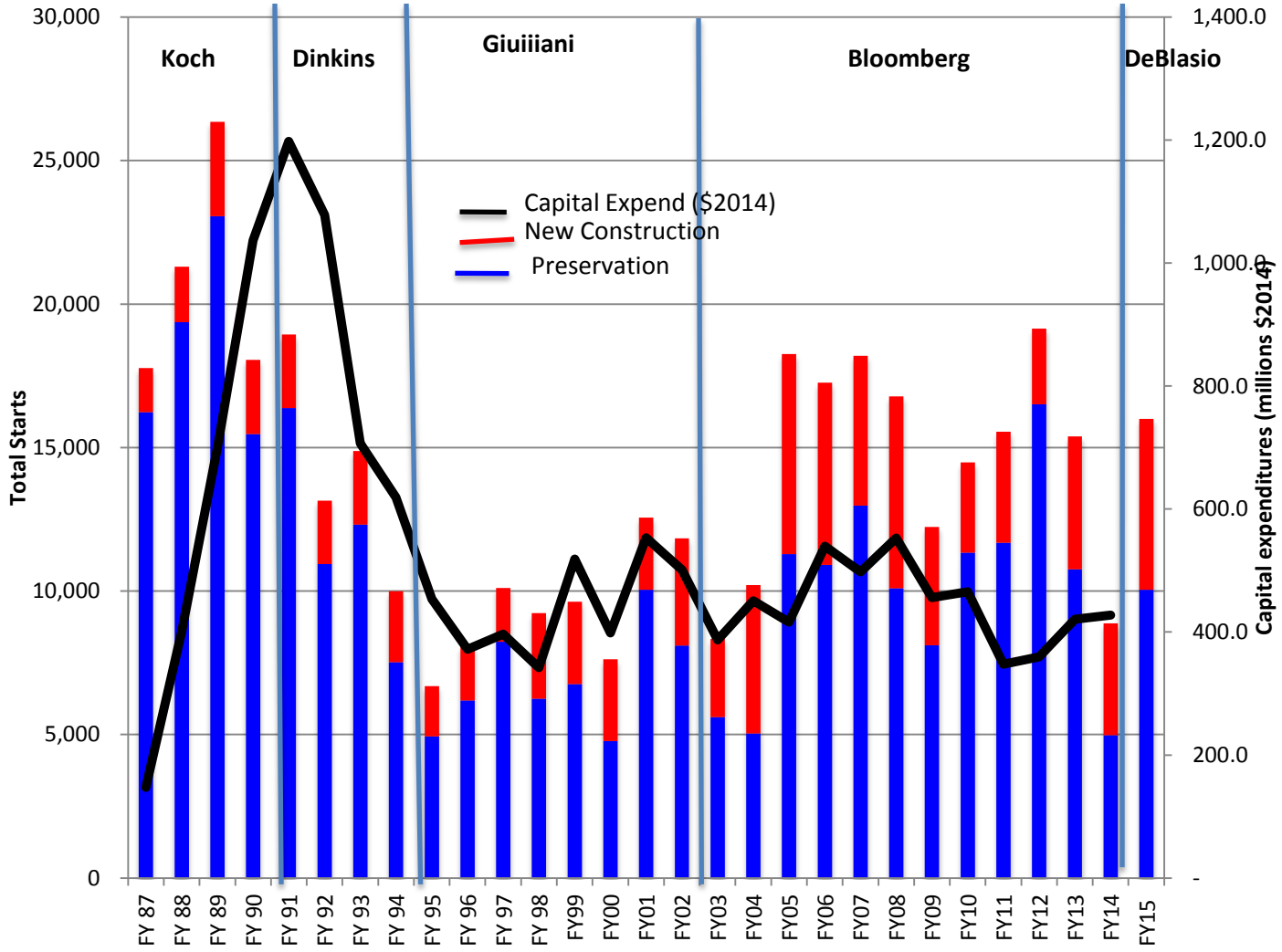
NY1: De Blasio Administration Announces a Record-Breaking 20,325 Affordable Apartments and Homes Financed in Last Fiscal Year, Enough for 50,000 New Yorkers
July 13, 2015

More new affordable apartments underway than at any time since City's housing department was created in 1978

New York Building Congress: NEW YORK CITY RESIDENTIAL PERMITS SKYROCKETED IN FISCAL YEAR 2015; BROOKLYN EASILY LEADS THE PACK… Building Permits for 52,618 residential units issued in Fiscal Year 2015 a 156 percent increase from FY 2014

New York Times: Despite Vow, Mayor de Blasio Struggles to Curb Homelessness**.**

City- Funded Housing Starts and Capital Expenditures



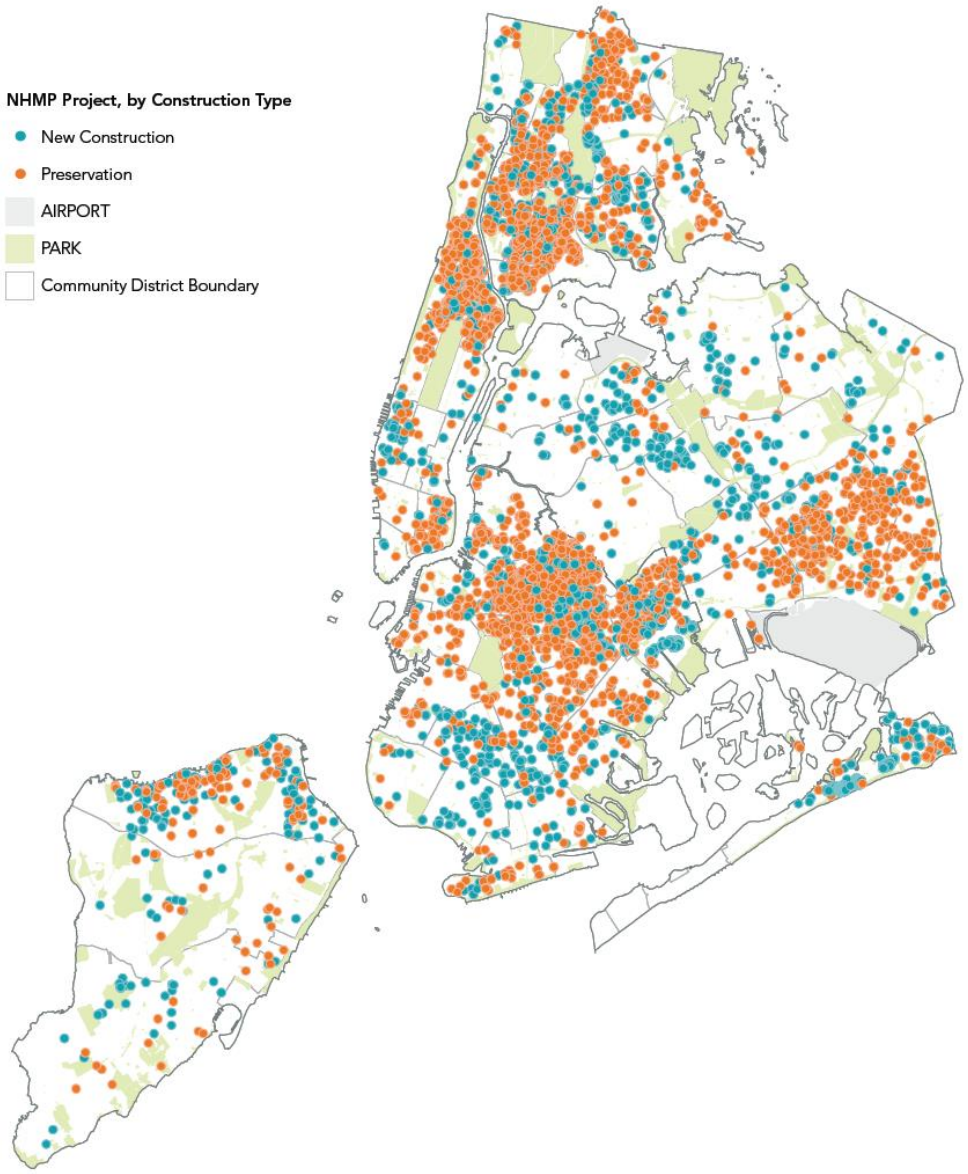
Source: Mayors Management Report and Independent Budget Office

Average Annual Housing Starts Under City Housing Plans

	New Construction Starts	Preservation Starts	Total Starts
Koch (FY 87-90)	2,337	18,531	20,869
Dinkins (91-94)	2,454	11,785	14,239
Giuilani (95-02)	2,554	2,554	9,463
Bloomberg (03-14)	4,619	9,937	14,556
de Blasio (10 year plan)	8,000	12,000	20,000

Source: Mayor's Management Report

NEW HOUSING MARKETPLACE PLAN FISCAL YEAR STARTS 2004-2013



53,000
UNITS CREATED

112,000
UNITS PRESERVED

165,000
AFFORDABLE UNITS

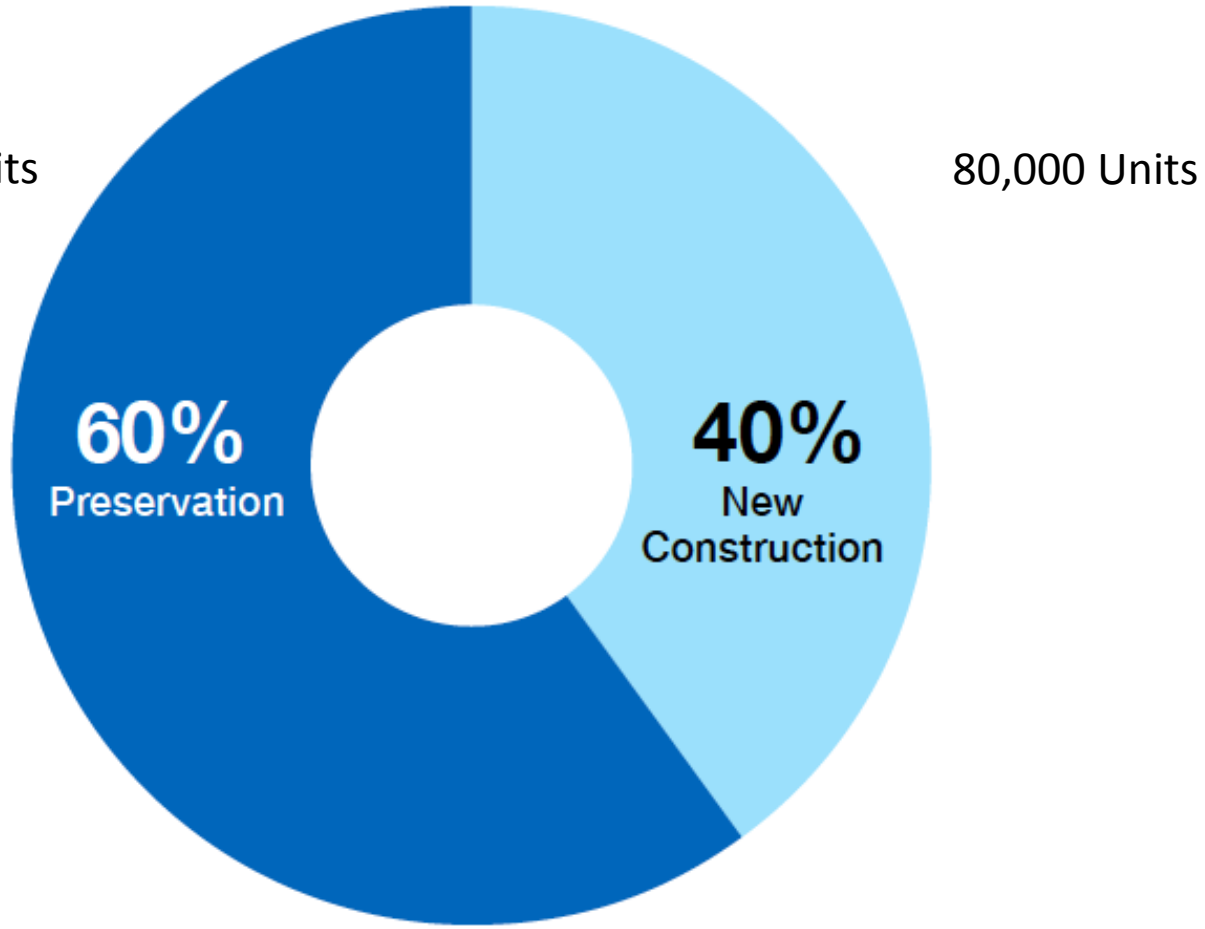
500,000
NEW YORKERS LIVING
IN THESE UNITS

150,000
JOBS CREATED THROUGH
NHMP INVESTMENT

$5.3 billion
CITY INVESTMENT IN THE NHMP

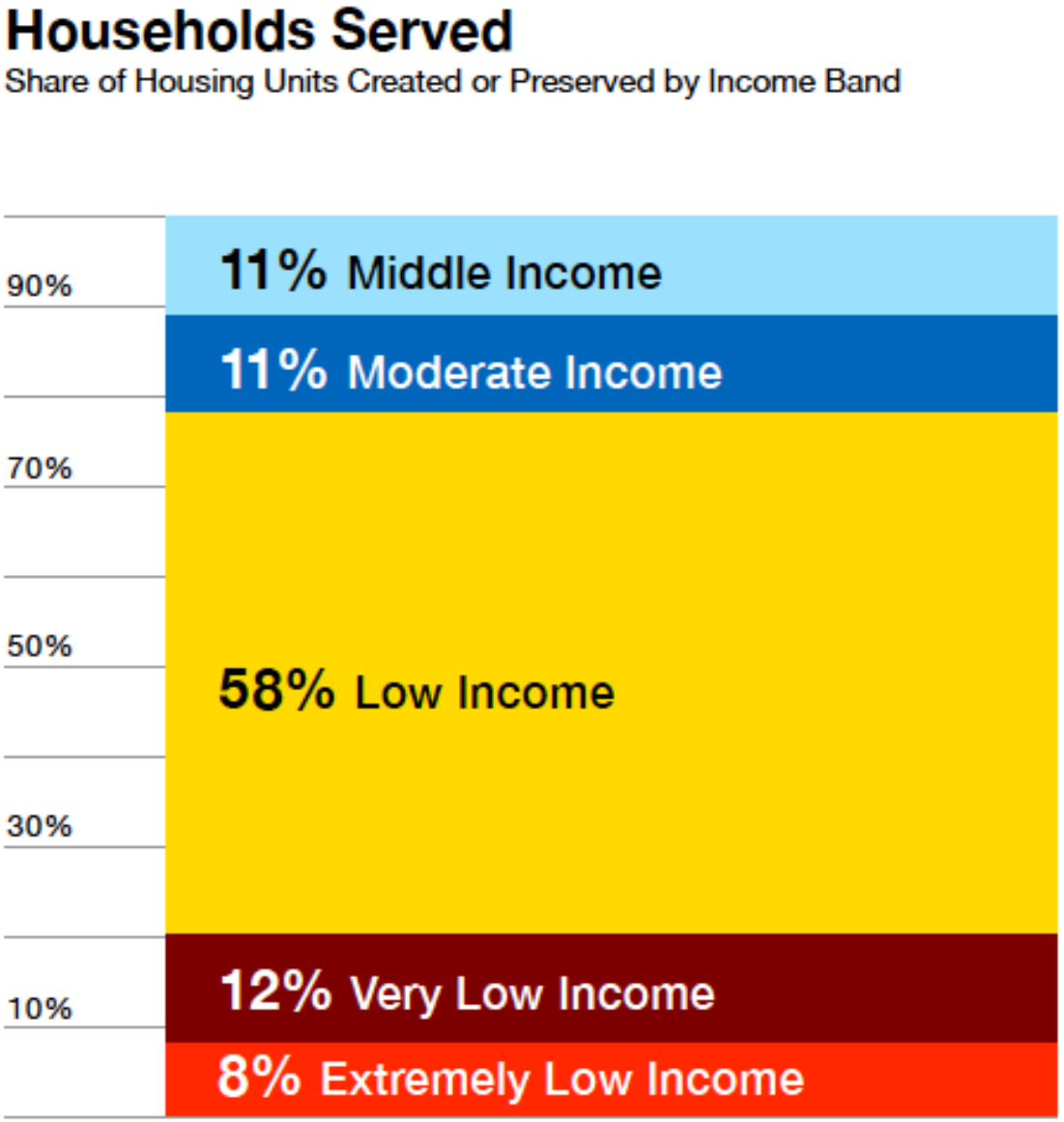
$23.6 billion
OVERALL INVESTMENT IN THE NHMP

Mayor De Blasio's Housing Plan



Total Cost:
$41.1 Billion
($30.6—New Const.
$10.5—Preservation)

DeBlasio Housing Plan



Funding Details

- Housing New York will cost about $11 billion in public subsidy--$7.2 from city capital commitments, rest from state and federal sources. Private sources account for $30 billion of total costs.

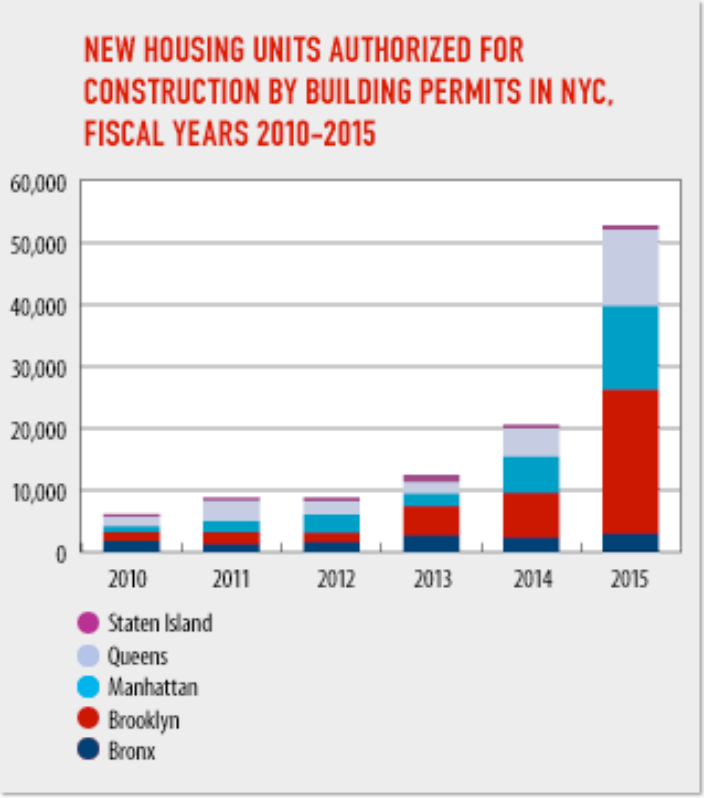
- Much of the new housing is premised on inclusionary zoning. More funding will be required if inclusionary housing zoning component falls short.

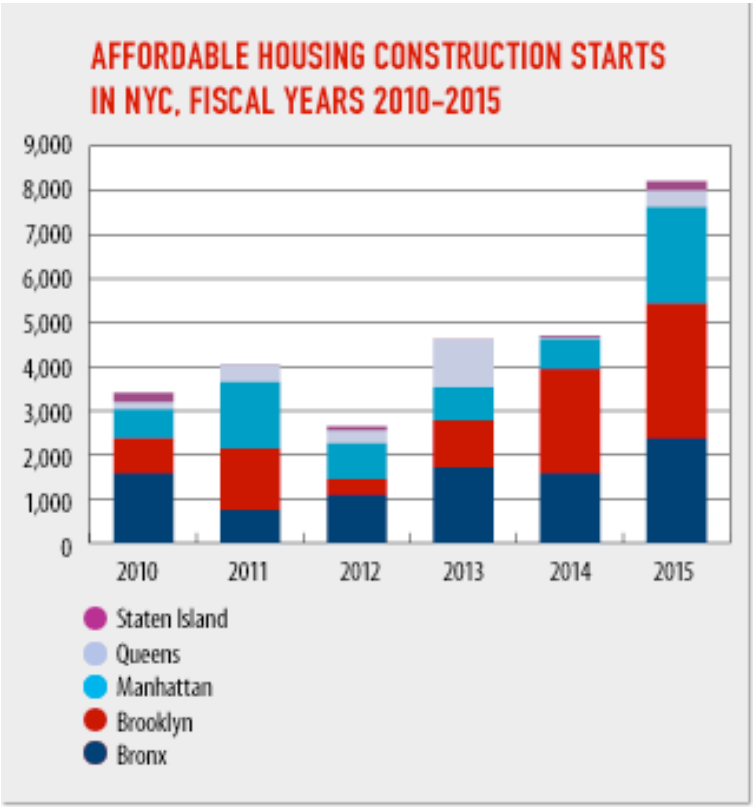
- Mayor DeBlasio's commitment of $7.2 billion is twice the $3.5 capital commitments made by the Bloomberg Administration for housing in its last decade

Proposed Mandatory Inclusionary Zoning

- 3 options—all applied to rezonings involving greater density:
  - 25% setaside of floor area for households earning an average of 60% of Area Median Income (AMI)--$46,620 for family of four)
  - 30% setaside for households earning an average of 80% of AMI ($62,160)
  - 30% for households earning an average of 120% of AMI (for special cases only—no other subsidies allowed, not permitted in Manhattan below 96thSt.

NYC's Construction Boom





Source: NY Building Congress

Housing Costs in New York City in 2014

Median Sales Price ($)	
1-family building	437,000
Condominium	810,000
Cooperative	1,060,000
Median Contract Rent ($)	
All Renters	1,325
Rent Stabilized	1,300
Non-Regulated	1,625

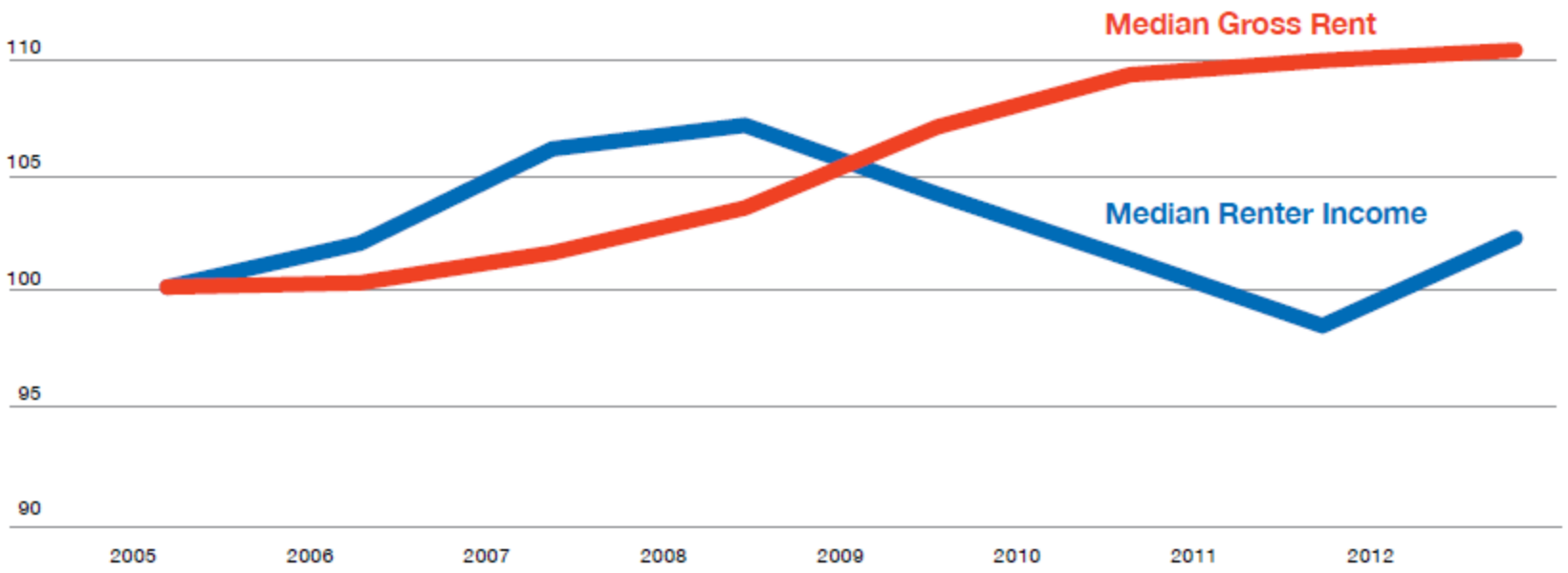
Source: NYU Furman Center and US Census

Rent-Income Ratios in 2014

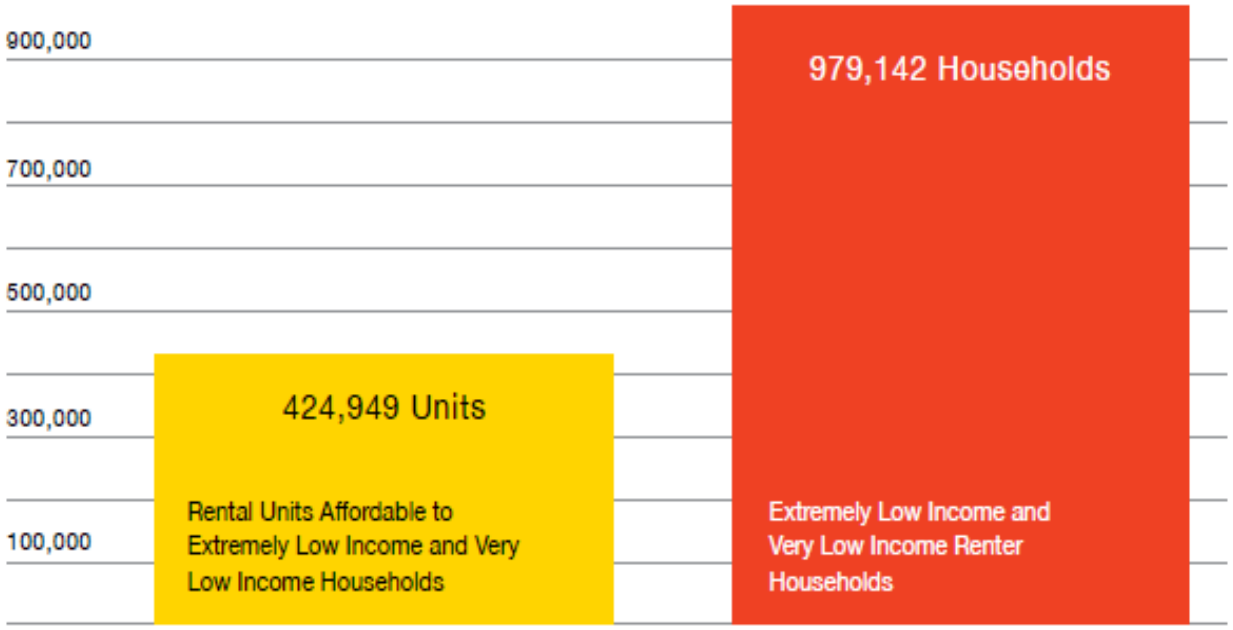
Median Contract Rent-Income Ratio	31.20%
Proportion of Households spending 50% or more of income for Contract Rent	30.10%

Source: Housing Vacancy Survey

Index of New York City Median Gross Rent and Renter Household Income, 2005 - 2012



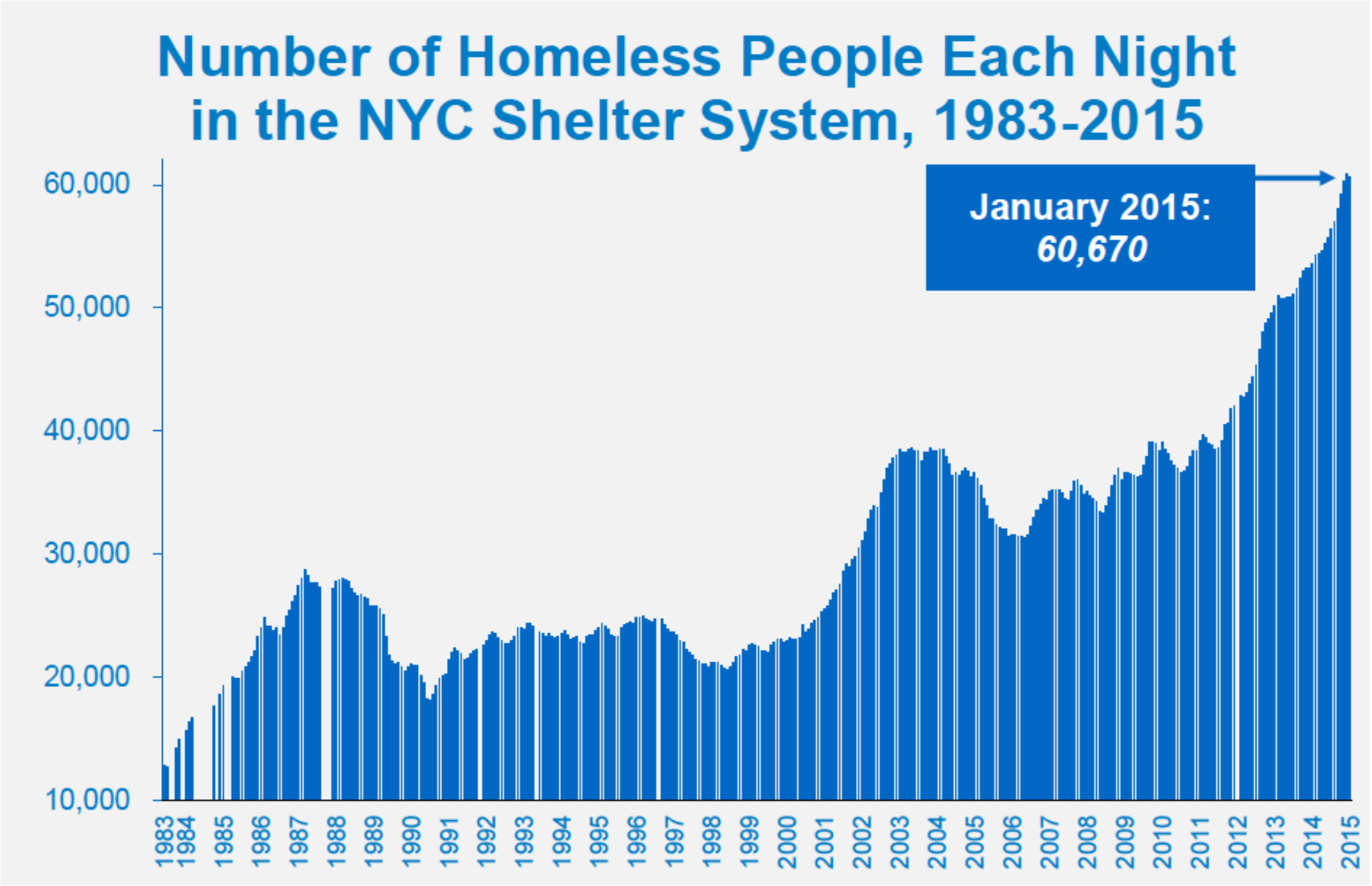
Supply and Demand among Extremely Low Income and Very Low Income Renter Households



Data Source: Housing and Vacancy Survey (U.S. Census), 2011.

There are more than two Extremely Low Income and Very Low Income households for every one housing unit that is affordable to them.

Source: Housing New York 10-Year Plan



Source: Coalition for the Homeless

Reasons for Affordability Crisis

- Low Renter Incomes
  - median of $41,500 in 2013 (compared to $80,000 for owners); high poverty rate
- Diminishing Supply of “Affordable” Housing
  - Loss of Rent-Regulated Housing
- Robust Demand driving rents and home prices up
  - High Demand for Luxury Housing
  - Demand boosted by 2nd home/absentee owner market
  - Very Low Vacancy Rates
- High Construction Costs
- Soaring Land Costs
- Minimal Growth in Federal Subsidies

Monthly Contact Rents (Constant 2014 Dollars)

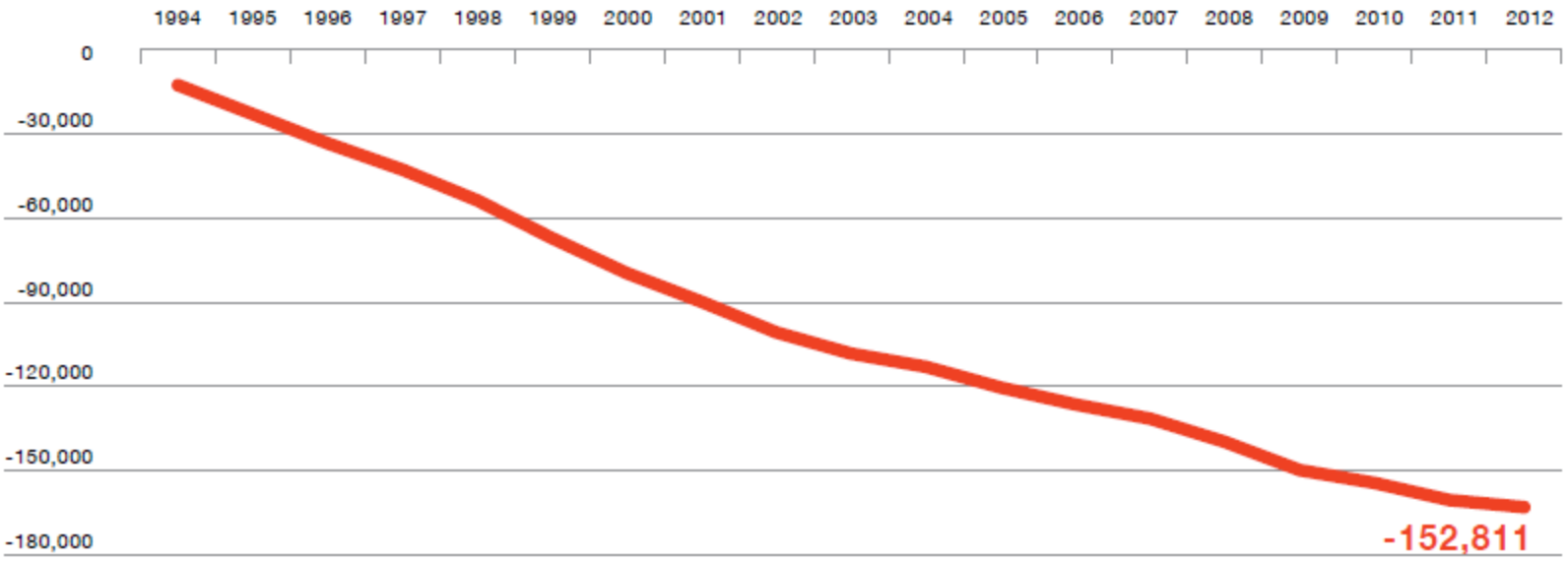
	2011	2014	2014 Pct. Share	Change 2011-2014 Total	Pecent
Less than $800	422,280	362,990	17%	-59,290	-14.0%
Less than $1000	722,011	631,175	30%	-90,836	-12.6%
$1000-$1,499	764,065	726,114	34%	-37,951	-5.0%
1,500-$1,900	291,023	349,532	17%	58,509	20.1%
$2000-$2,499	117,520	124,691	6%	7,171	6.1%
$2,500 +	164,010	223,936	11%	59,926	36.5%
No Rent	46,188	53,391	3%	7,203	15.6%
Total	2,104,816	2,108,838	100%	4,022	0.2%

Source: NYC Housing Vacancy Survey

Rental Vacancy Rates

Monthly Rent Level[b] [c]	Vacant Units Available for Rent		Net Vacancy Rate[a]	
	2011[c]	2014	2011	2014
All Rental Units	67,818	75,458	3.12%	3.45%
Less than $800	4,924[d]	6,658	1.15%	1.80%
$800 to $999	8,540	10,387	2.77%	3.73%
$1,000 to $1, 499	28,370	23,482	3.58%	3.13%
$1,000 - $1,249	11,229	14,155	2.66%	3.05%
$1,250 - $1,499	17,141	9,326	4.64%	3.26%
$1,500 to $1,999	13,082	11,642	4.30%	3.22%
$2,000 or more	12,902	23,290	4.38%	6.26%
$2,000 - $2,499	4,241[d]	5,600	3.48%	4.30%
$2,500 or more	8,661	17,689	5.02%	7.32%

Net Loss of Rent Stabilized Units, 1994 – 2012



“Billionaires’ Row (W. 57th Street)

157 W. 57th Street—Part of “Billionaire’s Row

Rents--$13,000 -60,000/mo

Top 3 condo sales prices—
$100.5 million
$91.5 million
$55.5 million

‘Desperately needed” million-dollar 1-bedroom condos

The number of units coming to market at the so-called “entry level,” defined by prices at less than $1,700 a square foot, is also expected to rise. More than 800 units in this category are expected to enter the market in 2015, up from 306 in 2014. **One-bedrooms** in this segment were selling for an average of **$1.19 million** in the third quarter of 2014. . . The overall market share in this category is forecast to remain steady, with entry-level units making up just 13 percent of the new-development pie.

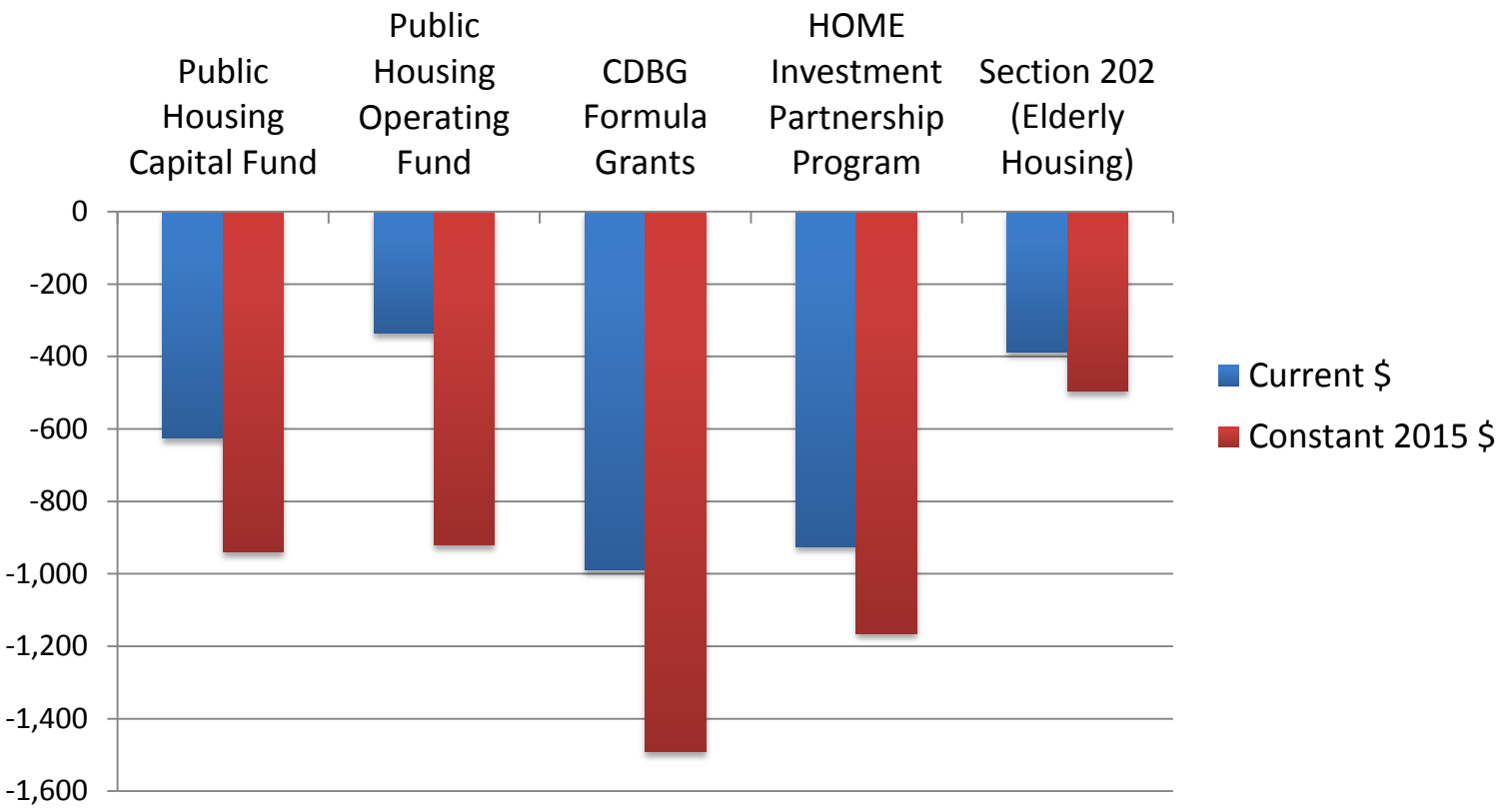
Soaring land costs have made it difficult for developers to turn a profit at these prices, said Jonathan J. Miller, the president of the appraisal firm Miller Samuel. So, unless they are working from a lower cost basis to begin with, as might be the case with land purchased several years ago, most developers are not building for the entry-level buyer. As a result, Mr. Miller said, “we are continuing to build a lot of product that is higher than **what is desperately needed**, because the math doesn’t work out otherwise.”

From “The Year of the Condo in NYC” New York Times, Jan 2, 2015

Soaring Land Costs

- Escalating land prices pose an important barrier to the construction and preservation of affordable housing in NYC.
  - Developers view 421 (a) and other tax exemptions as essential for the construction of even market rate projects.
  - “entry level” one-bedroom condo now cost more than $1.5 billion and financially difficult to provide at current land prices
  - Time for a “correction” in NYC land prices?

Federal Budget Cutbacks 2010-15 Selected Housing Program, in $Millions



Accomplishments (1)

- NYC's housing investments fundamentally transformed several low-income neighborhoods (South Bronx, Central Brooklyn, Harlem). The places are mostly still poor, but the urban fabric has been restored—some are now experiencing gentrification

South Bronx: 1970s

South Bronx 1975

Melrose area, South Bronx

Source: NBC News

Charlotte Street 1975

Charlotte Street: 2015

South Bronx Today

Arbor House

Accomplishments (2)

- NYC's investments have helped preserve thousands of affordable housing units—subsidized and unsubsidized
  - Without which even less housing would be affordable and more households would confront severe cost burdens or homelessness

Accomplishments (3)

- With the depletion of city-owned property previous used as affordable housing sites, NYC has had to pursue new funding sources and new development methods. Most recently, it has sought to provide legal representation for tenants at risk of eviction

Key Challenges

- New Construction—will the private market prove sufficient for inclusionary zoning? Will high land prices hinder new construction of affordable housing?
- Preservation—Public Housing, Rent Regulation, Eviction prevention,
- Limited Federal & State Support

Inclusionary Zoning

- de Blasio plan assumes more than half of all new construction units will be generated through mandatory inclusionary zoning
  - Feasible? Will there be enough private development to create 50,000 units over 10 years? If not, plan will require additional capital funds
  - Unintended consequences? Will increases in density and changes in neighborhood demographics spark increases in market rents overall?

Conclusions

- Housing New York is probably the most ambitious of NYC's very ambitious affordable housing plans since Mayor Koch plan of 1987, especially as it relies on leveraging private housing development to an unprecedented scale, and federal and state support is modest at best.

Conclusions (2)

- With Housing New York, NYC continues to lead the nation in the scale and innovation of its affordable housing efforts.
- Unfortunately, the plan will fall far short of meeting the housing needs of the lowest income New Yorkers—without federal subsidy (public housing, vouchers) it is virtually impossible for a city or state to meet these housing needs.

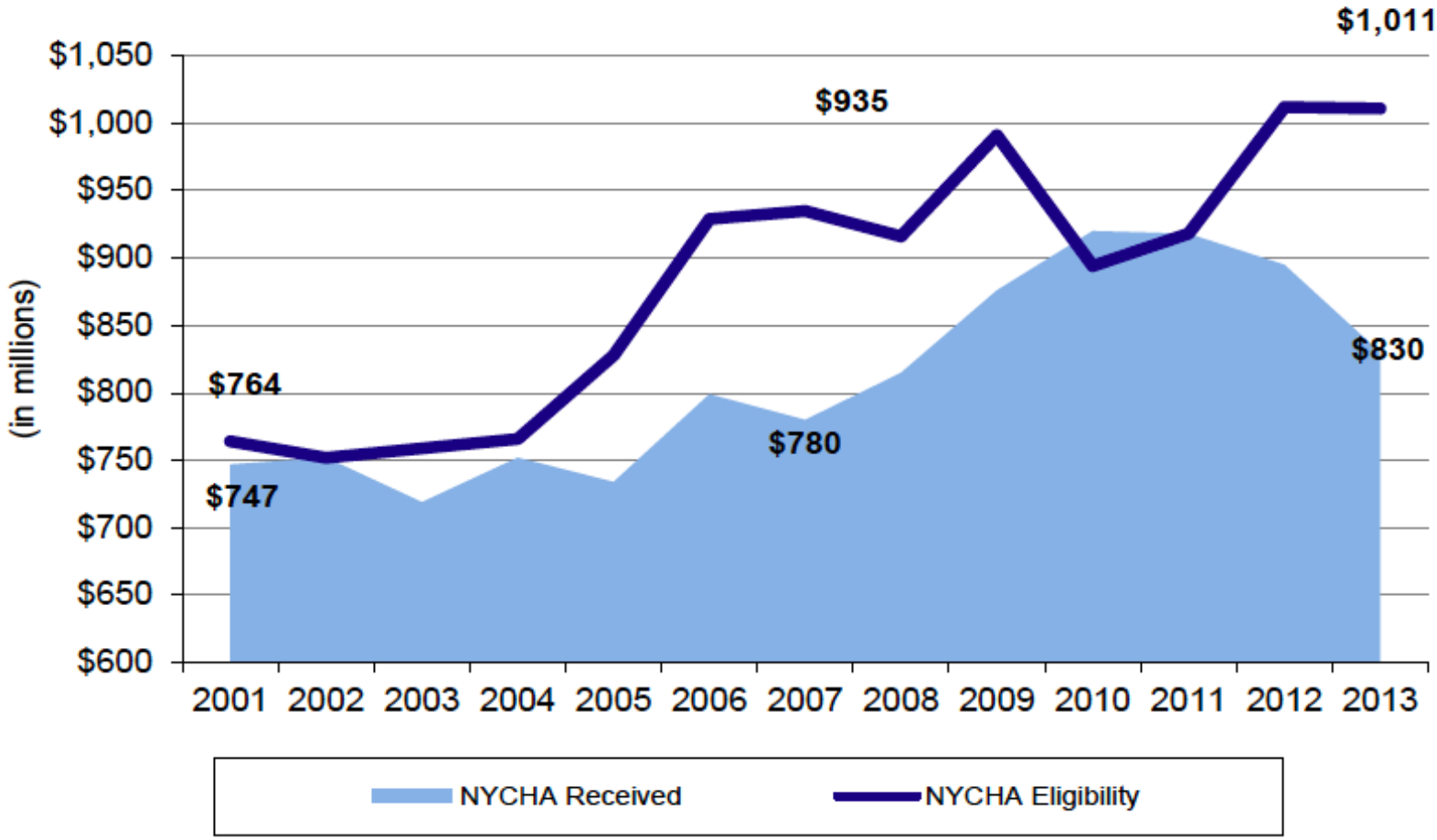
Thank You

Extra Slides

Public Housing

- NYC is about the only big city not determined to demolish most of its public housing.
- NYCHA Public housing has $18 billion in unfunded capital needs. 75% of the stock is more than 40 years old
- Federal support for public housing has been declining

Federal Operating Funding and Shortfall since 2001



Public Housing (cont'd)

- Mayor de Blasio stopped charging NYCHA $70 million annually for policing
- In Dec. 2014 NYCHA sold a 50% stake in several projects with nearly 900 units to private developers who are investing $100 million in renovations. The deal gives NYCHA $350 million over 10 years. These projects had received no federal subsidy
- Federal assistance for post-Sandy recovery
- Applied one project for RAD
- Applying to join Moving to Work
- Sale of NYCHA land for housing development?

Rent Regulation

- Number of rent stabilized units decreased by 140,000 from 1994-2013—about 6,800 units annually. More than 200,000 lost since 1980s. Units lost because of decontrol, condo conversion, and demolition.
- Profit potential of deregulated housing has made tenants vulnerable to abusive and illegal behavior by landlords (intimidation, deficient services, making units unlivable). Also contributed to "predatory equity investment"

Limited Federal and State Support

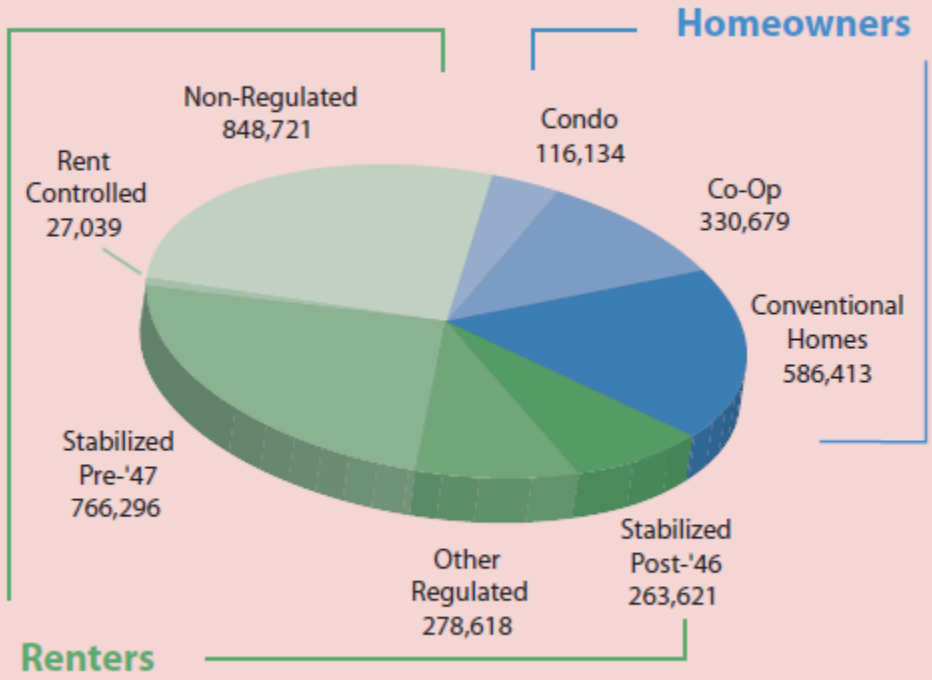
- Sharp cutbacks in most federal housing programs (public housing, block grants, vouchers)
- Governor Cuomo has provided lukewarm support for de Blasio's housing plan
  - Less funding than previously for NY/NY Supportive Housing program
  - Lukewarm support for city's rent subsidy programs for homeless families and individuals (LINC), and welfare families facing eviction (FEPS)
  - Opposed de Blasio's proposal to build 11,250 affordable housing units over 160-acre Sunnyside Rail Yards

Federal Budget for Selected Housing Programs, Millions of Constant 2015 Dollars

	2010	2011	2012	2013	2014	2015	2016 (President's Request)	Total Change 2010-15	Percent Change 2010-15
CDBG Formula Grants	4,551	3,698	3,182	3,258	3,149	3,059	2,800	-1,493	-33%
HOME Investment Partnership Program	2,082	1,782	1,079	1,003	1,039	918	1,060	-1,164	-56%
Tenant Based Federal Assistance	20,743	20,367	20,416	19,013	19,927	19,681	21,123	-1,061	-5%
Public Housing Capital Fund	2,852	2,262	2,024	1,881	1,948	1,912	1,970	-940	-33%
Pulbic Housing Operating Fund	5,447	5,119	4,277	4,291	4,572	4,527	4,600	-920	-17%
Section 202 (Elderly Housing)	941	442	405	376	399	445	455	-497	-53%
Section 801 (Disabilities Housing)	342	166	178	165	131	138	177	-205	-60%
Homeless Assistance Grants	2,127	2,108	2,052	2,046	2,187	2,177	2,480	49	2%
Project-Based Rental Assistance	9,755	10,263	10,082	9,368	10,305	9,920	10,760	165	2%

Source: Low Income Housing Coalition

New York City's Housing Stock Is Predominantly Renter-Occupied



Source: U.S. Bureau of the Census, *2014 New York City Housing and Vacancy Survey*
Note: Above figures exclude vacant units that are not available for sale or rent.