



FURMAN CENTER
FOR REAL ESTATE & URBAN POLICY
NEW YORK UNIVERSITY
SCHOOL OF LAW • WAGNER SCHOOL OF PUBLIC SERVICE



MOELIS INSTITUTE
FOR AFFORDABLE HOUSING POLICY
NEW YORK UNIVERSITY
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INTRODUCTION TO THE SERIES

Although the real estate market in New York City slowed considerably during the recent downturn, there was no slowdown in the demand for affordable housing.

Over the past decade, rents across the city continued to rise while incomes stagnated or fell. The next mayor will have to take on the challenge of addressing growing housing needs in an environment of shrinking federal support and a strengthening real estate market.



The Moelis Institute for Affordable Housing Policy at the Furman Center, which seeks to foster frank and productive discussions about issues relating to housing and land use policy, sponsored a mayoral forum on affordable housing in April 2013. Through that forum and our own research, we identified 10 key affordable housing issues that will confront the next mayor of New York City. We have prepared 10 #NYChousing briefs to address these issues. Each brief provides context, background, and data to inform the debate on one of the ten issues.

NEW YORK CITY'S AFFORDABLE HOUSING SHORTAGE

New York City faces a critical shortage of affordable housing, as evidenced by several trends. First, the number of New York households struggling to afford rental housing grew between 2002 and 2011. Figures 1a and 1b show that median rents rose by 19 percent in real dollars over those 10 years, while the real median income of renter households actually declined slightly. This combination of rising rents and stagnant incomes means that the average New Yorker spent a larger share of his or

her income on rent in 2011 than in 2002. Figure 1c shows that by 2011 well over half of New York City renters were rent burdened, spending more than 30 percent of their gross monthly income on rent and utilities.

These changes in rental housing affordability varied across income levels. Table 1 shows income thresholds defining low-, moderate-, middle-, and high-income groups, and the maximum monthly rents affordable to those groups, using guidelines from the U.S. Department of Housing and Urban Development.¹ HUD defines low-income households as those having an income up to 80 percent of the metropolitan area median income (AMI); moderate-income households have an income ranging from 81-120 percent of the AMI; and middle-income households have an income between 121-200 percent of the AMI. Using these definitions, about 63 percent of the city's renter households

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>

TABLE 1: Income Group Definitions and Maximum Affordable Rents for a Three-Person Household in New York, NY Metropolitan Area, 2011

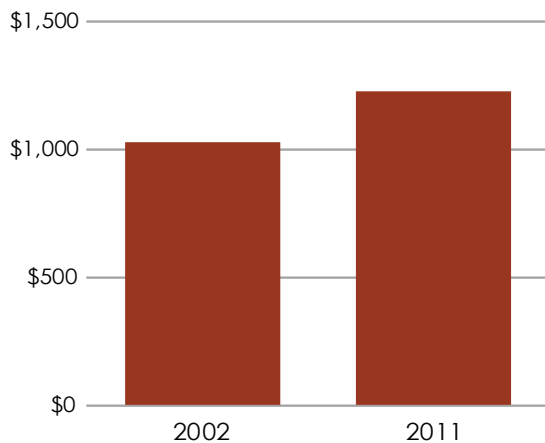
<i>Income Group</i>		<i>Percentage of Area Median Income</i>	<i>Maximum Annual Income</i>	<i>Maximum Monthly Affordable Rent*</i>
Low-income	<i>Extremely Low</i>	30%	\$22,100	\$553
	<i>Very Low</i>	50%	\$36,850	\$921
	<i>Low</i>	80%	\$58,950	\$1,474
Moderate		120%	\$88,350	\$2,209
Middle		150%	\$110,450	\$2,761
		200%	\$147,250	\$3,681

*Maximum affordable rent is defined as 30 percent of a household's monthly gross income.
Source: U.S. Department of Housing and Urban Development Income Limits, Furman Center

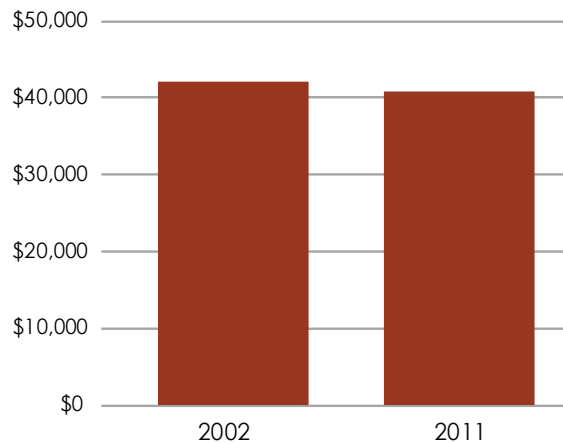


FIGURE 1: Rent, Income, and Rent Burden in New York City, 2002-2011*

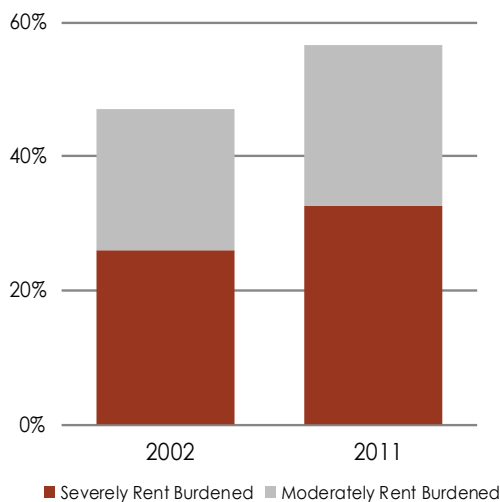
1a: Median Gross Rent (2012\$)**



1b: Median Household Income, Renter Households (2012\$)



1c: Rent Burdened Share



* The Furman Center reports similar indicators in the *State of New York City's Housing and Neighborhoods 2012* using a different data source, the American Community Survey. Furman Center for Real Estate and Urban Policy. (2013). *State of New York City's Housing and Neighborhoods 2012*. Retrieved from <http://furmancenter.org/files/sotc/SOC2012.pdf>

**Gross rent includes the rental amount agreed to in the lease plus any extra payments for utilities or fuels if these are paid for by the renter.

Source: New York City Housing and Vacancy Survey, Bureau of Labor Statistics Consumer Price Index, Furman Center

are low-income, about 30 percent are moderate- or middle-income, and eight percent are high-income, as Figure 2 shows.

Low-income households are much more likely to be paying unaffordable rents than higher-income households. In 2011, 80 percent of low-income renters were rent burdened (paying 30 percent or more of income toward rent and utilities) compared to about 26 percent of moderate-income

households and just one percent of high-income households. In all but the highest-income group, as Figure 3 shows, the share of renter households facing rent burdens grew from 2002 to 2011.

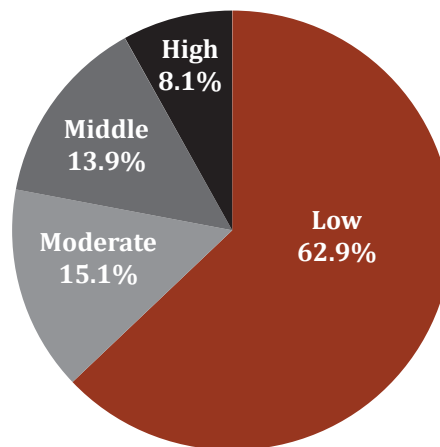
Similarly, the share of rental units affordable to low-, moderate-, and middle-income households declined. Figure 4 shows that from 2002 to 2011, the percentage of rental units affordable to a three-person



household declined for each income level. For example, in 2002, nearly 40 percent of rental units were affordable to a low-income household making 50 percent of AMI; but, by 2011, just 26 percent of rental units were affordable to a similar household, a decline of 14 percentage points. The percentage of affordable rental units declined the most for low-income households earning between 50 and 80 percent of the area median income. While the share of rental units affordable to households at higher incomes also declined, the reductions were small, and a substantial proportion of occupied rental units remained affordable to these households.

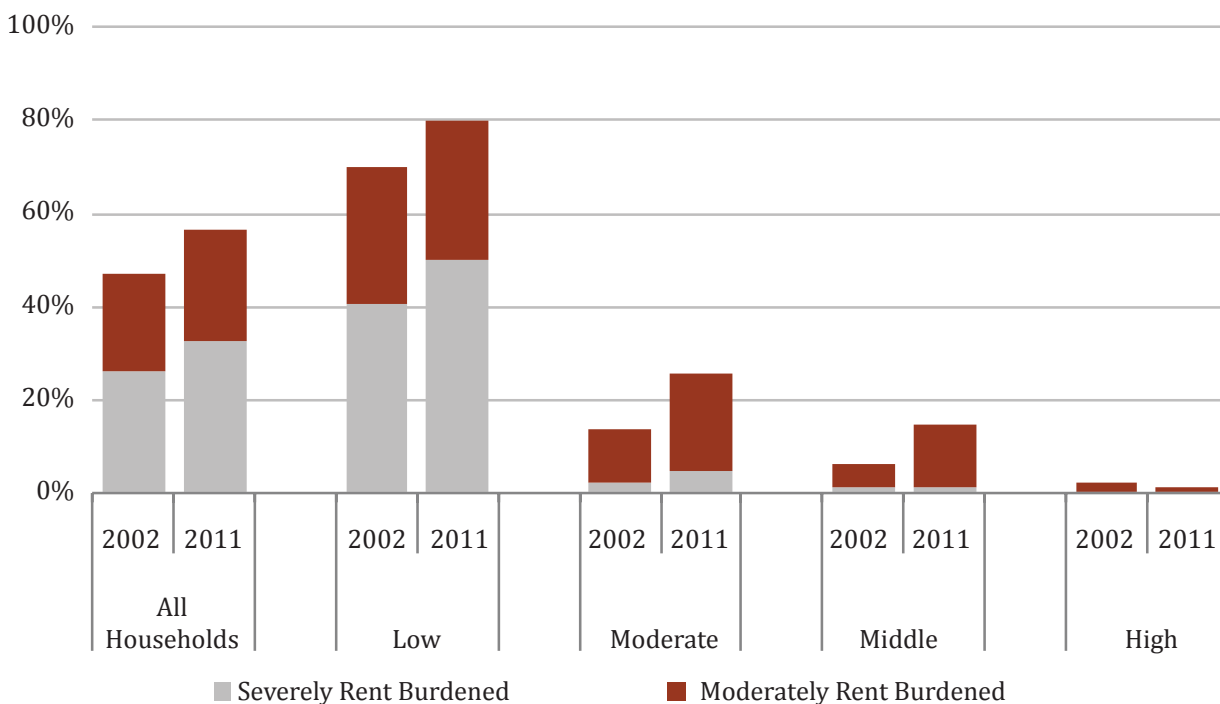
These data demonstrate that the need for affordable housing in New York City has

FIGURE 2: Share of Renter Households in Income Group, New York City, 2011



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

FIGURE 3: Rent Burdened Household by Income Group, New York City*



*The Furman Center reports similar indicators in the State of New York City's Housing and Neighborhoods 2012 using a different data source, the American Community Survey. Furman Center for Real Estate and Urban Policy (2013).

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

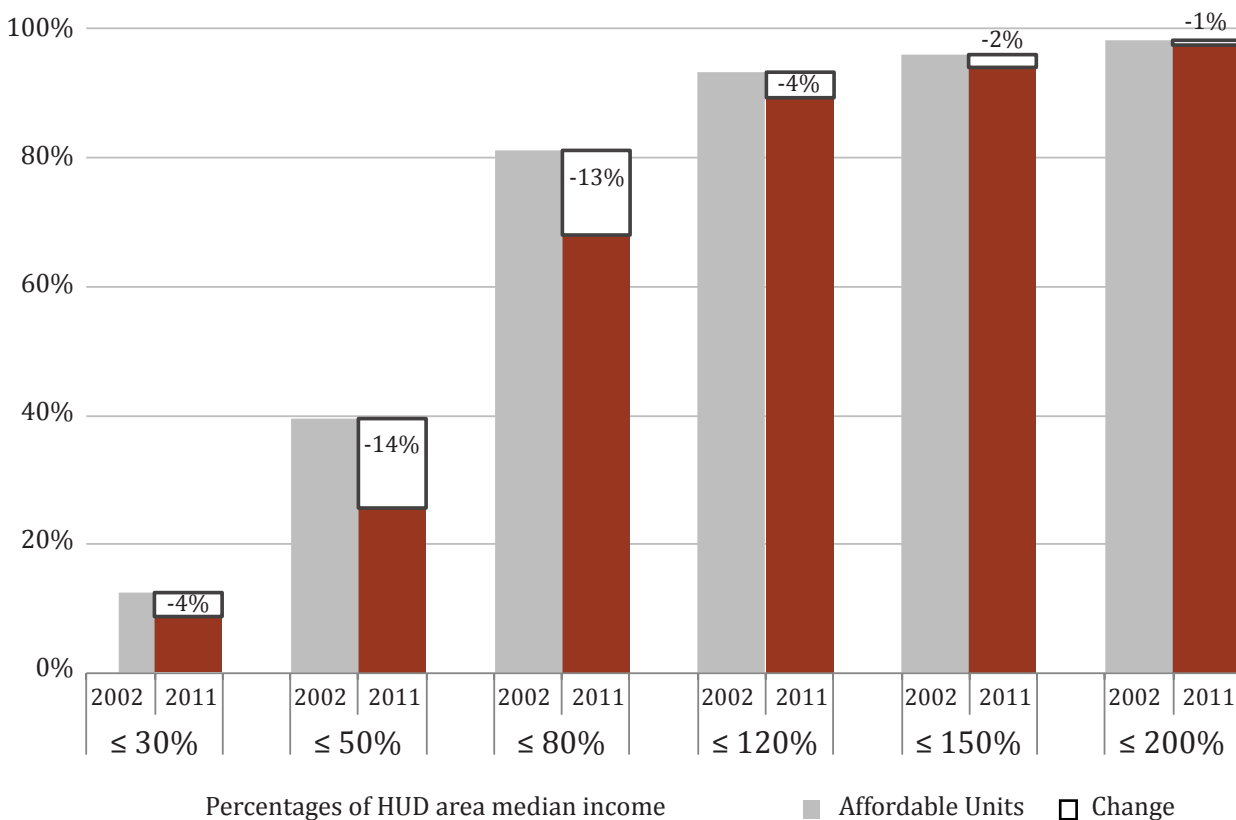


only grown over the last decade, particularly among low-income New Yorkers. The next administration will have to give careful consideration to how New York can address its growing affordable housing needs in a world of shrinking federal resources. Many proposals have been put forward by the mayoral candidates and housing organizations regarding how to address these trends. Our 10 #NYChousing briefs seek to contribute to the public debate of what we believe to be among the most critical of these policy questions. Our 10 topics are:

1. Should the next mayor commit to build or rehabilitate more units of affordable housing than the Bloomberg Administration has financed?

2. Should the next mayor require developers to permanently maintain the affordability of units developed with public subsidies?
3. Should the next mayor adopt a mandatory inclusionary zoning program that requires developers to build or preserve affordable housing whenever they build market-rate housing?
4. Should the next mayor seek to expand the use of city pension funds to develop affordable housing?
5. Should the next mayor provide a rental subsidy for moderate- and middle-income households?

FIGURE 4: Share of Occupied Units Rented at or Below Maximum Affordable Rent for Three-Person Households by Income Group, New York City



Source: New York City Housing and Vacancy Survey, U.S. Department of Housing and Urban Development Section 8 Income Limits, Furman Center



6. Should the next mayor permit more distant transfers of unused development rights to support the development of affordable housing?
7. Should the next mayor support the New York City Housing Authority's plan to lease its undeveloped land for the construction of market-rate rental housing?
8. Should the next mayor allow homeless families to move to the top of the waiting list for housing vouchers or public housing?
9. Should the next mayor offer to cap the property tax levy on 421-a rental properties in order to preserve the affordable units within those buildings?
10. How should the next mayor prioritize the preservation of existing affordable housing units?

About the Furman Center and the Moelis Institute for Affordable Housing Policy
 The Furman Center for Real Estate and Urban Policy is a joint center of the New York University School of Law and the Robert F. Wagner Graduate School of Public Service at NYU. Since its founding in 1995, the Furman Center has become a leading academic research center devoted to the public policy aspects of land use, real estate development, and housing. The Furman Center launched the Moelis Institute for Affordable Housing Policy to improve the effectiveness of affordable housing policies and programs by providing housing practitioners and policymakers with information about what is and is not working, and about promising new ideas and innovative practices.

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