

Policy Options Brief

To: HPD Commissioner Maria Torres-Springer
From: Vivian Stephens and Mahogany Linebarger

Date: March 23, 2017
Re: The Affordable Housing Crisis in New York City

As the world becomes increasingly urbanized, planning and development in metropolitan areas like New York City faces tougher challenges in the 21st century. Uneven economic opportunities, social immobility and inequality, environmental hazards, and demographic risks are just few traits that threaten the appeal of New York City. Among all, housing remains the number one priority which elected officials and policy makers stumble across.

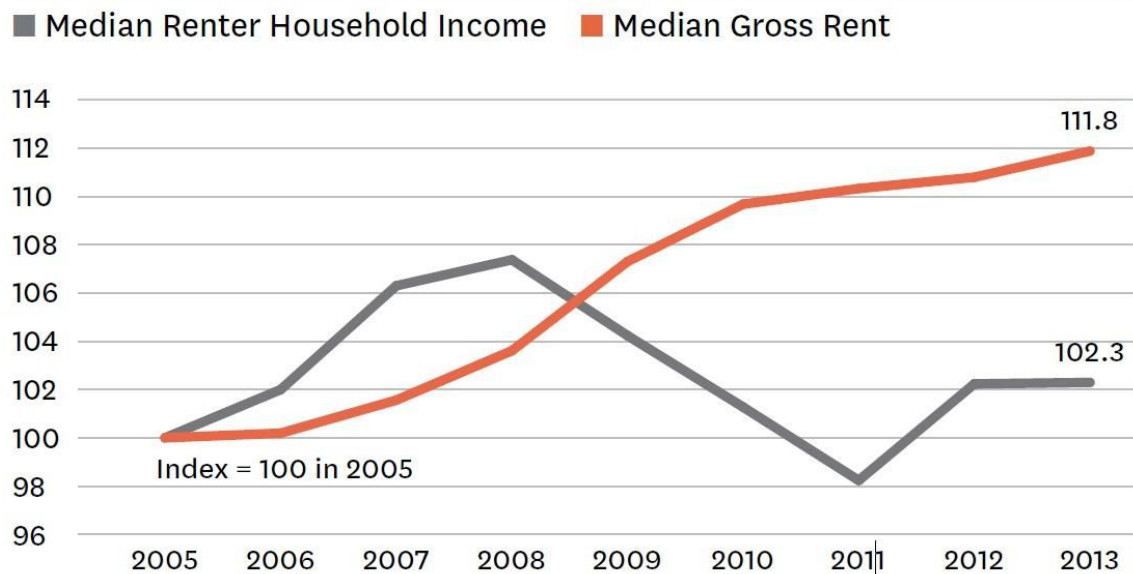
Policy Problem

Gentrification has been part of our everyday life particularly in urban neighborhoods. Due to increased interest in metropolitan areas, typically investment interest, gentrification prompts increased property values and thus median rent. It also implies that the displacement of low-income housing and small businesses is inevitable. High population density is also a key factor in housing prices. The growing population in New York City increases demand for housing, thus driving up prices for a limited supply. The statistics on the disproportionate relationship between New York City's median rent and median income does not seem so surprising to residents. According to a 2014 report from New York University's Furman Center, it was reported that the median rent for all bedrooms across New York City had increased by 12 % from 2005 to 2013 (NYU Furman Center 36). The average rent for a market-rate apartment was \$2,900 four years ago, which likely exceeds \$3,200 by now (NYU Furman Center 36). An average, middle-class household would not be able to afford this level of rent on their own. The median income for renters increased only by 2.3% within the same 8-year span (Figure: NYU Furman Center 36). In general, roughly 30 % of the tenants in New York City faced rental costs of 50 % or more of their total income (NYU Furman Center 36). Foreclosures, job shortage, lack of affordable housing, the decline in Public Assistance, access to affordable healthcare, etc. — each adds to the burden in fueling the housing

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crisis in New York City.

Index of Median Gross Rent and Median Renter Household Income (2014\$), New York City



Sources: American Community Survey, NYU Furman Center

The battle to seek the middle ground between gentrifying communities and affordable housing implementation has not been an easy one. Since the 1940s when the issue of housing raised a national awareness, the government had been on the road to creating changes in new and existing programs that dedicate to affordable housing and homelessness prevention. On the local scale, Mayor Bill De Blasio has made clear that the lack of affordable housing has reached a crisis point and the demand is too high to meet the supply between the public and private real-estate sectors:

“The private marketplace, however, has not produced enough housing for existing residents, let alone enough to accommodate the growth that the City has experienced. And, despite considerable public investment to stimulate the production of housing that is affordable to low- and moderate-income New Yorkers, the supply of publicly subsidized housing meets the needs of only a fraction of the people in those income groups.” (New York City Housing Plan)

Despite the belief of some that our system on housing policy is hopelessly broken, the prospect of the overall housing market in New York City remains hopeful. Mayor de Blasio and his administration have introduced policies and initiatives aiming to increase investment in public housing as an option to meet the needs of the poorest in the city. The following section provides two of the key solutions we believe will help alleviate the

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affordable housing crisis in the city.

Policy Options

The Housing Choice Voucher Program (Section 8)

Mayor De Blasio's plan aims to create a connection between public and private housing to curd the issues that surround the housing crisis. However, his policy is not the first in New York City to foster this connection. In 1974, under President Nixon, a two part housing policy was passed called The Housing Choice Voucher Program, or Section 8.

Outlined by the Mayor's Housing New York Plan, the Section 8 program was created through the Housing and Community Development Act of 1978. The program "works as a rental subsidy that allows families to pay a reasonable amount of their income toward rent" (NYC Housing Authority). All eligible tenants in the program each pay 30% of their adjusted annual income towards their contract rent. The adjusted annual income is a HUD term used to calculate the total income from families based on their reported savings, household structure, and various sources of income including wages, child support, social security, etc. Even without any income, the tenant pays at minimum \$50 every month to the landlord. On a national level, Section 8 program saw relative success in small cities and large success in larger cities like New York and Los Angeles. According to a study by the US Department of Housing and Urban Development (HUD) at the 30-year mark, there was a 57% success rate with the program in major cities (US Department of Housing and Urban Development).

However, as of 2015, the funding for the Section 8 housing program has been cut and applications are halted nationally. Currently on the local level, applications for Section 8 are only giving consideration to tenants who are domestic violence abuse victims or were displaced from homes due to fire or natural disasters. Unlike Mayor De Blasio's current affordable housing plan, the Section 8 program has a larger capacity, and therefore requires an application as opposed to a lottery selection. Also, the current affordable housing plans are based on granting the private developers the subsidy rather than the potential tenant or landlord. Since the Section 8 program allows recipients to use the voucher to apply for a diverse variety of housing offered in the city, the subsidy is going directly to the landlord. It also allows the low- and very low-income families to choose and rent safe, decent, and affordable privately-owned residence.

Impact Fees Policy

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On the development side, when developers of both private and public build affordable housing at low-income neighborhoods, they expand the job market for workers with lower pay. The need for housing is also accompanied by the creation of jobs, but developers are provided with little incentive to develop these housing options. Gentrification has become a paradox in most ethnic neighborhood in New York City. Because the affordable housing policy as it currently stands is more beneficial to developers, long-time residents are often priced out of their homes. To alleviate this pressure, it would be wise to implement impact fees for private developers in a way that would maximize the benefits received by all parties while developing affordable housing. An impact fee is a fee that is imposed by a local government within the United States on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development. Impact fees could be made a mandatory requirement for any development that would add to the gentrification of a neighborhood's population.

There are two types of impact fees that cities across the country have utilized to spur affordable housing development projects. One type provides developers the incentive by not leveraging fees on them. In exchange for this incentive, developers can designate a portion of the units they build to be below market rent housing. However, as we see from the current affordable housing landscape, this policy does not sufficiently meet the demand and needs for affordable apartments throughout New York City.

The second type of impact fees that can be attached to developers' projects are ones that are calculated either by size or the units they build. Other cities in the United States have established requirements such as this impact fees option to their affordable housing programs as a way to combat low-income family displacement. "Many cities and counties in San Francisco Bay Area leverage impact fees on developers, either on a per unit or per square foot rate" (Southern California Association of Governments).

Conclusion

In summary, both the Section 8 program and the impact fees policy would require revamping that tailor towards the middle and the poor working class population in New York City. Income limits for families and the payment standards for individual units, established by HUD, would need to be adjusted annually to meet the constant change of the housing market and residents. We would like to add that, although rent control policy is diminishing in the city, rent stabilization should remain a continuous focus in majority of New York City's housing stock along with these two policy options we recommend. We hope that the Mayor's Housing Plan combined with these two options will better

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accommodate housing choices for all New Yorkers and stimulate the local economy.

WORK CITED

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