POLICY BRIEF

August 2014

THE AFFORDABLE HOUSING CRISIS:
How Bad Is It in New York City?

In May, Mayor Bill de Blasio released his administration's affordable housing plan to create 200,000 affordable housing units over the next decade by building 80,000 new units and preserving 120,000 existing units. It requires a $41.1 billion investment, including $8.2 billion in City funds.

The impressive scale of the plan reflects the seriousness of the problem. In the preceding months, the City and State Comptrollers released reports documenting the extensiveness of excessive housing cost burdens for New Yorkers, and the New York University Furman Center's annual report on New York's housing also highlighted the problem.[1] The studies show many owners and renters face high housing cost burdens, but the problem is more frequent and more serious for renters.[2]

As New York City's leaders seek to address the problem, it is instructive to ask whether New York is unique in the nature and scale of its housing affordability problem. A recent study by the Joint Center for Housing Studies of Harvard University found affordability has become more problematic across the country because household income has been nearly stagnant while rents have increased more rapidly than was previously typical.[3]

Is New York City mirroring a national trend, or is the problem particularly acute here? To help answer the question, this policy brief analyzes data from 22 U.S. cities chosen because they are among the 15 largest by population or the central cities of the 15 largest metropolitan areas by population. The group ranges in size from New York City with 8.2 million people to Riverside, California with about 303,000 people in 2012.

The analysis indicates New York City has unique features, but it is in the middle range of large cities by some indicators of the severity of the affordable housing problem:

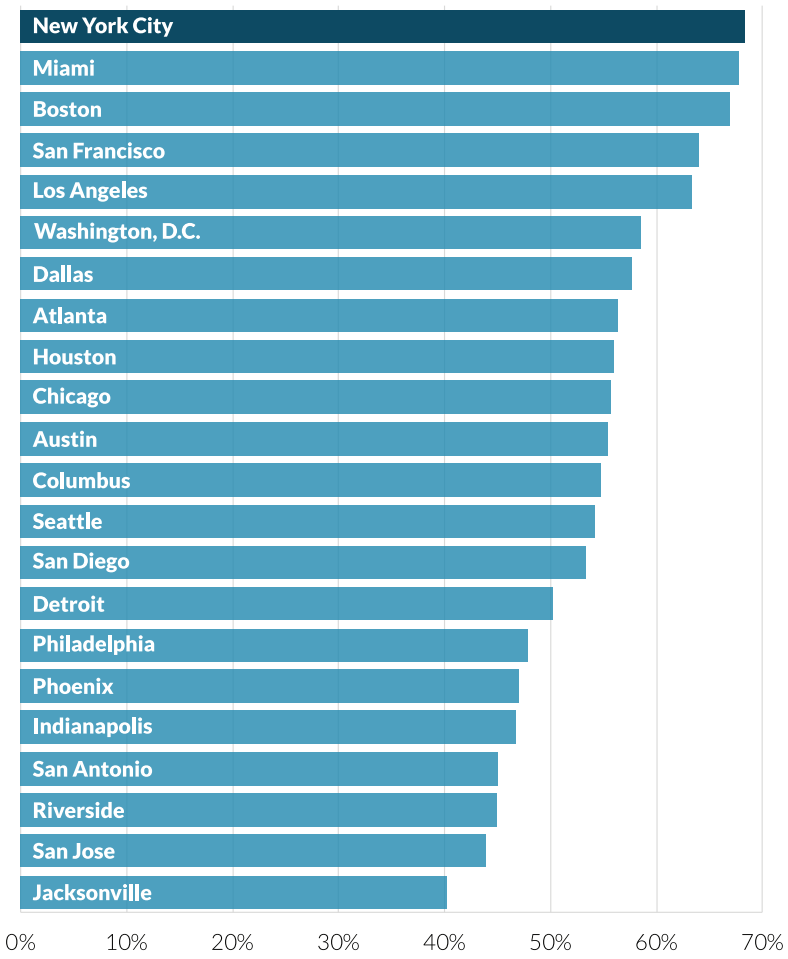
- New York City relies more heavily on rental, as opposed to owned, housing than all other large cities; more than two of every three occupied housing units are rental.
- The increase in housing supply since 2000 was slower in New York City than in every other large city with population growth.
- New York City does not have the highest average rents. New York City median rent ranks sixth most expensive among the 22 cities, slightly worse than 2000, when it ranked seventh.
- New York City is not the most unaffordable: New York City ranks ninth worst in rental affordability, defined as the percent of households spending more than 30 percent of income on gross rent. This is slightly better than its eighth worst ranking in 2000, although the share of renters with burdensome rent increased from 41 percent to 51 percent.

New York City – A Heavily Rental Market

As noted, affordability is a more salient issue for renters than for owners. Renters typically have lower income, likely making housing costs more burdensome.[4]

Consequently, the larger the role rental housing plays in a city's housing market, the more important affordability becomes as an issue. In New York City the issue is especially important because rental housing constitutes the bulk of the housing supply: the rental share of occupied housing units is 68.3 percent, greater than every other large city. (See Figure 1.) Second place Miami comes close with 67.7 percent. Seven of the 22 cities have a share below one-half, and Jacksonville is lowest with 40.1 percent.

Figure 1: Rental Share of Total Occupied Housing Units, Selected Cities, 2012



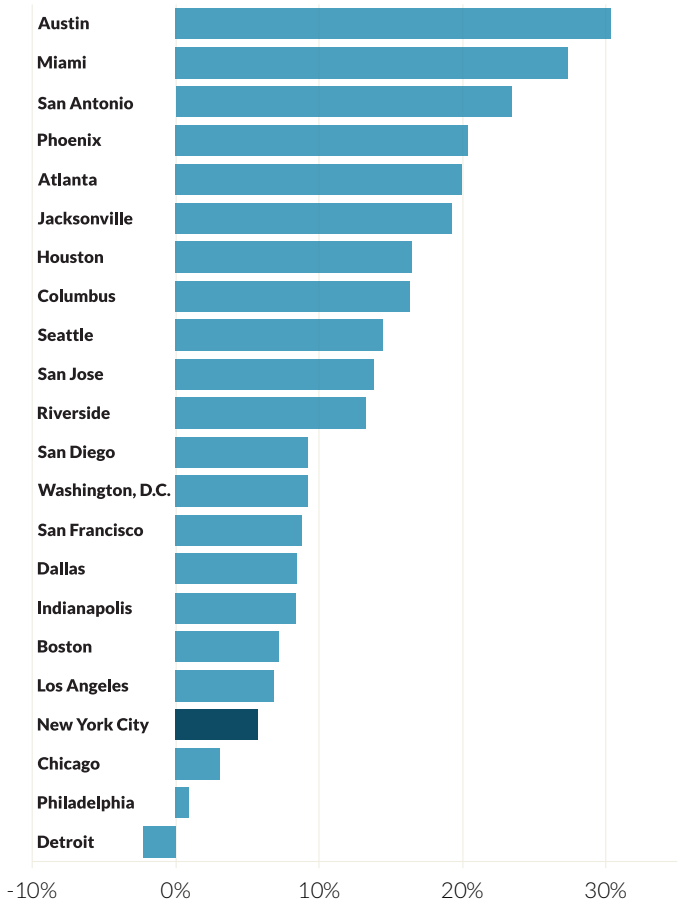
Source: U.S. Census Bureau, *2012 One-year American Community Survey Estimates* (accessed July 2, 2014), http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml.

New York City – Unusually Slow Growth in Supply

The logic of economics suggests that increasing the supply of housing can help to keep its price down. Accordingly, a growing number of housing units can contribute to housing affordability in a city.

Between 2000 and 2012 the number of housing units in New York City increased 5.8 percent. (See Figure 2.) This growth was slower than all but three of the 22 large cities, and each of those three experienced population decline rather than population growth. This distinctive feature of New York City's market suggests limited net additions to the supply is contributing to the affordability problem. The vacancy rate in New York City was 3.6 percent in 2012, below the 5 percent "emergency" level the City uses to justify rent regulation.[5] The vacancy rate is further evidence of short supply contributing to affordability problems.

Figure 2: Percent Change in Total Housing Units, Selected Cities, 2000 to 2012



Source: U.S. Census Bureau, 2000 Decennial Census - SF-3 (accessed July 7, 2014), http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml; U.S Census Bureau, 2012 One-year American Community Survey (accessed July 7, 2014), http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml.

New York City Rents – High, but Not the Highest

Among the 22 cities, New York City ranks sixth in median rent.[6] Rents are higher in three California cities, Washington, D.C., and Boston. (See Table 1.) Between 2000 and 2012 New York City's rank worsened slightly from seventh to sixth place.[7]

In addition to median rent, another meaningful indicator of affordable housing is the share of rental units with rent under $1,000.[8] By this measure New York City is the fourth worst city. (See Table 2.) San Jose, San Francisco, and San Diego in California each had a smaller share of units available for rent under $1,000.

Table 1: Median Rent, Selected Cities, 2000 and 2012

City	2000 Median Rent	Rank	2012 Median Rent	Rank
San Francisco	$928	2	$1,512	1
San Jose	$1,123	1	$1,466	2
San Diego	$763	4	$1,298	3
Washington, D.C.	$618	12	$1,235	4
Boston	$803	3	$1,234	5
New York City	$705	7	$1,196	6
Los Angeles	$672	8	$1,148	7
Riverside	$670	9	$1,078	8
Seattle	$721	6	$1,072	9
Austin	$724	5	$974	10
Atlanta	$606	14	$940	11
Chicago	$616	13	$920	12
Miami	$535	21	$915	13
Jacksonville	$598	15	$886	14
Philadelphia	$569	18	$876	15
Phoenix	$622	11	$859	16
Houston	$575	17	$823	17
Dallas	$623	10	$807	18
San Antonio	$549	20	$800	19
Columbus	$586	16	$788	20
Indianapolis	$567	19	$748	21
Detroit	$486	22	$725	22

Source: U.S. Census Bureau, *2012 One-year American Community Survey Estimates* (accessed on July 2, 2014), http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml; U.S. Census Bureau, *2000 Decennial Census (accessed on July 2, 2014)* , http://factfinder2.census.gov.

Table 2: Percent of Rental Units with Rent Less than $1,000, Selected Cities, 2012

City	Percent	Rank
Indianapolis	83%	1
Detroit	82%	2
Columbus	77%	3
San Antonio	74%	4
Dallas	72%	5
Houston	70%	6
Phoenix	66%	7
Philadelphia	66%	8
Jacksonville	63%	9
Chicago	60%	10
Atlanta	59%	11
Miami	59%	12
Austin	54%	13
Seattle	45%	14
Riverside	44%	15
Los Angeles	39%	16
Boston	38%	17
Washington, D.C.	37%	18
New York City	37%	19
San Diego	30%	20
San Francisco	29%	21
San Jose	23%	22

Source: U.S. Census Bureau, 2012 One-year American Community Survey Estimates (accessed on July 2, 2014), http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml.

Rent Versus Income – Middle of the Pack

Gross rents indicate housing costs, but not *affordability*. Affordability is often assessed by comparing rental cost to household income. The U.S. Department of Housing and Urban Development's (HUD) standard measure for housing affordability is 30 percent of income, with a ratio below 30 percent considered "affordable" and higher ratios considered burdensome.[9]

By this measure of affordability, New York City ranks as the ninth worst among the 22 selected cities. (See Table 3.) In 2012, 51 percent of New York City rental households spent more than 30 percent of their income on housing; the share was highest in Miami at 62 percent with Los Angeles in second place at 59 percent.

Between 2000 and 2012 the share of rental households in New York City with unaffordable housing increased from 41 percent to 51 percent. Despite the adverse trend New York City shifted from eighth worst to ninth worst among the 22 cities. The news was bad in all cities; all 22 experienced an increase in the share of rental households with unaffordable housing.

Table 3: Percent of Rental Households with Rent Greater than 30 Percent of Income, Selected Cities, 2000 and 2012

	2000		2012	
City	Percent	Rank	Percent	Rank
Miami	49%	1	62%	1
Los Angeles	45%	3	59%	2
Detroit	40%	11	58%	3
Riverside	46%	2	57%	4
Jacksonville	34%	22	55%	5
San Jose	42%	7	52%	6
San Diego	43%	4	52%	7
Philadelphia	43%	5	52%	8
New York City	41%	8	51%	9
Phoenix	39%	13	50%	10
Indianapolis	35%	18	50%	11
Atlanta	40%	10	49%	12
Chicago	38%	14	49%	13
Austin	42%	6	48%	14
Boston	40%	9	48%	15
Houston	34%	21	47%	16
Columbus	36%	15	46%	17
Washington, D.C.	35%	19	46%	18
San Francisco	36%	16	46%	19
San Antonio	36%	17	45%	20
Seattle	40%	12	44%	21
Dallas	35%	20	44%	22

Source: U.S. Census Bureau, 2000 Decennial Census SF-3, http://factfinder2.census.gov; U.S. Census Bureau, *2012 One-year American Community Survey Estimates* (accessed July 2, 2014), http://factfinder2.census.gov.

Conclusion

New Yorkers tend to think of themselves and their city as unique. With respect to affordable housing, this view is only partly true. New York City's rental market is unique in its large role in the total housing market, and New York City's housing supply is growing more slowly than in other thriving cities. But despite popular impressions, New York City's rents are not the highest in the nation. Although the share of households with excessive rent burdens is high in New York, the situation is worse in eight other large cities.

CBC's work on competitiveness highlighted housing costs as a risk for New York City's attractiveness as a place to live. The comparative data put the local problem in perspective nationally, and the data suggest policy solutions that increase development and the supply of housing are appropriate. The findings here also raise other questions regarding New York City's competitiveness; do location-based costs like transportation change the affordability equation? This question is examined in our next policy brief in the series.

Endnotes

[1] New York State Office of the State Comptroller, *Housing Affordability in New York State* (March 2014), www.osc.state.ny.us/reports/housing/affordable_housing_ny_2014.pdf; Office of the Comptroller City of New York, *The Growing Gap: New York City's Housing Affordability Challenge* (April 2014), http://comptroller.nyc.gov/wp-content/uploads/documents/Growing_Gap.pdf; Furman Center for Real Estate and Urban Policy, *State of New York City's Housing and Neighborhoods in 2013* (May 2014), http://furmancenter.org/research/sonychan.

[2] In 2012, 51 percent of renters in New York City spent more than 30 percent of income on rent; 41 percent of homeowners in New York City spent more than 30 percent of income on homeowner costs. Additional benefits of home ownership not captured in housing burden formulas include tax benefits such as mortgage interest tax deductions and deductions for capital improvements to property, as well as equity stake in a home. For more detail, see: U.S. Census Bureau, *2012 One-year American Community Survey Estimates* (accessed July 2, 2014), http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml.

[3] The Joint Center for Housing Studies of Harvard University reports the total number of renters grew by about 500,000 in 2013, and the rental vacancy rate for 2013 was 8.3 percent, the lowest since 2000. The report cites the recession as reducing household incomes, increasing demand for rentals nationwide. Cost-burdened households increased from 29.6 percent in 2001 to 37.2 percent in 2010, recently edging downward to 35.3 percent in 2012. For more detail from the report, see: Joint Center for Housing Studies of Harvard University, *The State of the Nation's Housing* (June 26, 2014), www.jchs.harvard.edu/research/state_nations_housing.

[4] According to the Joint Center for Housing Studies of Harvard University, 46 percent of renters in America had income less than $30,000. For more detail, see: Joint Center for Housing Studies of Harvard University, *America's Rental Housing: Evolving Markets and Needs* (December 9, 2013), www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf.

[5] New York State Emergency Tenant Protection Act, Chapter 576 of 1974, sec. 3.

[6] The median rent measure is based on "gross rent" including contract rent and utility costs paid by the tenant. Median rent is a commonly used measure for assessing housing prices because it is not skewed by outliers.

[7] The median rent in the United States during the same period increased from $602 to $884. For more detail, see: U.S. Census Bureau, *2000 Decennial Census SF-3*, http://factfinder2.census.gov; U.S. Census Bureau, *2012 One-year American Community Survey Estimates* (accessed July 2, 2014), http://factfinder2.census.gov.

[8] Note these figures are in nominal dollars and are not adjusted for inflation.

[9] U.S. Department of Housing and Urban Development, *Affordable Housing* (accessed June 24, 2014), http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/.

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This policy brief is the first in a series examining housing affordability in New York City. The brief was researched and prepared by Rahul Jain, Senior Research Associate, and co-written by Charles Brecher, Consulting Research Director. Editorial guidance was provided by Maria Doulis, Director of City Studies.

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