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Should the next mayor provide a rental subsidy for moderate- and middle-income households?

Housing is a substantial expense for New Yorkers, and has grown even less affordable in the last decade. Data indicate that a smaller share of the city's rental housing stock was affordable to renters at all but the highest income levels in 2011 than it was in 2002. Moderate- and middle-income households saw a big jump in the share of households that were rent-burdened during those years.



WHY IT MATTERS (CONT'D)

As housing affordability becomes more of a strain for moderate- and middle-income households, many worry that those households might choose to leave the city altogether, which could undermine the city's diversity and vitality.

THE BASICS

A number of the mayoral candidates have discussed the growing affordability challenges faced by moderate- and middle-income New Yorkers. Based on guidelines from the U.S. Department of Housing and Urban Development, low-income households have an income up to 80 percent of the area median income.¹ Moderate-income households have

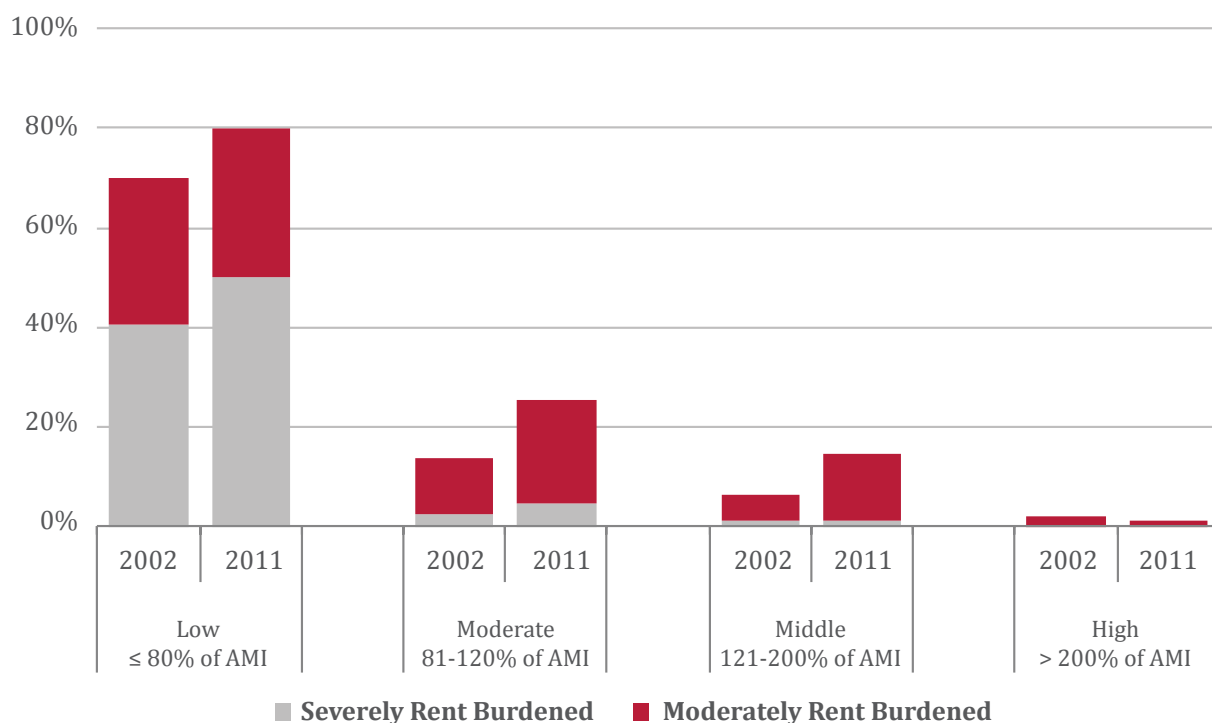
an income ranging from 81-120 percent of the area median income. Middle-income households have an income between 121-200 percent of the area median income. Moderate- and middle-income households together made up just less than a third of the city's renter households in 2011. In 2011, a three-person household² would be considered in the moderate-income range if they made between \$58,951 and \$88,350 annually.

Figure 1 depicts changes in the shares of households that are “rent burdened”—paying

1 U.S. Department of Housing and Urban Development. *HUD Program Income Limits (Section 8, Section 221(d)(3)BMIR, Section 235 and Section 236)*. Retrieved from <http://www.huduser.org/portal/datasets/il.html>

2 The average household in New York City has 2.67 people.

FIGURE 1: Rent Burdened Households by Income Group, New York City



Source: New York City Housing and Vacancy Survey, U.S. Department of Housing and Urban Development Income Limits, Furman Center



30 percent or more of income toward rent and utilities. Between 2002 and 2011, the proportion of households that were rent burdened increased as much for moderate-income households as for low-income households. However, rent burdens remain significantly higher for low-income renters. By 2011, only one out of four moderate-income households was rent burdened, while a full 80 percent of low-income households were rent burdened (and half were severely rent burdened, having paid at least half their income to rent and utilities).

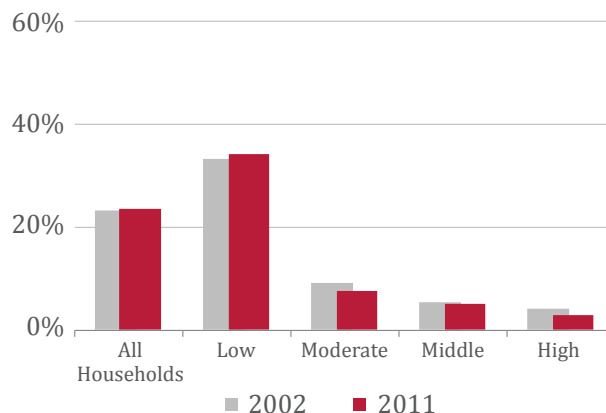
While an increasing share of the moderate- and middle-income households are rent burdened, these households are not well served by existing government housing subsidies. Most of the government's rental housing subsidies benefit low-income households.³ Figure 2 shows that only a small share of moderate- and middle-income rental households reported receiving rental subsidies from the government (such subsidies include both units of housing in subsidized buildings and vouchers that pay a portion of a tenant's rent). Further, New York City's Independent Budget Office reports that only 15 percent of ownership and rental units created and preserved from 2004 to 2011 through the New Housing Marketplace Plan served moderate- and middle-income households.⁴

Moderate- and middle-income households, however, do benefit from rent regulation,

3 The focus of our discussion here is subsidies for rental housing. Some existing programs, including generous federal tax subsidies for deductions for home mortgage interest and property taxes, benefit moderate- and middle-income homeowners. Because more households in New York City (including more moderate- and middle-income households) rent than in the rest of the country, those tax expenditures are less helpful to New Yorkers than rental subsidies targeted to moderate- and middle-income households might be.

4 New York City Independent Budget Office. (2012). *The Mayor's New Housing Marketplace Plan: Recession, Funding Shifts, and Changing Goals Mean Fewer New Apartments Likely to Be Built*. Retrieved from <http://www.ibo.nyc.ny.us/iboreports/nhmp2012.pdf>

FIGURE 2: Share of Renter Households Receiving Housing Subsidies by Income Group, New York City



Source: *New York City Housing and Vacancy Survey, U.S. Department of Housing and Urban Development Income Limits, Furman Center*

which is not a government-funded subsidy, but is intended to moderate rising rents. Figure 3 shows that nearly half of all moderate- and middle-income renter households lived in rent-regulated buildings in 2011.

New York City operates a few ongoing programs to encourage the creation of new rental housing—such as the New Housing Opportunities Program, Participation Loan Program, and Mixed Income (50/30/20) Program—that are designed to serve low- to middle-income households.⁵ While the Mixed Income Program sets aside a minimum percentage of units for moderate- and middle-income households, the other two programs named above have set income limits but have no firm requirements for how units are apportioned between the different populations served.

5 Furman Center for Real Estate and Urban Policy and Moelis Institute for Affordable Housing Policy. *Directory of New York City Affordable Housing Programs*. Retrieved from <http://furmancenter.org/institute/directory>



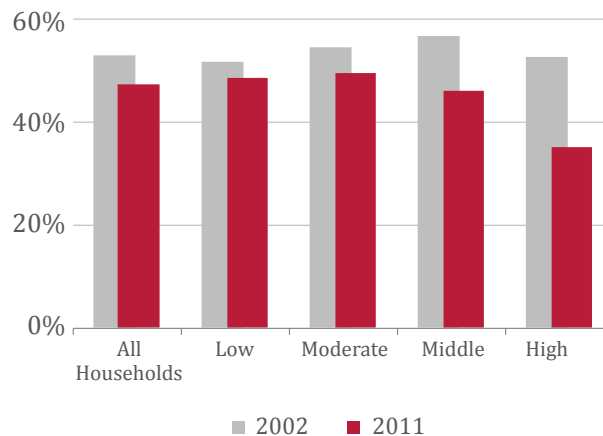
QUESTIONS & CONSIDERATIONS

A new subsidy targeted to moderate- and middle-income renters could mitigate their housing cost burdens, which grew significantly over the past decade (especially for moderate-income renters). Furthermore, targeting subsidized units for moderate-income households might encourage those moderate-income households who are currently living in units affordable to low-income households to move into the newly subsidized units, freeing up their original apartment for a low-income household.

However, unless the city devotes funds for moderate- and middle-income rental subsidies that are over and above existing subsidies, those subsidies could divert the public resources now allocated to low-income renters, and reduce the scarce subsidy dollars available to them. That could place lower-income households at greater risk of housing insecurity.

Candidates who propose moderate-income subsidies should specify precisely where the funds for the subsidy would come from, directly address the tradeoffs involved in using the money for moderate-income rather than lower

FIGURE 3: Share of Renter Households in Rent Regulated Units by Income Group, New York City



Source: New York City Housing and Vacancy Survey, U.S. Department of Housing and Urban Development Income Limits, Furman Center

income households and explain how and why they would make those tradeoffs. Candidates should also explain what role additional investments in housing subsidies should play in the mix of other possible initiatives aimed at keeping moderate- and middle-income households in the city, such as improvements in schools or lower taxes.