Executive Summary

In 2010, as the country pulled out of the national recession, New York City households and neighborhoods continued to experience the strains of falling housing prices and persistent foreclosures. But some positive signs have emerged. Housing prices in Manhattan have stabilized, though declines in sales volume continued and there was virtually no new construction in the borough. Citywide, the number of properties entering foreclosure has dropped since 2009, though a handful of neighborhoods continue to bear the brunt of new foreclosure activity.

Last year, the *State of New York City's Housing and Neighborhoods* (*State of the City*), investigated New York City's 2000–2008 residential building boom—analyzing which neighborhoods experienced the greatest growth, and what attracted new construction even in areas with historically lower demand. This year, we examine its stock of multi-family rental housing, which, as a uniquely important aspect of New York's housing market, will be a necessary component of the city's future economic success.

The State of New York's Multi-Family Rental Housing

The financial and physical health of their buildings are critically important to the four in ten New York households that make their homes within the 55,000 multi-family rental properties in New York City. In this year's *State of the City*, we thoroughly examine the characteristics of multi-family rental housing in New York City. We also look at how the economic downturn and foreclosure crisis are affecting this important housing stock.

Starting on page 9, we show that the multi-family rental stock varies widely in terms of size, age and condition, and that each borough and community has a unique mix of multi-family rentals. More than half of the units in the Bronx and Manhattan are located in multi-family rental buildings. Properties in these boroughs are also older than others in the city; the median multi-family rental building in the two boroughs is more than 80 years old. Manhattan buildings are much larger than those in the Bronx, however, with 37 percent of Manhattan multi-family rental units in properties with 100 or more units, compared to 19 percent in the Bronx. In Brooklyn, while multi-family rentals were constructed in roughly the same era, they are much smaller; 37 percent of Brooklyn multi-family rental buildings have fewer than 20 units. Multi-family rental buildings in Staten Island and Queens are considerably newer than those in the other boroughs, but, while the stock in Staten Island is mostly large 100+ unit buildings (53%), the stock in Queens doesn't stand out when compared to the distribution of building sizes across the city.

Although the foreclosure rate for very large multi-family rental properties (100 or more units) remains lower than the rate for smaller properties, the foreclosure rate for larger properties almost doubled during the last five years when compared to the previous five years, from 1.5 per 1,000 properties per year in 2000–2005 to 2.7 between 2006 and 2010. These 100+ unit properties also saw the sharpest drop in prices among multi-family rental buildings between 2006 and 2009. Although the causes of foreclosure for any individual building are complex, the chapter explores the characteristics of different classes of multi-family rental properties and the associated vulnerabilities to the market downturn.

Our analysis also suggests that foreclosures are associated with a substantial uptick in housing code violations, which indicates that tenants are likely to experience deteriorating building maintenance and physical conditions while building finances are in distress. The chapter compares total housing code violations by quarter, measured against a baseline period over a year before a *lis pendens* was issued, compared to what the building received in other periods. The analysis finds that buildings receive an average of 21 percent more violations during the specific quarter in which a *lis pendens* is filed, and 15 percent more violations during the two quarters prior to the *lis pendens* issuance and the two quarters after, compared to what the building received in other periods. This indicates that tenants living in a financial distressed building may experience deteriorating conditions months before a *lis pendens* is filed.

Getting to Work in New York City

Understanding commuting patterns is critical to a variety of public policy goals, such as building and maintaining an efficient transportation system, matching residential capacity to job opportunities, and stimulating economic growth. Additionally, where New Yorkers live and work and how they commute has implications for their quality of life, social interactions, and relationship with the wider community.

In *Getting to Work in New York City* (p 28), we examine three measures of community-level employment and transportation trends. The indicators show which neighborhoods attract residents from other neighborhoods, which neighborhoods are more likely to contain residents who work close to home, and which neighborhoods have residents who are more likely to work outside the five boroughs.

The five Manhattan sub-borough areas south of 96th Street all experience a net inflow of workers from other parts of New York City, as measured by the destination-origin ratio. For every employed resident of Midtown/Chelsea/Clinton, for example, nine New Yorkers work there. Sunnyside/Woodside in Queens and Brooklyn Heights/Fort Greene in Brooklyn also attract New York City workers; for every employed resident living in Brooklyn Heights/Fort Greene, three New Yorkers work in the neighborhood.

New York's rich mix of commercial and residential real estate enables some New Yorkers to live and work in the same community. Overall, 11.5 percent of employed New Yorkers work in the same neighborhood in which they live. The communities with high destination-origin ratios also have a high share of locally employed residents; fifty percent of workers who live in Chelsea/Clinton/Midtown also work in the neighborhood. In fact, 17 percent of residents in

that neighborhood work within a half mile of their home. In the vast majority of communities, however, a greater number of New Yorkers live in the neighborhood than work there. For every five employed residents who live in University Heights/Fordham, for example, only one New York City resident works in the neighborhood, suggesting a very low level of economic activity in the community.

Sixteen and a half percent of employed New Yorkers work outside of the five boroughs entirely. Communities that border neighboring counties, such as Queens Village in Queens and Williamsbridge/Baychester in the Bronx have the highest shares of employees who work outside of the five boroughs (34% and 31%, respectively). Yet, even in neighborhoods with few public transit options that provide direct access to locations outside of the city, such as Williamsburg/Greenpoint and Park Slope in Brooklyn, more than one in ten employed residents work outside of the city. Policymakers interested in increasing job growth within the five boroughs may benefit from a close analysis of the types of employment that attract so many New Yorkers to jobs outside of the city limits.

Public and Subsidized Rental Housing in New York City

To help low- and moderate-income families afford to live in high cost urban areas like New York City, federal, state, and local policymakers have a number of options available to them. They can subsidize consumption in the form of tenant vouchers. Or they can subsidize production—either by providing subsidies to private developers to encourage development of below-market-rate rental apartments or by building and operating public housing. In New York City, there are more than 383,000 units available for low- and moderate-income New Yorkers through public housing and publicly subsidized private developments. We examine those units more closely in *Public and Subsidized Rental Housing in New York City* on page 33.

Nearly one in five residential units (18.4%) citywide are either subsidized under one of the major government construction or rehabilitation programs or located in public housing. The highest concentration of those units is in the Bronx (25.8%), while in Manhattan, over 120,000 units are subsidized for low- and moderate-income tenants. East Harlem has the largest concentration of those units, with 70 percent of its rental stock receiving a subsidy. Queens is the borough with the smallest share of subsidized units (7.7%) and three community districts in that borough have no subsidized rental units at all.

Subsidized rental buildings tend to be slightly larger than other multi-family rental buildings, with larger units and more units per building. The average privately owned subsidized rental property includes 69 rental units, more than twice as many units as in the average unsubsidized multi-family rental building in New York City. By comparison, the average public housing property has about 250 units.

The Furman Center will release an annual detailed analysis of the privately held portion of these subsidized apartments starting in Spring 2011, based on our new Subsidized Housing Information Project (SHIP) database, which catalogues all affordable properties financed with U.S. Department of Housing and Urban Development (HUD) Insurance, HUD Project-based Rental Assistance, the Mitchell-Lama program, or Low Income Housing Tax Credits.

New York City, 2010: Still Struggling

This year's *State of the City* report finds a city struggling to hold onto the social and economic gains of the last decade in the face of the economic downturn. In housing, sales prices continued to decline in 2010, with only Manhattan housing experiencing positive appreciation in 2010. Sales volume also continued to decline, except for multi-family housing. Foreclosures, although they declined in 2010, remained highly concentrated in hard-hit neighborhoods in Queens, Brooklyn, and Staten Island.

Mortgage lending slowed considerably in 2009, and loans backed by the Federal Housing Administration accounted for an unprecedented share of new home purchase loans compared to recent history (16%). Historical racial disparities in homeownership widened over the last decade, with much faster growth in homeownership among white and Asian families compared to Hispanic or black households. At the same time, declines in the number of home purchase loans originated during the recession were most dramatic among black and Hispanic borrowers.

Despite the recent downturn, most households' median incomes have increased in the city since 2000, growing most quickly for white households, but declining for Hispanics. Poverty declined citywide in the last decade; the poverty rate decreased from 21.2 percent in 2000 to 18.7 percent in 2009.

New York City continues to be an attractive place to live and work. The population has continued to grow, led by the Asian population, which increased by 32 percent between 2000 and 2010. Health and quality of life factors have generally improved; the city has experienced overall reductions in asthma hospitalizations and infant mortality, although some boroughs saw increases. For example, asthma hospitalizations in the Bronx increased from 5.7 to 6.6 per 1,000 people between 2000 and 2009, and rose in Staten Island from 1.8 to 2.1 per 1,000 people. Over the same period, the low birth weight rate increased in every borough except Staten Island though from 2008 to 2009, the rate went down in the city as a whole and in three of the five boroughs.