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## Housing Tighter For New Yorkers Of Moderate Pay

By JANNY SCOTT

The number of New York City apartments considered affordable to hundreds of thousands of moderate-income households -- with incomes like those of starting firefighters and police officers -- plunged by 17 percent between 2002 and 2005, according to a new report by researchers at New York University.

The report, to be released today, for the first time puts hard numbers on a cost squeeze that has intensified with the real estate boom. The researchers found that the number of apartments affordable to households earning about \$32,000 a year, or 80 percent of the median household income in the city, has dropped by 205,000 in just three years.

While precise comparisons for earlier periods are not available, this appears to represent the sharpest decline in the number of apartments within the reach of such households since the mid-1990's.

The report also found that while the median rent for unsubsidized apartments jumped to \$900 from \$750 -- a 20 percent increase in three years -- the median household income in the city shrank to \$40,000 from \$42,700.

Whether the rising housing costs are seen as a sign of the city's economic vitality or a harbinger of trouble depends on who is talking. Several economists said they were proof of the city's success: Lots of people still want to live in New York. But housing experts warned that high rents could force workers out of the city or into overcrowded conditions and multiple jobs.

"The market will work through this, but there are people who really lose," said Chris Mayer, director of the Paul Milstein Center for Real Estate at the Columbia Business School. "Whether that's a city problem really depends on how much city government or residents feel this is an inevitable thing they can't fight, or whether they're going to try to do something about it."

City officials say the rapid rent increases may slow down in coming years as new construction adds more units to the market.

The study -- by researchers at the Furman Center for Real Estate and Urban Policy and based in part on the city's Housing Vacancy Survey, done by the Census Bureau every three years -- found that the combination of stagnant incomes and rising rents had landed especially hard on households with incomes of \$24,000 to \$32,000.

The current minimum salary for a city firefighter is \$32,700. Police officers start at the equivalent of roughly a \$25,000 salary while in the police academy and jump to about \$32,000 in their first year. Experienced home health aides, nursing aides, child care workers, bartenders, coffee shop hostesses,

tour guides -- who work in industries the city hopes will continue to grow -- make similar amounts.

Two out of every five New York City households earn \$32,000 or less.

In calculating the decline of units, the study's researchers assumed that the rent that is truly affordable to a household is no more than a third of its income. While the city lost 205,000 out of about 1.2 million units affordable to households earning \$32,000, the number affordable to households making \$24,000, or 60 percent of the median, declined by nearly 92,000, or 15 percent.

"We couldn't believe the numbers," said Vicki Been, director of the Furman Center and an author of the report. "It's pretty remarkable."

Ms. Been said it was not possible to compare the rent increases between 2002 and 2005 with increases in the previous three-year period because of differences in the samples used by the Census Bureau. Adjusted for inflation, the increase in median rent between 2002 and 2005 was 8 percent. She said the median rent for all units increased 1.8 percent between 1996 and 1999, adjusted for inflation; for unsubsidized units, the increase was 5.6 percent.

There are multiple reasons for the recent rise in rents, economists and others say. The population is growing, and housing construction is only beginning to catch up. Many new arrivals make more money than people already here. Much of the new housing has been for people with higher incomes, and most of it has been for sale, not for rent.

Some housing experts say escalating rents pose a threat to the city's well-being. They say workers needed for crucial service jobs will move away, if they are not already doing so. Those who choose to stay will double and triple up in apartments, settle for illegal housing or scrimp on education and health care -- investments that might help them get ahead.

"So this disparity between income and rent is worrisome from a public policy perspective," said Elaine Toribio, a senior policy analyst for Citizens Housing and Planning Council, a policy research group. "At the high end, you could reach a point where the Goldman Sachs employee says, 'I'm going to Hoboken.' And at the lower end, you force people to make unsound decisions."

But some economists say high housing costs go hand in hand with economic growth, not stagnation. Andrew F. Haughwout, a research officer at the Federal Reserve Bank of New York, studied 25 metropolitan areas in various time periods including 1980 to 2005 and 1990 to 2005 and found the fastest growth in places where housing prices rose the most.

"You might expect in places where housing gets really expensive, it will have a negative impact on economic growth," he said in an interview. "That's a kind of received wisdom: If a place gets too expensive, people move out and it shuts down. The logic doesn't hold together too well. Because why does a place get too expensive? It's typically because of high demand for that place."

In New York, the availability of more expensive apartments rose significantly between 2002 and 2005. The number of unsubsidized apartments, including rent-regulated apartments, renting for \$1,000 and \$1,200 a month rose by 58,000, or nearly 34 percent; the number renting for \$1,200 to \$1,400 rose by 57,500, or 52 percent; and apartments for \$1,400 and above rose by 74,432, or 31 percent.

City officials say they believe that the rapid escalation in rents may be slowing and that they will continue to do so over the next few years in part in response to the current housing construction boom.

Last year, the city issued permits for the construction of nearly 32,000 new housing units, a 34-year high; the number of permits issued in the first quarter of 2006 was up 27 percent over the same period last year.

Even if most of those new units are for relatively well-off people, city officials say, some existing housing will in turn become available as lower-priced apartments. At the same time, they say, the Bloomberg administration has continued to pursue its goal of creating or preserving 165,000 units of housing affordable to low- and moderate-income people.

"Clearly, one solution to the problem is increasing the housing supply over all," said Shaun Donovan, commissioner of the Department of Housing Preservation and Development. "Through rezonings, revising the building code, a range of initiatives, we're focused on trying to make sure that the current level of housing starts continues. On the other side, though, we do also clearly want to increase the number of subsidized units through the mayor's housing plan."

The Furman Center's report, called State of New York City's Housing and Neighborhoods 2005, ranked the five boroughs and 59 community districts in terms of 30 indicators like median monthly rent, income diversity and overcrowding. Rents were highest in the district that incorporates Greenwich Village and the financial district and lowest in Mott Haven, Hunts Point and central Harlem.

The study found that the rental vacancy rate rose slightly in the city as a whole but declined in much of the Bronx. The percentage of household income spent on rent was lowest on the Upper West Side and highest in Highbridge in the Bronx.

"We're an economy that has a great addiction to low-wage labor," said John H. Mollenkopf, director of the Center for Urban Research at the City University Graduate Center. "To the extent that we want low-wage labor, we have to make housing available for low-wage people to live in."