HUFFPOST NEW YORK
NEWS, BLOGS, CITY GUIDE

Rent Regulation Is Not Affordable Housing

Posted: 05/23/11 04:19 PM ET

The laws that authorize New York City's rent regulation system are set to expire on June 15, 2011. Expansion of rent regulations will not provide affordable housing to more low- and middle-income families in New York City and will only deepen and perpetuate the subsidy that families in unregulated housing are giving to those at all income levels fortunate enough to have rent-regulated apartments.

Poorly Targeted Protections

The current system of rent regulations in New York City originated from national price controls implemented after World War II. The laws' intent was to prevent price-gouging at a time of low construction and high demand; they were not intended to provide affordable housing. The resulting rent discounts are, therefore, not well-targeted to low- and moderate-income households. In fact, the highest-income households receive the largest average benefit, a discount about one-third greater than that for moderate-income households. Only about 60 percent of benefits accrue to households with incomes below $50,000, and 14 percent go to households with incomes of $100,000 or more. The benefits are greatest for households in Manhattan, whose average discount is more than four times that of households in the Bronx.

The system has one link to income known as high-income, high-rent vacancy decontrol: a landlord can deregulate a unit if the tenant's annual income is above $175,000 for two years and the monthly rent is above $2,000. An income of $175,000 places a household into the top 6.7 percent of all city residents.

In addition, not all households in regulated housing benefit. While the majority of households in regulated units receive significant rent discounts, for nearly 30 percent the regulated rent is close to -- or even higher than -- the rent for comparable unregulated units, so there is little or no benefit from regulation. In the Bronx the figure is 42 percent, while in Manhattan it is 17 percent.

Costs to Renters Outside the System

Among all private-sector renters with incomes below $50,000, 35.8 percent are in unregulated units. For the 314,027 households in this category without access to any form of government housing assistance, only 19.6 percent have affordable housing. The reasons for their financial hardship are numerous, but rent regulation is one of them. By removing a large segment of the rental market from competitive pressures, the supply of available housing is constricted, making rents higher in the non-protected sector. Additionally, lower rents in the regulated sector reduce property values and, therefore, property tax liability by about $283 million annually. In a time of great fiscal stress, that $283 million in revenue could be used to offset public-sector layoffs and other cuts to services.

Extend but Don't Expand

In January, the New York State Assembly introduced legislation that would dramatically expand regulations. While some of the proposals would strengthen the administration and fairness of the system, others would expand protections to higher-income families. For example, the legislation proposes to re-regulate all units that were previously deregulated, as long as they now rent for under $5,000 per month. Because the rent on a regulated unit must reach $2,000 before it can legally leave the system, these newly regulated units would all rent for between $2,000 and $5,000. At $2,000 per month, a household would have to earn more than $80,000 annually to keep their rent burden below 30 percent, and at $5,000 per month the household would need to earn over $200,000. It is difficult to discern how extending rent protections to renters with incomes above $80,000 and ranging higher than $200,000 will help address the shortage of affordable housing for low- and middle- income families. Another proposal would alter the one provision linked to income -- high-income, high-rent vacancy decontrol -- by raising the income threshold to $300,000 and the monthly rent threshold to $3,000. At an annual income of $300,000 a household would be in the top 2.4 percent of all city residents and does not need any kind of subsidy or assistance to find rental housing in New York City.

Because rent regulations impact a significant number of households and provide meaningful benefits to many families, the protections now available to low- and moderate-income households should be retained. But, instead of extending rent regulation to higher-income households that don't need them, the legislature should reduce the inequities and social costs of regulation by phasing out benefits for higher-income households. State leaders must acknowledge that rent regulation is not the answer to the city's affordable housing problems and shift their focus to better targeted and more effective solutions.

The author is President of the Citizens Budget Commission, the nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.