

## **Taking Stock of New York's Housing**

**03 Oct 2007**

Every year, the [Furman Center at NYU](#) peruses 1,800 types of data from more than a dozen different sources to compile its [report on the State of New York City Housing and Neighborhoods](#), filled with fascinating data about where we live and how we live in New York.

*In the recently released report for 2006, the center focused on homeownership and found that only a third of all New Yorkers own their homes, compared with two thirds of all Americans.*

*The report also found an increase in the production of new housing—but not enough. The new homes, it said, still “fall short of what is necessary to keep up with the population growth of the 1990s.”*

*The Furman Center, like [other researchers](#), also saw signs of the foreclosure crisis. While some parts of the city have escaped the rise in the number of foreclosures, its report found high rates of foreclosures in some areas.*

*Perhaps most ominously, the report saw a dramatic increase in sub-prime lending with these loans — made to people with problematic credit records and often charging very high interest — accounting for more than a fifth of all mortgages issued in the city in 2005. Because of their often onerous terms, the report noted, these mortgages are far more vulnerable to foreclosure.”*

*Last week, two of the report's authors sat down for an online chat, answering questions from Gotham Gazette staff and readers. Vicki Been is the director of the Furman Center and professor at the NYU School of Law. Ingrid Gould Ellen, co-director of the Furman Center, is an associate professor at NYU's Robert F. Wagner Graduate School of Public Service.*

**Gotham Gazette:** To start, maybe you could briefly describe a few of the key trends you found in this year's report.

**Ingrid Gould Ellen:** One: Dramatic declines in affordability of housing, both among owner-occupied and rental stock, due to combination of rising prices and rents on the one hand, and stagnant incomes on the other.

Two: The jump in the rate of sub-prime lending – from 6.5 percent in 2002 to 22.9 percent in 2005.

Three: The sharp racial and ethnic disparities in homeownership rates in New York City. We found the low homeownership rates among Hispanic New Yorkers the most striking. Only 16 percent of Hispanic New Yorkers owned their homes in 2005, as compared to 43.8 percent of non-Hispanic white New Yorkers.

**Gotham Gazette:** Your report describes a housing squeeze both for renters and for people buying their own homes. But there also is a lot of new construction. Can you describe what type of construction is taking place and what effects it is having on peoples' ability to find and afford a place to live.

**Vicki Been:** Residential construction activity has risen dramatically in recent years. In 2005, new building permits were issued for 31,599 units. That is more than four times as many units as the average of 7,020 that were authorized by permits each year during the 1990s.

But even that level of construction has not been sufficient to erase the gap created by low levels of construction in the 1990s, and by the swelling population and demand for housing.

**Ken Dircks:** Do the goals of the city Department of Housing Preservation and Development's [Marketplace Plan](#) align with the needs/trends you found?

**Vicki Been:** Mayor Michael Bloomberg's ambitious affordable housing plan targets more than two thirds

of the rental units to households earning \$50,240 or less. It is certainly appropriate to target the lowest income groups, but also necessary to try to help keep New York City affordable for middle class families.

**Dave Hanzel:** With rising construction costs, lack of land suitable for building, and a flat capital budget, how will the mayor meet the production targets he set forth in the New Housing Marketplace plan?

**Vicki Been:** The mayor is going to have to "create" buildable land through rezonings, innovative programs to identify underused development capacity and pressure on government agencies to be more efficient in their own use of land. He'll also have to push the envelope in terms of creative financing options. It's a huge challenge to be sure, but we certainly hope the mayor will rise to the task!

**Gotham Gazette:** There has been a lot of talk about improvement in the Bronx. But the statistics still show that Bronx neighborhoods have the highest levels of poverty, unemployment and asthma, for example, and the lowest educational levels. What, if any, signs of progress do you see?

**Vicki Been:** The Bronx saw considerable improvements in at least the following areas:

Certificates of occupancy moved from 1,220 in 2002 to 1,755 in 2004 and 1,434 in 2005, and new building permits increased from 2,626 in 2002 to 4,937 in 2005.

The percent of students performing at grade level in reading increased from 28 percent to 39.6 percent between 2002 and 2005

The percent of students performing at grade level in math increased from 24 percent to 41.5 percent during that time.

Felony crime dropped from 32.8 per 1,000 residents in 2002 to 29.4 per 1,000 residents in 2005

Elevated lead blood levels fell from 11.6 per 1000 children tested to 8.3 during those three years.

**Lauren Harrison:** Luxury condos seem to be everywhere in Central Harlem. How does this affect the rates of rent in the areas? Do renters have a valid fear of being pushed out by \$1.5 million 2 bedrooms?

**Ingrid Gould Ellen:** While dramatic changes are clearly taking place in Central Harlem, they seem to be mostly affecting the market for owner-occupied units. Rents still remain relatively low (the median monthly rent in 2005 was \$600, one of the lowest in the city), and 70 percent of all the rental units in the neighborhood are rent-regulated.

**Sara Stuart:** Downtown Brooklyn is changing very rapidly as luxury apartments are being built opposite the jail and construction is rampant. How does this compare to other neighborhoods and other periods of time?

**Ingrid Gould Ellen:** There were more units authorized by new residential building permits in Brooklyn than in any other borough in 2005 and nearly double the number authorized in 2002. So there has been a dramatic increase in construction in the borough as a whole. In terms of downtown Brooklyn in particular, we didn't see that much construction activity being completed in 2005, but we expect we will see more in our data this year.

**Gotham Gazette:** Perhaps this is a question for would be real-estate speculators. Looking at the neighborhoods where housing prices have appreciated the most since 1994, do they share any characteristics? And does that provide any clue as to where the next "hot" neighborhoods will be?

**Ingrid Gould Ellen:** This is a question we are interested in and currently researching. We're examining what characteristics of neighborhoods tend to be correlated with subsequent change, and we're most interested in learning how various public and private investments can shape a neighborhood's trajectory.

**Carlos:** Given the current less-than-favorable fiscal condition of the New York City Housing Authority and considering that the authority is an important segment of New York City's affordable housing

market, this area of urban policy seems to be a timely opportunity for the scholarly community to inform policy. This might be best pursued by taking stock of comparable public housing strategies that are occurring nationally.

What is the academic/scholarly community doing to explore options for the city to enhance the viability and sustainability of this vital housing resource? What would such options include, such as public-private partnership opportunities, etc.

**Ingrid Gould Ellen:** Good question. Unfortunately, the academic community has not paid as much attention to the public housing program as one might like. Some researchers are now working to examine how the public housing program as a whole is structured and whether providing additional flexibility to local housing authorities -- including allowing them to refinance existing developments to get an infusion of equity for capital improvements -- would help them manage their housing more effectively.

Others have explored the efficacy of using federal [HOPE VI](#) funding to rehabilitate public housing developments and convert them to mixed income developments. One challenge with HOPE VI is ensuring that existing residents are all placed in alternative, affordable housing. Researchers have also found these efforts to be very expensive.

**Jane:** How will growing numbers of foreclosures among sub-prime mortgage holders affect the market for affordable housing in the city, including supply, demand and government support?

**Ingrid Gould Ellen:** We're not seeing as many foreclosed homes sitting vacant in New York as elsewhere in the country. There still seems to be substantial demand. It is also possible that the growing foreclosure crisis and the tightening of credit markets will push households to the rental market. But we are doing further research right now on the impact of foreclosures on local neighborhoods.

**Harold Shultz:** Do you think the sub-prime lending meltdown will have an impact on affordable/rent stabilized multifamily buildings? Will it lead to increased neighborhood deterioration or reduced availability of funding for rehabilitation?

**Vicki Been:** The sub-prime lending (and broader mortgage) meltdown may impact affordable/stabilized multifamily housing in several ways:

Evidence suggests that mortgage foreclosures have a negative effect on the surrounding properties and lead neighborhoods to decline. It's not clear that New York City will follow the same path as other cities because the evidence so far on the foreclosure effect comes from cities with weak housing market in which foreclosures lead to vacancies. Foreclosures may not result in vacancies here.

A tightening of credit may cause sales prices to drop because fewer buyers will be able to bid for the units. Also, a credit squeeze will reduce the ability of people to maintain their buildings and homes.

[Real Estate Investment Trusts](#), or REITs, were buying up many of these buildings. To the extent that credit becomes tighter, and/or values drop, REITS may be less interested.

**Gotham Gazette:** At the beginning, your report has these lists of highest and lowest ranked neighborhoods by category. Some of them are fairly predictable. But a few are startling. One is the ranking for felony crime where the highest felony neighborhoods are high-end areas of Manhattan, along with Brooklyn Heights. What explains that?

**Ingrid Gould Ellen:** I think the high crime rates in some of these affluent neighborhoods are driven by the fact that they include commercial areas. The crime rate is based on the resident population; but clearly these neighborhoods have much larger daytime populations.

For more information:

[Gotham Gazette's Housing Topic](#)

[Feeling the Effects of a Housing Bust](#) (September 2007)

[The Real Foreclosure Crisis \(Sept.10, 2006\)](#)

[Will the Sub-prime Crisis Reach Manhattan? \(Sept.10, 2006\)](#)

[Housing in New York: Figuring Out the Big \(and Little\) Picture \(Sept. 18, 2006\)](#)

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