Housing Market Analysis

Low Income Housing Tax Credit Program

The City Of New York

Department of Housing Preservation and Development

Office of Policy and Strategy – Division of Housing Policy

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1. INTRODUCTION

Data Sources

The primary data source for analyzing the City's housing needs is the New York City Housing and Vacancy Survey (“NYCHVS”), which is conducted periodically by the U.S Census Bureau.

The Data

The NYCHVS is a sample survey and like all sample surveys, is subject to sampling error. For this reason, it is generally appropriate to qualify such findings by noting that they are "estimates" of the true values of the variables, which are unknown.

The data covers the Supply of Housing in New York City, Rental Inventory and Vacancies, Condition Of Rental Housing, and Indicators of Continuing Need.

Purpose of this Study

Federal legislation requires that all projects applying for Low-Income Housing Tax Credits ("LIHTC") demonstrate the needs for the proposed housing by commissioning an independent market study. The housing market in New York City is unique, having endured a decades-long crisis of supply and affordability that shows no signs of abating. While the shortage of affordable housing affects all but the highest income levels in New York, the need for Low-Income housing is particularly acute, and is found throughout all five boroughs of the City (the Bronx, Brooklyn, Manhattan, Queens and Staten Island).

The severe shortage of Low-Income Housing is well known and well documented. Under requirements of the State law establishing the City's rent regulation system, the City engages the U.S. Bureau of the Census to conduct a Housing and Vacancy Survey every three years. From this source, and others, there is a wealth of detailed data to describe the extent of the need. What is clearly shown in every study produced is that there is more than sufficient need for Low-Income housing in all boroughs of the City to absorb every such unit that can be produced for many years to come.

In this unique market, the benefit to be obtained from individual market studies seems minimal and not sufficient to justify the extra cost that would be added to each housing unit produced with Low-Income Housing Tax Credits. The New York City Department of Housing Preservation and Development (“HPD”), as a local housing credit agency making tax credit allocations to qualified projects in the five boroughs of New York City, has therefore undertaken to produce a market study for the City. This study is available to any tax credit applicant who elects to use it.

Low-Income Housing Defined

For this study, "Low-Income'' is defined in a manner consistent with the eligibility requirements for LIHTC housing, i.e. as housing for households with incomes at or below 60% of Area Median Income ("AMI''), as adjusted for household size. The term “Very Low-Income”, as used in this study. refers to households at or below 50% of AMI. Rents for Low-Income housing, under LIHTC rules, may not exceed 30% of the income limitation applicable to the unit based on imputed household size.

The demand for Low-Income housing is a reflection of a variety of factors such as: rental housing vacancy rates, rent levels, conditions of existing low-cost housing stock (dilapidation and maintenance defects) and production of new and rehabilitated units.

2. MARKET AREA

Primary Market
In New York, the primary market area (from which at least 70% of renters are likely to be drawn) is the borough I in which a project is located. Borough boundaries may encompass areas up to 3 miles away from a given project and include populations as high as 2 million. As most parts of the city were settled and built well before the advent of the automobile, New Yorkers rely on an extensive subway and bus system as their chief means of transportation. This efficient public transportation and the density of population make the borough a reasonable primary market for any available Low-Income housing.

Secondary Market
The entire City of New York (outside the borough of the project), with its population of more than 8 million, functions as a secondary market area for Low-Income housing projects. Cross-borough commuting between work and home is common to New Yorkers; supported by the excellent public transportation system, no site is out of reach.

3. EXISTING HOUSING SUPPLY

The 2021 NYCHVS observed the largest New York City housing stock in its fifty-six-year history, a net increase of about 175,000 units from 2017, continuing the trend of slow, but steady, growth shown over the past few cycles of the NYCHVS. Four out of every five of the 3,644,000 units were in buildings built before 1974 and over half were in buildings built before 1947. However, there was a substantial net increase of about 33 percent, 85,000 housing units, in buildings built in 2000 or later. Older buildings also showed a net increase in the number of housing units relative to 2017. The prevalence of condo or coop units varied substantially by when the building was built. A full 40 percent of units built in 2000 or later were in condominium or cooperative buildings compared to only 12 percent of pre-war buildings. About 832,000 units (just under one in four) were in a condominium or cooperative building, representing an increasingly important part of the housing stock. 275,100 units, 42 percent of occupied condos and coops were renter-occupied and a further 23,450 condo coop units available for rent. The median asking rent of these units, however, was $3,200, well above the City's median asking rent of $2,750.

In contrast to much of the country New York is primarily a city of renters. There were nearly 2.2 million renter-occupied units in 2021, more than twice the number of owner-occupied units. However, though the rental stock has grown over the last thirty-year period, the share of units in new buildings that are condo or coop has increased substantially. In that same time period, after adjusting for inflation, the City has lost 608,700 units renting below $1,500, and a gain of 431,200 renting for more than $2,300. Between 2017 and 2021 alone the City experienced a net decrease of about 96,000 units renting for less than $1,500 and a net increase of 107,000 units with rent of $2,300 of more.

The increasing scarcity of these low-cost units is incredibly significant. A typical New York City household earning $50,000, the median household income for renters, can afford to pay $1,250 in rent and utilities but the median contract rent in 2021 was $1,500. Moreover, if that household needs to move, they will struggle to find units even for $1,500. Tenants who recently moved into their unit serve as an indicator for the monthly rent that someone actively seeking a unit on the market may have to pay. Overall, 86 percent of recent movers were renters and 67 percent of those who moved into their unit in 2020 paid a monthly rent at or above the City's median rent of $1,500 compared to just 19 percent paying $1,499 or less. In 2021, the median asking rent for all units that were vacant and available for rent was $2,750, significantly higher than in 2017. This means that to afford the typical unit that was vacant and available for rent, a future household would have to earn at least $110,000.

As a result, there is a high prevalence of rent burden across nearly every income level. In 2021, more than half of renter households were rent burdened, or paying more than 30 percent of income for housing each month. More than a third were severely burdened or paying more than 50 percent of income for housing. However, of the renter households in New York City, Low-Income renters with incomes under 60% of AMI experience rent burden most acutely and have the most severe unmet housing needs.

Vacancy Rates

Vacancy rates in New York City now and historically have been low. In 2021 and for many years, the vacancy rate has been lower than the five percent threshold that by state law constitutes a housing emergency. Moreover, in 2021 vacancies were concentrated among higher-cost rental units, 12.64% for units with asking rents of $2,300 or more, while the inventory of units with asking rents of less than $1,500 was extremely low, with a net rental vacancy rate of less than one percent.

Rent Levels

In 2021, more than half of renter households, or just under 1 million households, were rent burdened, paying more than 30 percent of their income on rent; one-third were severely burdened, paying more than 50 percent of their income on rent. Among those with household incomes of less than $25,000 who did not live in public housing or report having a voucher, nine in ten were rent burdened and 85 percent was severely rent burdened. In comparison, 44 percent among those that earned $25,000 to $49,999 was severely burdened and 42 percent was moderately burdened. Households above the median income, earning $50,000 up to $99,999 experienced lower levels of severe burden (8 percent) but one-third were moderately burdened (34 percent). Among the highest earners (those with household incomes of $100,000 or more), only a small share paid more than 30 percent of income toward rent.

Habitability

In the 2021 NYCHVS, the presence of three or more of the seven major types of problems was used to measure poor quality housing. This index included presence of rodents in the building, leaks in the unit, cracks or holes in the ceiling, walls, or floors, heating breakdowns, additional heating used, large areas of broken plaster or peeling paint, and no functioning toilet for six or more hours. In 2021, there were 371,800 renter-occupied units that reported three or more problems. Low-Income renters face significant habitability issues in their housing accommodations as the prevalence of three or more maintenance deficiencies decreased with increasing household income. Among those with an income of less than $25,000, 20 percent reported three or more problems. Among those with incomes between

$25,000 and $49,999, it was 15 percent; among those with incomes of $50,000 to $99,999 it was 12 percent, and among those with incomes of $100,000 or more it was 9 percent.

New Production and Rehabilitation

Low-cost units had a net vacancy rate of less than one percent reflecting a strong demand for low-cost affordable housing. Yet, for various economic reasons, production has not kept pace with demand.

Producing Low-Income housing is therefore especially dependent on public subsidy. The City's ability to increase the supply of affordable housing depends on several factors including its Capital Budget, tax-exempt bond volume caps, availability of federal housing funds (including LIHTC), and New York State's housing assistance programs.

HPD typically finances more than 10,000 Low-Income units per year through substantial rehabilitation and new construction. While this represents a substantial effort, the City's low vacancy rate and the sheer number of Low-Income families leave the bulk of Low-Income housing needs unmet.

4. CONCLUSIONS

The affordability challenge faced by Low-Income New Yorkers continues unabated. Examining the share of income spent on rent for the typical New Yorker back to the first NYCHVS in 1965 demonstrates a clear increase over time. In the last decade, the level of rent burden has remained high where the typical New Yorker, regardless of income, is paying more 30% of their income on rent.

In summary, there is a net rental vacancy rate of less than 5 percent overall, and a severe shortage of low-cost units. Rents continue to increase. The rent burden faced by most New York City households remains at persistently high levels, leaving households vulnerable to financial instability across multiple dimensions.

New York City continues to experience a housing crisis. The shortage of housing is particularly acute for lower income households who face the lowest vacancy rates and a shrinking stock of low-cost units. It is clear from the 2021 NYCHVS that the City must not only continue to add to the overall stock to address our emergency, but specifically add lower cost units and work to retain existing units with low rents to support New Yorkers who face continued affordability challenges.

The data reviewed demonstrates that there is a dramatic need for Low-Income housing and that the number of households eligible for LIHTC housing guarantees quick absorption of tax credit units in New York City. Current levels of LIHTC and HPD annual production, together with the availability if Federal Section 8 funds, are not enough to reduce demand significantly. Waiting lists for programs funded by federal and local subsidies show that annual increases in production, although helping thousands of families, do not eliminate unmet Low-Income housing needs.