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De Blasio Housing Plan Shapes Up As Historic-Scale 'Trade-Off'

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Mayor Bill de Blasio has said that he wants to be judged by how well he deals with what he calls the city's housing affordability crisis. But an analysis by POLITICO New York shows that the mayor's ambitious housing plan won't have a meaningful impact for most of the city's most severely rent-burdened residents.

It's not for lack of ambition about tackling the city's seemingly permanent affordable housing crisis.

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De Blasio has called his housing plan "literally the largest and most ambitious affordable housing program initiated by any city in this country in the history of the United States of America," and he plans to spend some \$8 billion on the effort. If successful, the plan will build or preserve 200,000 residential units over 10 years. (By comparison, former Mayor Michael Bloomberg's housing plan — itself considered to be ambitious at the time — built or preserved 165,000 units over 11 years.)

So far, since de Blasio became mayor, the plan has financed almost 53,000 units as of June 30, putting the administration on pace to reach the ten-year goal. And when de Blasio released the most recent numbers on Tuesday, he said they showed that the city was producing a higher percentage of housing for the lowest-income New Yorkers than they had planned.

But even on such a scale, the plan is premised on an admitted "trade-off" of sorts — lots more housing supply for lots of people who can afford to pay some rent, rather than less new housing for a smaller number of people who need the help even more desperately.

"Going even deeper is just simply economics," said city Housing Preservation and Development commissioner Vicki Been at a New York Law School policy breakfast last year. "It is just simply a trade-off. The cost of going deeper is so high that we would either need hundreds of millions more [in city subsidy] for housing or we would have to reduce the 200,000-unit count. We believe that getting more housing into market will serve everyone's interests best."

While the city's calculations about its priorities can be disputed, the math can't. Helping the poorest New Yorkers would cost more than the city is planning to spend, or would enable the city to build or preserve fewer affordable new units, causing it to fall far short of its overall goals.

"Affordable" housing in this context means housing with sale price or rent restrictions that are connected to the household's income. The city subsidizes affordable apartments because the rents



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are not enough to pay for the costs of operating the building, including debt service costs from construction and ongoing maintenance and operations costs.

The city pays some of the construction costs, which decreases debt costs for the building. But the lower the rent is for the apartment (which can be rented to household with less income) the smaller share of actual costs the rents cover which means the city needs to increase subsidies.

In New York City 379,000 of the poorest households were severely rent burdened in 2014, paying more than 50 percent of their rent, according to Housing and Vacancy Survey data compiled by the Citizens Budget Commission. The de Blasio housing plan provides 40,000 apartments to this income group.

The poorest households are classified as "extremely low income" and "very low income" in the affordable housing world. Extremely low income households make less than \$25,150 for a family of four and de Blasio's plan aims to provide 16,000 apartments to these households, while 246,000 of these households are severely rent burdened, according to the data from CBC.

Very low income households are defined as those earning between \$25,150 and \$41,950 and 133,000 are severely rent burdened, while the plan aims to provide 24,000 apartments to these households.

In addition to the rent-burdened households, there were 27,950 families and single adults, including 12,615 families with children, in the homeless shelters run by the Department of Homeless Services on July 25. According to data provided by DHS, more than 98 percent of families with children, the only data DHS could provide, were very low or extremely low income.

The majority of the apartments in the housing plan, 116,000 over ten years, go to households called low income and making between \$41,950 and \$67,120. The median income in the New York City was \$52,737 between 2010 and 2014 according to the U.S. Census Bureau.

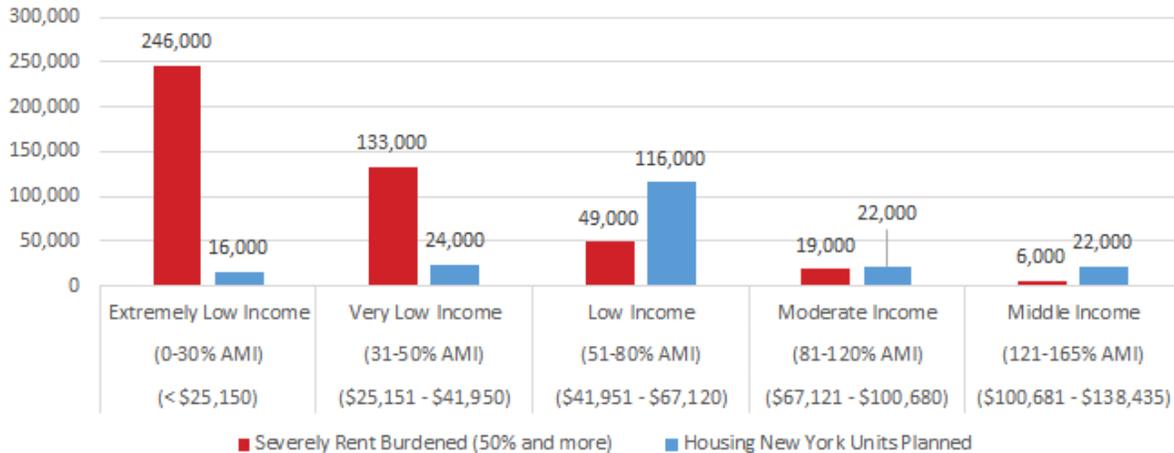


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Comparing rent burden and de Blasio's housing plan

Number of severely rent burdened households in New York City compared to Bill de Blasio's Housing New York affordable housing plan goals, by income



Source: Rent burden numbers from Citizens Budget Commission; housing plan goals from original plan document

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Under the mayor's plan, 22,000 apartments will go for households making between \$67,121 and \$100,680, called moderate income households, and another 22,000 will go for households earning between \$100,680 and \$138,435, called middle income, though they make well above the median income. According to the CBC data, 19,000 moderate income households and 6,000 middle income households are severely rent burdened.

But these numbers show there is a huge gap between the number of poor households that are severely rent burdened and the housing that de Blasio's plan will make available to them at the end of 10 years.

Austin Finan, a spokesman for de Blasio, points out that de Blasio's plan provides more units for the very low income and extremely low income than former Mayor Michael Bloomberg's plan did.

"In two years of Mayor de Blasio's housing plan, HNY has created nearly 2,000 affordable homes for extremely low income New Yorkers," said Finan. "That is more than was financed under the last five years of the Bloomberg plan. In two years, we have created more units on average for extremely-low, very-low, and low-income New Yorkers than were created on average under the last plan in five years. We build and protect affordable housing not only for severely rent burdened families, but those rent burdened families paying more than 30% of their income in rent."



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Some housing advocates look at the rent burden data and conclude that the mayor's plan has the wrong priorities, that it should be spending more of its resources on the extremely low income and very low income households.

"It would be great to refocus the housing plan not just on units but real affordability for people with greatest need," said Harvey Epstein, project director at the Urban Justice Center.

De Blasio's pledge for 200,000 affordable apartments started on the mayoral campaign trail. Moving to a plan with fewer apartments, even for the noble goal of providing more housing for the very poor, would mean he loses a big political talking point and fails to deliver on a campaign promise.

But if de Blasio wanted to keep the 200,000 unit goal but still have more housing for the very poor, he'd have to spend more money, after already doubling city capital spending on affordable housing when he took office in order to make his 200,000 unit goal achievable.

How much more expensive is housing for very low income households? According to numbers provided to POLITICO New York by Nixon Peabody, a law firm with experience in affordable housing in New York City, if the city spends \$25 million in capital subsidy, they can create 100 apartments for very low income households. But that same subsidy could produce roughly 250 apartments for low income families, or 2.5 times as many apartments, because the higher rents cover more costs.

And according to Nixon Peabody data, at rents below roughly \$25,150 for a family of three, they would need to use expense funding every year to support the housing because the rents are so low they don't cover the operating costs of the building.

With these costs, even if de Blasio decided to change the focus of the plan towards the lowest incomes, it still couldn't solve the problem.

For example, the funding for the 116,000 low income apartments could instead yield roughly 46,000 additional apartments for very low income households. This would more than double the number of housing for very low income households in the plan, but still falls well short of the 133,000 very low income households that are severely rent burdened, not to mention the extremely low income.

City Planning Commissioner Carl Weisbrod told POLITICO New York that New York City would need 500,000 affordable apartments to ease the current crisis.

De Blasio himself has maintained that "fundamental" change in the city's housing situation is possible, if a long way off.

In a New York Magazine article last year de Blasio said, "We have to fundamentally address the affordable housing crisis. That's how I believe I should be defined when it's all done."



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He continued, “The goal is that you never have to consider a homeless shelter. I’m not going to lie to you, it’s not all here now. We’ll take a full ten years to build it, but every year there will be more and more.”