NYU Furman Center
Advancing research and debate on housing, neighborhoods, and urban policy
School of Law
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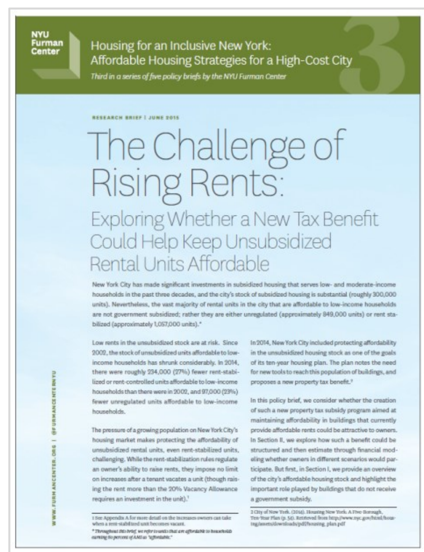
Report: New York City Lost Over 330,000 Affordable Unsubsidized Rental Units Since 2002, But A New Tax Benefit Could Help Protect Affordability

NYU Furman Center report finds that between 2011 and 2014, the number of unregulated and rent-stabilized units affordable to low-income renters continued to decline; report explores whether a new tax benefit for unsubsidized buildings could help slow the loss of affordability in this stock.


NYU Furman Center
Housing for an Inclusive New York: Affordable Housing Strategies for a High-Cost City
Third in a series of five policy briefs by the NYU Furman Center
RESEARCH BRIEF | JUNE 2015
The Challenge of Rising Rents:
Exploring Whether a New Tax Benefit Could Help Keep Unsubsidized Rental Units Affordable

New York, NY: The bulk of New York City's housing stock that is affordable to low-income households (households earning 80% of the Area Median Income or $60,400 for a family of three in 2014) is in multifamily buildings that receive no government subsidy to maintain low rents. Rising rents threaten the future affordability of this critical source of low-rent housing.

A new report by the NYU Furman Center, titled **The Challenge of Rising Rents: Exploring Whether a New Tax Benefit Could Help Keep Unsubsidized Rental Units Affordable (PDF)**, examines the importance of unsubsidized multifamily buildings as a source of low-rent housing in the city, and considers whether the city could offer a benefit to protect affordability in this stock.

"New York City's real estate market is booming and the supply of rental housing is constrained," said **Jessica Yager**, Policy Director at the **NYU Furman Center**. "The bulk of the city's low-rent housing stock is in buildings that currently receive no government subsidy, leaving them susceptible to market pressures."

Reporting on just-released data from the New York City Housing and Vacancy Survey, conducted every three years by the Census Bureau, the report finds that the stock of unregulated units and rent-stabilized units affordable to low-income households declined significantly during the last decade. Between 2002 and 2014, the number of rent-stabilized units affordable to low-income households fell 27%—a net loss of 233,931 units. During that same period, the stock of unregulated units affordable to low-income households declined 23%—a net loss of 96,959 units. Between 2011 and 2014 alone, the city saw the low-rent unsubsidized stock decline by 124,000 units (85,000 from the rent-stabilized stock and 39,000 from the unregulated stock)

"A decline in the number of affordable unsubsidized units may not be surprising, given the strength of the market in recent years," said Yager. "But the magnitude of these losses over such a short period of time is sobering, and highlights the need to consider policies for preserving affordability in this important source of affordable housing."

According to the report, a new tax benefit for owners who agree to limit future rent increases could help protect affordability in the city's unsubsidized, low-rent housing stock. By modeling the application of such a benefit to buildings with current rents affordable to low-income and very low-income households, the report assesses whether building owners in different scenarios would participate. It also estimates the cost of such a program to the city.

"Because a program like this seeks to protect against unknown future rent growth, there is a risk that the city will provide tax breaks to owners in parts of the city where rent increases never materialize," said Yager. "On the other hand, if owners participate and rents rise significantly, a program like the one we model could help preserve affordable rents. Ultimately, policymakers will need to decide if the cost of a tax incentive program and its risks are worth the potential benefit of preserving some affordability in this stock."

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Link: http://furmancenter.org/thestoop/entry/report-the-challenge-of-rising-rents

Report: The Challenge of Rising Rents: Exploring Whether a New Tax Benefit Could Help Keep Unsubsidized Rental Units Affordable (PDF)

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KEY FINDINGS

The Challenge of Rising Rents: Exploring Whether a New Tax Benefit Could Help Keep Unsubsidized Rental Units Affordable

1. **The vast majority of New York City's rental units are unsubsidized; nearly half (47%) of the city's rental housing stock is rent stabilized.**
   In 2014, 47% (1,056,957 units) of New York City's rental housing stock were rent stabilized or rent controlled, while 39% of rental units (848,721 units) were unregulated (not governed by any government restrictions on rents or tenant incomes). Government-subsidized units—including public housing—made up the remaining 13% of the city's rental units (278,618 units).

2. **Most of the city's rental units that are affordable to low-income households are not government subsidized; rather they are either unregulated or rent stabilized.**
   In 2014, the city had roughly 1.8 million unsubsidized rental units. Of these, about 53% (946,000 units) were affordable to households earning 80% AMI (about 617,000 rent-stabilized units and 329,000 unregulated units). In addition, roughly 10% (177,000 units) of unsubsidized rental units were affordable to households earning 50% AMI, and about 2% (41,000 units) were affordable to households earning 30% AMI.

3. **Between 2002 and 2014, the number unsubsidized units affordable to low-income households declined by over 330,000 units.**
   Between 2002 and 2014, the number of rent-stabilized units affordable to low-income households fell by 233,931 units (27%). During that same period, the stock of unregulated units affordable to low-income households declined by 96,595 units (23%). Between 2011 and 2014, the stock of affordable unsubsidized units decreased by approximately 124,000 units (85,000 from the rent stabilized stock and 39,000 from the unregulated stock).

4. T**he city might achieve its goal of protecting affordability in the unsubsidized stock by offering a tax benefit to owners of currently affordable units if they agree to forgo some future rent increases**.
   Whether an owner would participate depends on her belief about future rent growth in her neighborhood. Whether it is worthwhile for the city to offer such a benefit depends on the city's projections about future rent

growth. The city may also wish to limit to the program to units that currently provide rents affordable to low-income households and to owners who agree to income restrictions for new tenants upon turnover.

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About the NYU Furman Center

The NYU Furman Center advances research and debate on housing, neighborhoods, and urban policy. Established in 1995, it is a joint center of the New York University School of Law and the Wagner Graduate School of Public Service. More information can be found at furmancenter.org and @FurmanCenterNYU.

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