MAKING THE RENT: WHO'S AT RISK?

Rent-Income Stresses and Housing Hardship among Low-Income New Yorkers

CSS Update Report **May 2008**

By Victor Bach & Tom Waters

It comes as no surprise to New York City tenants that rents have been escalating over the past decade to increasingly unaffordable levels. Along with soaring housing costs, the rent burden for many households—the portion of income they pay for rent—is a larger bite out of household budgets. Virtually everyone, regardless of income or neighborhood location, carps at the city's rising cost of living, in which housing plays the largest part.

The rent "affordability" problem is not unique to New York—the impact of rising rents on low-income tenants has been underlined in recent studies as a pressing national urban problem.[1] Because New York is predominantly a rental city, the problem is acutely and broadly felt. Only a third of its households own their homes or apartments, compared to two-thirds for the country as a whole. The consensus is that the city's affordability problems are worsening despite recent economic and population growth. Perhaps, because of them, the growing demand pressure for housing is fueling a rent inflation that is outdistancing the income gains of the average working New Yorker.

Recent trends, by and large, confirm these perceptions. Between 1996 and 2005, median contract rents in private, unsubsidized units rose by 50 percent (from $600 to $900), outpacing median renter incomes, which increased only 31 percent (from $29,000 to $38,000).[2] The result is that, for many renters, relatively static household incomes have had to stretch further simply to meet rising rents.[3]

Despite the sizeable supply of government-assisted housing in the city, low income New Yorkers—households with incomes up to twice the federal poverty level, roughly $30,000 for a family of three—still rely heavily on the private rental market. In 2005, more than three-fifths (62%) of low-income tenants lived in private, unsubsidized apartments, nearly all without benefit of Section 8 rent assistance vouchers.[4] For them, the consequences of escalating, unaffordable rents can be dire: deeper impoverishment for those who already find it difficult to make ends meet, growing displacement pressures and housing hardship, and rising numbers of doubled-ups and homeless people. Recent outmigration trends from the city by black households have been noted in the press and attributed, in part, to rising costs of living, particularly to accelerating housing costs.[5]

This report amplifies previous CSS reports on rent burden trends and their impacts on low-income New Yorkers. It takes a closer look at the characteristics of households grappling with intense rent-income pressures, those who are most at risk. The report also describes and assesses current policy options for offering relief to stressed renters that would increase their housing security and allow them to devote more income to needs and priorities beyond meeting the next rent payment.

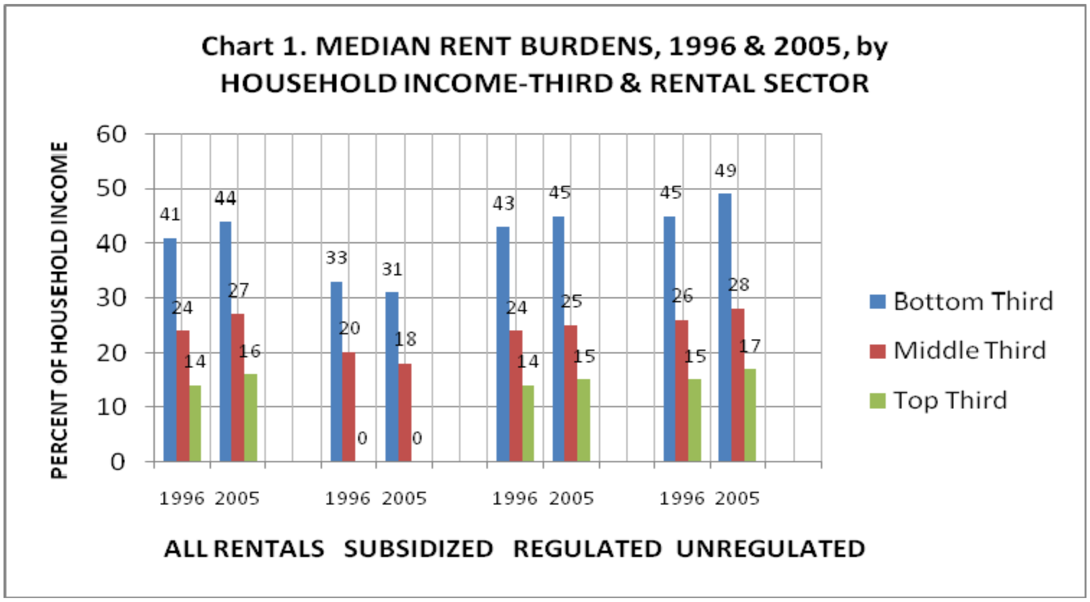
Unaffordable Rents Are Primarily a Low-Income Problem

Rent burdens are a complex result of independent, if related, market forces—those that drive rents and those that drive incomes. If incomes rose as fast as or faster than rents, there would be no discernible growth in rent burdens, no matter how rents peaked. For a large proportion of New Yorkers, that is not the case.

The trends indicate that affordability problems are concentrated primarily, though not exclusively, among the city's low-income tenants—those in the bottom third of income, roughly speaking, with incomes at most twice the federal poverty level—for whom rent increases outpace weak income gains in the city's low-wage labor market. At higher income levels, rent inflation is more likely to be absorbed without disproportionate rent-income stresses.

Citywide affordability trends—measured by overall median rent burdens—registered an incremental increase from 1996 to 2005, during a period of marked rent inflation, as households adjusted to changing conditions in the labor and housing markets. The median rent burden for all tenants rose from 23.6 percent to 25.2 percent.[6] But this slow upward trend masks more dramatic changes and differences in affordability when income and rental sector are taken into account.

When renters are divided into rough income-thirds—bottom, middle, and top thirds—the differences are more striking. Between 1996 and 2005, the median rent burden increased for each income-third, but it rose from 41 to 44 percent for the bottom third, from 24 to 27 percent for middle third, and from 14 to 16 percent for the top third.[7] (See Chart 1). "Rent creep"



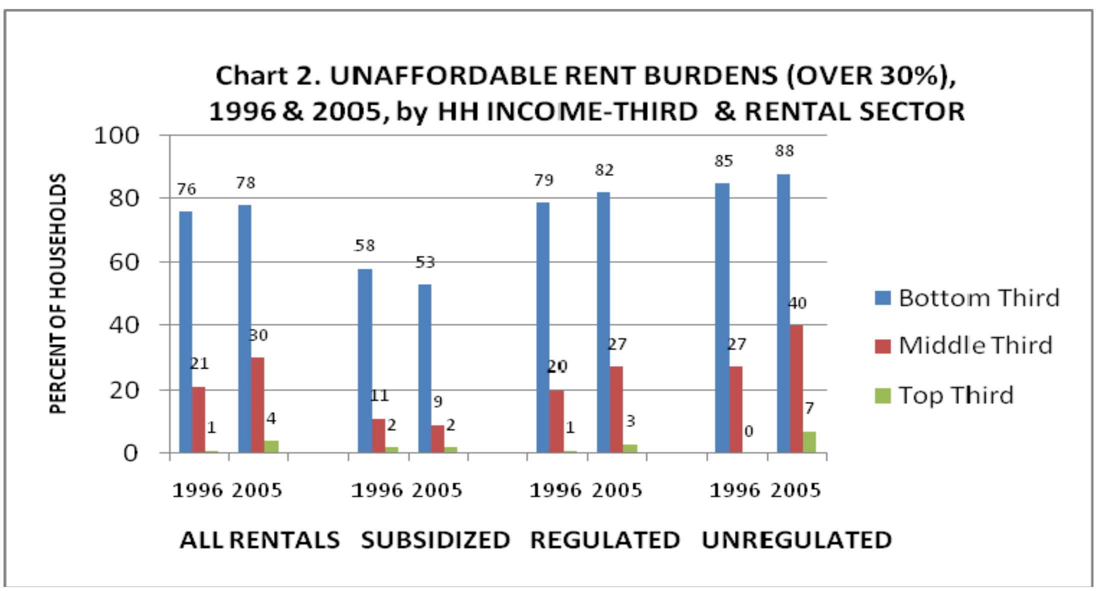
affected nearly everyone. What is striking is that each income-third occupied a different stratum in terms of rent burden. [8]

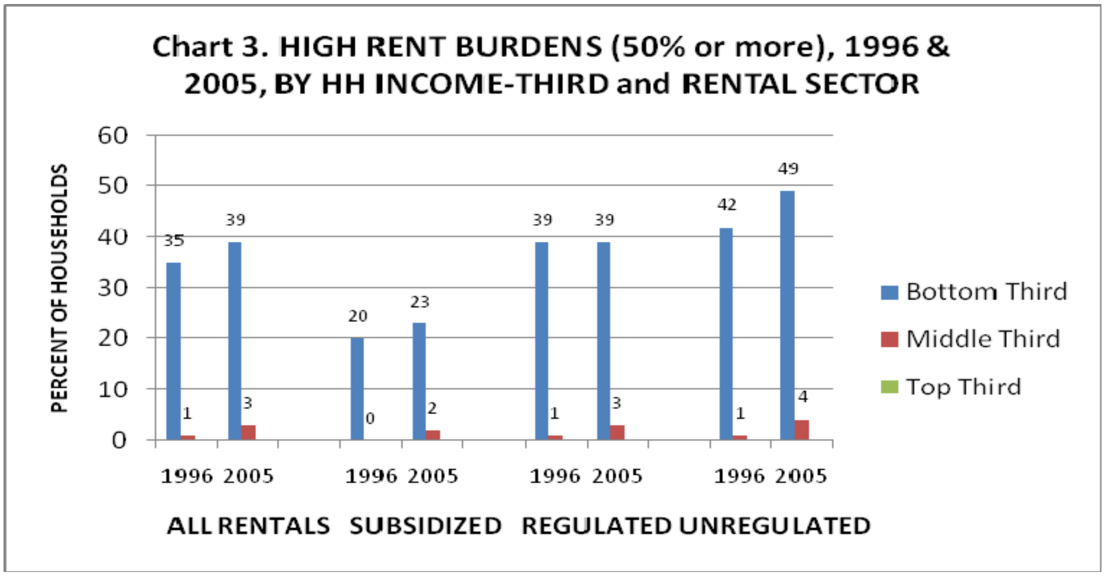
In 2005, the bottom third had a median burden of 44 percent. The median stepped down to 27 percent for the middle income-third and 16 percent for the top third. With the exception of the bottom third, rent burdens clustered at affordable levels based on the federal standard of rent affordability (within 30 percent of household income). Not surprisingly, the major brunt of escalating, unaffordable rents was felt at the bottom income-third.

Rent burden shifts between 1996 and 2005 also varied by rental sector. Tenants in government-subsidized housing—public housing, Mitchell-Lama, or HUD-subsidized private rentals—experienced an incremental reduction in median rent burdens. This decrease may reflect incomes that rose faster than rent in some subsidized units.[9] Or it may reflect losses in the private subsidized stock, particularly state and city Mitchell-Lama rentals which were not HUD-subsidized. Those remaining by 2005 were largely HUD-subsidized developments where tenants received deeper federal subsidies.[10]

In the private, unsubsidized rental sector, burdens rose for each of the three income groups. For the bottom third, the median burden rose from 43 to 45 percent in regulated units and from 45 to 49 percent in unregulated units. For all income groups, increases were steeper in unregulated rentals than in regulated units.

Unaffordable rent burdens (over 30%) and high rent burdens (50% or more) followed a similar pattern, but the differences by income-third were even more dramatic. (See Charts 2 and 3.) In 2005, more than three out of four renters (78%) in the bottom income-third paid unaffordable rents; two out of five (39%) carried high rent burdens (at least 50%). Within the middle and top income-thirds, rent burdens of at least 50 percent occurred only among a very small proportion of households.





It is evident that rent affordability problems are growing, and that they are affecting a widening range of low- to middle-income New Yorkers. Nevertheless, these extraordinary rent-income pressures are concentrated among tenants in the bottom income-third, where they are pervasive and severe. The affordability problem primarily affects the city's low-income renters, especially the majority who live in private, unsubsidized rentals in the open market.

As a result, the following analysis focuses on low-income renters—households with income within twice the federal poverty level. It also focuses only on those living in the private, unsubsidized rental market, where the struggle between making the rent and meeting other needs is at its highest pitch.

Measures of Rent-Income Stress

In order to measure and analyze rent-income stresses, this analysis uses three generally recognized, related measures of affordability.

Median Rent Burden: Rent burden is defined as the rent-to-income ratio, that is, rent expressed as a percentage of household income. The median is a measure of the "typical" burden carried by a group of households. A rent burden of at most 30 percent is considered "affordable" under federal standards.

Incidence of High Rent Burdens: The term "high rent burden," as used in this report, is an extreme burden of at least 50 percent of household income. For a given group of renter households, the incidence is the proportion of households bearing rent burdens that high.

Median Per Capita Monthly Residual Income: Residual income is defined as the household income remaining once contract rent is paid—the income available to pay for other needs and wants.[11] The median is a measure the degree to which a group of households have sufficient resources to meet other minimal non-housing needs once contract rent is paid. In concept, a well-off household may pay an unaffordable rent or bear a high rent burden, but have sufficient residual income—discretionary income, if you will—for a range of other expenditures. Since the adequacy of residual income depends on household size—the number of mouths to feed—this analysis uses the per capita monthly residual income, the monthly residual income available per member to cover costs other than contract rent.

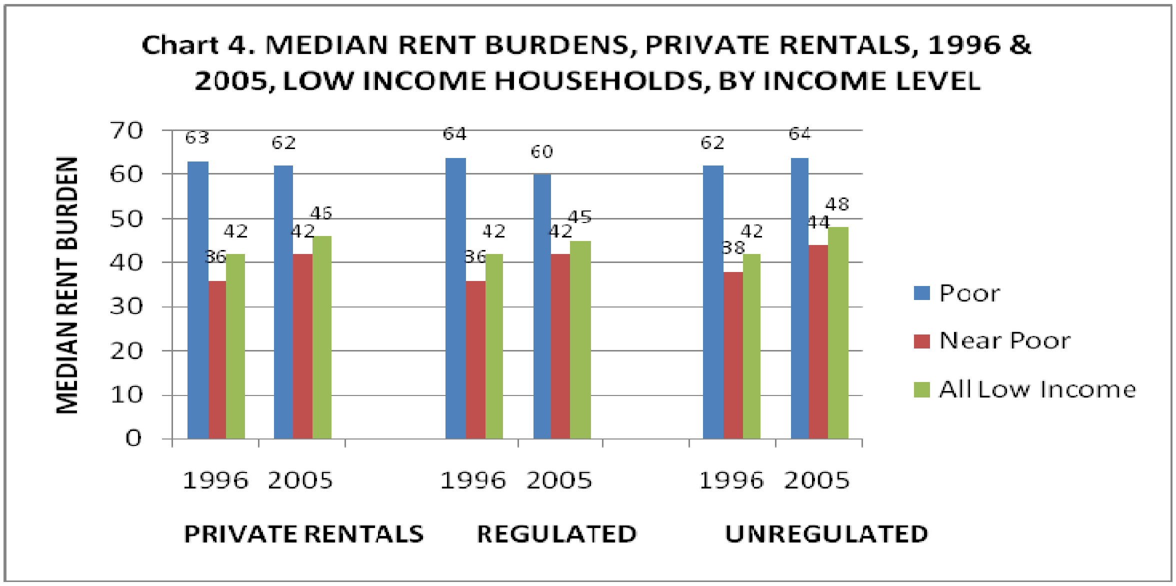
Rent-Income Stresses: Low-Income Tenants in the Private Market[12]

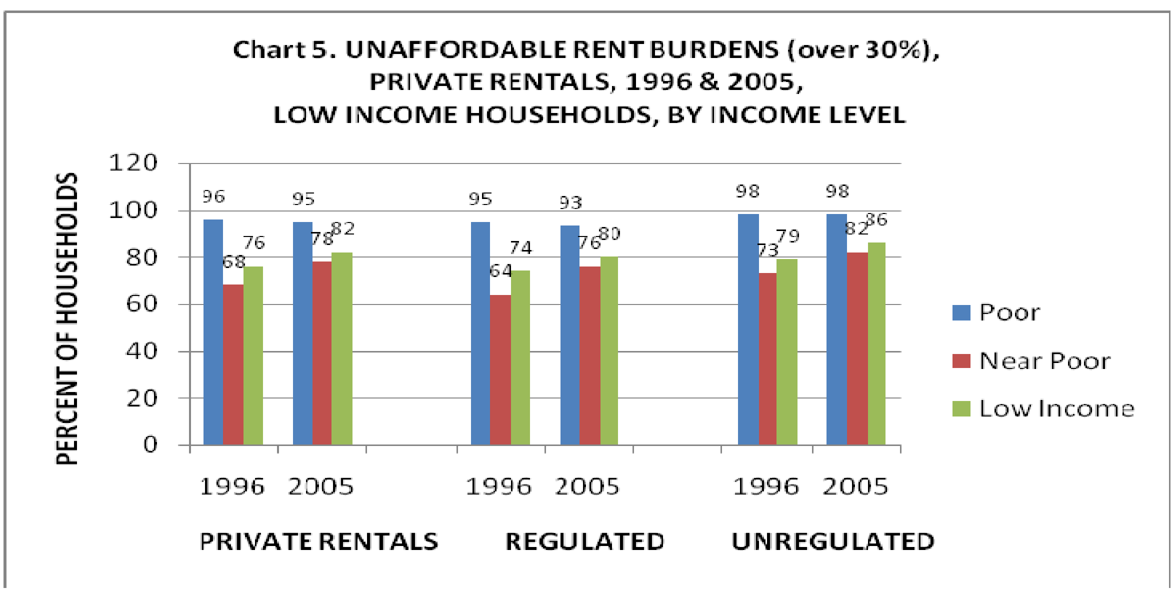
About one million of the three million households who made up New York City in 2005 had low incomes, defined as within twice the federal poverty threshold. Their major source of housing was the private, unsubsidized rental market. More than two out of five (42 %) lived in private regulated units, one out of five (21%) in private unregulated apartments. Another fifth (20%) rented in government-subsidized housing, such as public housing, Mitchell-Lama, or HUD-subsidized rental developments. Nearly one out of five (18%) owned their apartments or houses, some in Mitchell-Lama and other subsidized co-operatives.

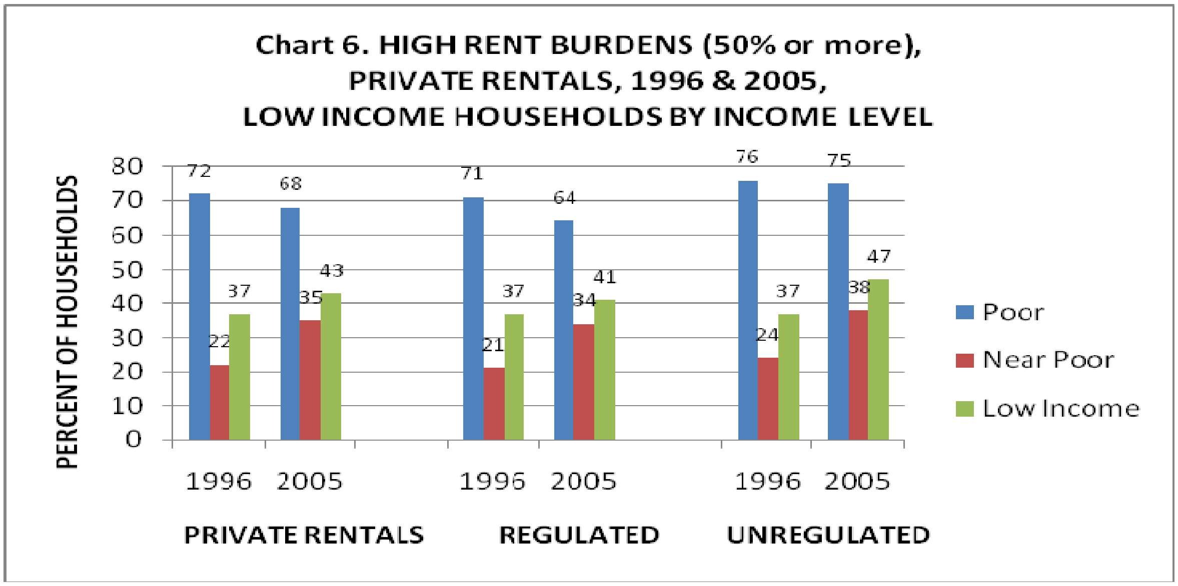
In the private, unsubsidized rental market, one out of eight low-income tenants (12%) was assisted with federal Section 8 vouchers, which limit out-of-pocket rent payments to at most 30 percent of income. The overwhelming majority (88%), about 600,000 low-income tenant households, lived in market rentals without benefit of subsidy or voucher assistance.

Low-income tenants in the private rental market experienced growing rent-income stresses between 1996 and 2005. Median burdens rose from 42 to 46 percent of income. Unaffordable burdens (over 30%) increased from 76 to 82 percent of renters. High burdens (50% or more) escalated from 37 to 43 percent of renters. (See Charts 4 to 6.) Per capita residual income dropped by 4 percent, from a median of $346 to $333 monthly per person (in constant

2004 dollars) despite income gains that occurred over the period. A greater portion of real income was subsumed by rent. The purchasing power of low-income households to meet needs beyond contract rent was diminished.[13]







Who's at Risk?

Not all households within the low-income band are similarly impacted by the affordability crisis. Substantial differences in rent-income pressures have been observed in previous reports, certainly with respect to income (poor or near-poor) and rental sector (regulated or unregulated). This section further explores the question of which low-income households are most severely affected by the affordability crisis, which are at greatest risk of its negative consequences?

1) ***Household Income Level—the Poor and the Near-Poor***

Income level—whether a household is poor or near-poor—is an important determinant of rent-income pressures. Poor New York renters sustained disastrously high rent burdens between 1996 and 2005, with only marginal improvement over the period. The near-poor were in a consistently better position than the poor, but, over the period, a large and growing proportion of the near-poor were affected by serious affordability problems. In the city's tight, rising rental market, near-poor tenants rapidly lost ground and more closely approached the position of the poor. (See Charts 5 and 6 and Table 1.)

Table 1. **RENT-INCOME STRESSES, POOR & NEAR-POOR RENTERS in PRIVATE, UNSUBSIDIZED RENTALS, 1996 and 2005**

	Median Rent Burden		% Burdens 50% or more		Per Capita Residual Income (Monthly, constant 2004 $)	
	1996	**2005**	**1996**	**2005**	**1996**	**2005**
Poor Renters	63 %	62 %	72 %	68 %	$ 127	$ 132
Near-Poor Renters	36 %	42 %	22 %	35 %	$ 446	$ 393

Poor renters in the private market experienced persistent and severe rent-income pressures throughout the 1996 to 2005 period. It is beyond comprehension that, in 2005, poor families had to survive on a median residual income $132 monthly per member, on the average less than $33 a week, or less than $5 a day to cover each member's food, clothing, transportation, school supply, uncovered medical, and other necessary costs.

There was incremental improvement in the disastrous position of the poor over that time. High rent burdens dropped from 72 to 68 percent, and per capita residual incomes rose from $127 to $132 monthly per person (in constant 2004 dollars). These trends may be attributed to number of factors. In New York City, between 1995 and 2004, the HVS data indicate a major shift in income sources among low-income tenants. In 2004, four out of five poor households (79%) in the private rental market were working families, in that they reported work-related income, and only 11 percent relied exclusively on public assistance (TANF, Safety Net, or SSI). This represented a sweeping shift since 1995, when only half (49%) reported earned income.[14] Increased reliance on the wage economy—albeit, the low-wage market—may have made it possible for poor tenants to keep pace with rents or avoid higher rent burdens. Some of the observed improvement may also result from increased public assistance, such as the 2003 increase in otherwise inertial shelter allowance maximums. Changes in the local labor economy, such as the increased availability of part-time work, may also have added to household income gains. But, despite the marginal improvement, the rent-income position of the poor continued to be disastrous.

In contrast, near-poor renters in the open market experienced marked losses between 1996 and 2005. Median rent burdens rose from 36 to 42 percent. High rent burdens (50% or more) spiked from 22 to 35 percent of near-poor households. By 2005, per capita residual incomes were still much higher than those of the poor—a median of $393, or about $14 daily per member for expenditures other than contract rent. But this level represented a steep decline of 12 percent (in constant 2004 dollars) in per capita residual incomes over the period.

The rapid growth in rent-income pressures among near-poor tenants is striking, considering their high labor participation. Virtually all near-poor households (94%) reported work income in 2004, compared with 79 percent of poor households. Despite the income gains of near-poor working families, they did not keep pace with rents. Rent took a larger bite out of what they had to spend on each of their members. Why were the near-poor so adversely affected by rent trends? One of the factors that help account for their accelerating losses is that the near-poor are more likely to be dependent on the full-time job economy. Their incomes reflect changes in wages rather than in employment roles. Relatively static real wage levels that prevailed during the period lagged behind robust rent increases.[15]

In 2005, one out of eight low-income tenants in the private, unsubsidized rental market (12%) received rent assistance through Section 8 vouchers. The 2005 Housing Vacancy Survey (HVS) data allow a comparison of vouchered and unvouchered tenants and the degree to which vouchers alleviate the rent-income pressures felt by other low-income tenants. (See Table 2.) The sharp contrast demonstrates the effectiveness of Section 8 voucher assistance. However, voucher availability is dependent on Washington funding decisions, which have not been favorable in recent years. The effective use of vouchers also depends on the willingness of rental owners in the city's strong housing market to lease to voucher holders. Unfortunately, vouchers are the exception—the majority of low-income renters in the open market are unassisted.

Table 2. RENT-INCOME STRESSES, POOR & NEAR-POOR RENTERS in PRIVATE, UNSUBSIDIZED RENTALS, by SECTION 8 VOUCHER USE, 2005

	Median Rent Burden	% Burdens 50% or more	Per Capita Residual Income (Monthly, Constant 2004 $)
Poor Renters			
No voucher (83%)	60 %	65 %	$ 134
With voucher (17%)	20 %	5 %	$ 230
Near-Poor Renters			
No voucher (92%)	42 %	34 %	$ 396
With voucher (8%)	21 %	1 %	$ 569

**Percent in parenthesis is proportion of households with or without vouchers.*

2) Household Characteristics—Size and Composition

At a given income level—poor or near-poor—rent-income pressures vary depending on household size and composition. Differences among households can mean differences in the number of potential wage earners, in the number of dependent children, and in the size and cost of the dwelling unit needed to accommodate them.

In 2005, over two-thirds of New York City households (69%) were adult households, without children under 18, nearly all of them living in one to two-person configurations. Among low-income New Yorkers the pattern is not very different—about three out five (62%) are adult households (largely 1-2 persons). Over a third (38%) is primarily larger households (3 or more persons) with children. Among those households with children present, a bare majority (56%) are single-headed (nearly all women) and the rest (44%) are headed by married couples.

There were striking differences in rent pressures among the household types. Whether they were poor or near-poor, small (largely adult) households carried the highest rent burdens; that is, they spent a greater share of income on rent than larger households with children. But, despite their relatively high burdens, small adult households typically retained higher residual incomes—on average, each member had more income remaining, once rent was paid, to spend on other needs.

This pattern is more evident among near-poor households, no doubt because poor households are severely strained on all fronts and have fewer options to trade off rent burden against residual income. For near-poor renters, a majority of small households (55%) carried high burdens of at least 50 percent.[16] (See Table 3.) By contrast, larger households had a far lower incidence of high burdens—26 percent for three to four persons and 10 percent for five or more persons. Larger near-poor households, despite their lower rent burdens, fared much worse in per capita residual income when compared with smaller households.

Table 3. RENT-INCOME STRESSES, UNASSISTED LOW-INCOME HOUSEHOLDS

in PRIVATE, UNSUBSIDIZED RENTALS, by INCOME & SIZE, 2005

	Median Rent Burden	% Burdens 50% or more	Median Per Capita Monthly Residual Income
Poor Renters			
1-2 persons	69 %	77 %	$ 150
3-4 persons	64 %	75 %	$ 123
5 or more persons	49 %	45 %	$ 143
Near-Poor Renters			
1-2 persons	52 %	55 %	$ 445
3-4 persons	39 %	26 %	$ 378
5 or more persons	31 %	10 %	$ 363

Similarly, adult households—those without children under 18, mostly smaller households—had much greater rent burdens than those with children, but they were able to retain higher per capita residual incomes. (See Table 4.) Again, the comparison is strongest among the near-poor. Among households with children, single-headed households experienced the worst rent-income stresses. Whether poor or near-poor, single-headed families are straining the hardest to balance their incomes and their housing costs.

Table 4. RENT-INCOME STRESSES, UNASSISTED LOW-INCOME HOUSEHOLDS, in PRIVATE, UNSUBSIDIZED RENTALS, by HOUSEHOLD COMPOSITION, 2005

	Median Rent Burden	% Burdens 50% or more	Median Per Capita Monthly Residual Income
Poor Renters			
Adult Households	70 %	81 %	$ 135
Married with Children	54 %	57 %	$ 134
Single with Children	60 %	65 %	$ 131
Near-Poor Renters			
Adult Households	51 %	52 %	$ 433
Married with Children	36 %	18 %	$ 378
Single with Children	39 %	24 %	$ 377

Other characteristics of the various household types shed some light on these patterns. Compared with larger households with children, smaller adult households tended to have lower incomes and, if poor, lower labor participation and greater reliance on public assistance. (See Table 5.) But their lower rents and size made it possible for them to retain more residual income per member. Among larger households with children, single-headed families paid lower rents than those headed by married couples, but their lower income-earning capacity put them at a disadvantage.

Table 5. SELECTED HOUSEHOLD CHARACTERISTICS, UNASSISTED LOW-INCOME HOUSEHOLDS in PRIVATE UNSUBSIDIZED RENTALS, by HOUSEHOLD TYPE, 2005 *

	POOR			**NEAR-POOR**		
	1-2 Persons	3-4 Persons	5+ Persons	1-2 Persons	3-4 Persons	5+ Persons
Median Income	$ 7,500	$11,000	$18,000	$15,000	$26,200	$35,000
Median Rent	$ 720	$ 805	$ 850	$ 800	$ 850	$ 900
Work-Related Income	48 %	77 %	88 %	87 %	96 %	100 %
Only Public Assistance	28 %	14 %	8 %	3 %	1 %	--
Children	16 %	90 %	98 %	9 %	83 %	95 %

	Adult	Married-Children	Single-Children	Adult	Married-Children	Single-Children
Median Income	$ 7,500	$15,002	$ 9,010	$16,000	$30,000	$25,080
Median Rent	$ 750	$ 845	$ 751	$ 800	$ 900	$ 825
Median Size	1	5	3	1	4	3
Work-Related Income	50 %	93 %	63 %	87 %	99 %	98 %
Only Public Assistance	27 %	2 %	24 %	3 %	--	1 %

**Source: 2005 HVS, excluding respondents 65 or older, or younger than 25; those who did not report contract rent or household income; and those who received Section 8 vouchers.*

The findings suggest that per-capita residual income may be a stronger factor than rent burden alone in the decisions low-income households must make in an increasingly unfavorable rental market. Small, adult households paid the highest rent burdens, far more than they could afford by conventional standards—albeit at lower rents than other households—because the stretch in rent had a less severe impact on their residual incomes. Large rent burdens were needed to keep up with rising rents, but the consequences were less drastic in terms of their capacity to make ends meet with respect to other needs.

Larger households with children were more constrained. The rent-income calculation was a more active constraint on their housing choices because large rent burdens meant low per-capita residual incomes and had a potentially critical impact on the family economy.

Virtually all poor renters, regardless of their characteristics, live under enormous rent stresses on every indicator and have little choice in the rental market. To the extent that the near-poor have greater latitude in the housing market, the findings suggest that residual income may be a critical determinant, more than rent burden alone, of the way they cope with rising rents beyond their means. The critical question is how much is left over once rent is paid.

Affordability is a life-threatening issue for poor tenants regardless of how their households are composed. Among the near-poor it is a severe and growing problem, particularly for working families with children, and most of all for single-headed families. But adult near-poor households adapt differently to the city's aggressive rental market.

3) Rent Regulation and Recency of Move

The 1996 to 2005 trends revealed in Charts 4 to 6 confirm that rent-income pressures on low-income tenants were less severe in regulated rentals than in unregulated apartments, and that they accelerated more rapidly in the unregulated sector with the escalation of market rents. Median rent burdens rose by 3 percentage points in each sector. But the incidence of high rent burdens rose from 37 to 41 percent in regulated units, while it spiked from 37 to 47 percent in the unregulated sector. At the same time, the median per capita residual income dropped by nearly 5 percent (in constant 2004 dollars) in both sectors.

As of 2005, unassisted low-income tenants—those without vouchers—fared better if they had rent regulation protections than those living in unregulated apartments. (See Table 6.) Interestingly, the gap was wider among poor households than near-poor households. Although poor households struggled with rents in either sector, rent regulation made a marked difference in moderating rent-income pressures on the poor, particularly in keeping down the incidence of high rent burdens of at least 50 percent of income.

Table 6. RENT-INCOME STRESSES, UNASSISTED LOW-INCOME HOUSEHOLDS in PRIVATE, UNSUBSIDIZED RENTALS, by REGULATORY STATUS, 2005

	Median Rent Burden	% Burdens 50% or more	Median Per Capita Monthly Residual Income
Poor Renters			
Regulated Units	59 %	61 %	$ 138
Unregulated Units	64 %	74 %	$ 128
Near-Poor Renters			
Regulated Units	41 %	32 %	$ 400
Unregulated Units	44 %	37 %	$ 383

The picture is somewhat different for near-poor renters, in that the difference between having and not having regulated rents is less marked. (See Charts 4 to 6.) Those in regulated units fared better, but they also experienced substantial increases in rent-income stresses over the 1996 to 2005 period. Median rent burdens rose from 36 to 42 percent in regulated apartments, and from 38 to 44 percent in unregulated apartments. The incidence of high burdens climbed steeply from 21 to 34 percent in regulated apartments and from 24 to 38 percent in unregulated units. In both the regulated and unregulated sectors, per capita residual income dropped for near-poor tenants, oddly, by 12 percent in regulated units and only 4 percent in unregulated units. By 2005, however, near-poor families still fared better in the regulated sector, although the difference rent regulation made was more striking among the poor.

Nevertheless, poor renters remained far worse off in comparison to the near-poor—their difficult, untenable position in the rental market was a “steady state” condition, compared to the rapid erosion of affordability among the near-poor. Why rent regulation made less of a difference for near-poor tenants is an open question. Surprisingly, while rents for near-poor tenants were consistently lower in regulated units, they rose slightly faster (42%) than rents in unregulated apartments (38%). During the same period, unregulated tenants experienced a 24 percent increase in income, compared to a slighter lower increase of 21 percent among regulated tenants.

The rapid increase in regulated rents is striking. It may be that the sub-markets in which near-poor households lived exposed them to appreciating rents in both sectors, possibly as a result of the 1997 law permitting “preferential” stabilized rents to rise to the legally allowable rent at lease renewal, regardless of rent guideline increases. In any case, it appears that the gap in rent affordability between the poor and near-poor is narrowing, with the near-poor getting closer to the dire situation of the poor.

These differences also reflect mobility patterns, which in turn affect and limit access to regulated units. Low-income apartment seekers have a tough time finding suitable housing in the city's high-cost rental market. The chances of finding a vacant, regulated rental are slimming as the market tightens and units leave the regulated stock. In addition, low-income movers compete with growing demand from higher income apartment seekers who are more attractive to owners and can afford maximum allowable rents.

In that sense, how recently a low-income household has moved to its apartment bears a relationship to its rent-income pressures. In this analysis, a "recent mover" is a household that moved to its current dwelling unit within the previous five calendar years. For the 2005 HVS, a household is considered a recent mover if it moved after 1999.

As of 2005, about half of all renters in the private market (52%) had moved to their apartments since 1999. For low-income tenants, mobility was slightly lower—48 percent were recent movers—and, not surprisingly, recent moves were more frequent for those in unregulated units (62%) than in regulated units (41%). Rent-regulated tenants maintained greater residential stability. Recent movers were less likely to be found in regulated units. When income was taken into account, the difference in mobility between poor and near-poor tenants was small—49 percent of poor tenants and 47 percent of near-poor tenants were recent movers.

The findings indicate that mobility—measured by recency of move—contributes to substantially higher rent-income pressures among low-income households. Households that maintained stable residence experienced lower levels of stress in meeting rents. (See Table 7.)

Table 7. RENT-INCOME STRESSES, UNASSISTED LOW-INCOME HOUSEHOLDS in PRIVATE RENTALS, by RECENCY OF MOVE, 2005

	Median Rent Burden	% Burdens 50% or more	Median Per Capita Monthly Residual Income
Poor Renters			
Stable	58 %	60 %	$ 138
Recent Move	62 %	73 %	$ 127
Near-Poor Renters			
Stable	37 %	24 %	$ 410
Recent Move	46 %	42 %	$ 374

The costs associated with mobility can be attributed to two related factors. First, recent movers were less likely to be located in regulated rentals, as has been seen. Second, while movers and non-movers had comparable median incomes, recent movers were paying higher rents—for the poor, median rents were $800 for movers against $650 for non-movers; for the near-poor, movers paid $900 against $750 for non-movers. Rents for vacant units are generally higher than those for comparable occupied apartments, regardless of rent regulation.

In short, mobility patterns and the availability of rent-regulated apartments have a combined impact on how well low-income households fare in the private rental market. Stable renters in regulated apartments, no matter how they struggle to meet unaffordable rents and other necessary expenses, fare better than those who move.

Impacts by Race and Ethnicity

New York's private, unsubsidized rental market—over 1.7 million apartments in 2005—accommodates a wide range of incomes and a racially and ethnically diverse population. Low-income tenants—close to 700,000 households—constitute two-fifths (40%) of these tenant households. Minority households—those who identify themselves as black, Hispanic, Asian, or other ethnic minority—represent three-fifths (59%) of tenant households in private rentals. Among them, a fifth (21%) are black, over a quarter (28%) are Hispanic, one-tenth are Asian (10%), and nearly a third (31%) are white. (See Table 8.)

Table 8. HOUSEHOLDS IN THE UNSUBSIDIZED RENTAL MARKET, by INCOME & RACE/ETHNICITY, 2005

	Poor	Near-Poor	High Income	All Incomes
Black	24 %	21 %	20 %	21 %
Hispanic	36%	36%	22%	28%
Asian	10%	11%	9%	10%
White	31%	31%	48%	41%
Other	1%	--	1%	1%
	(100%)	(100%)	(100%)	(100%)
No. Households	(323,000)	(360,000)	(1,047,000)	(1,730,000)

Income is, of course, a major determinant of rent-income pressure among low-income tenants, regardless of racial or ethnic differences. The question this section addresses is whether within each income group—the poor and the near-poor—there are significant differences by race and ethnicity.

The findings for the CSS renter subsample confirm again that the poor are in a disastrous position on all measures of rent-income stress, regardless of their racial/ethnic affiliations. (See Table 9.) The most striking difference is that among the racial/ethnic groups, white households—nearly a third (31%) of poor and near-poor tenants—were the most stressed by affordability pressures. They carried significantly higher rent burdens than other groups and retained the lowest levels of per capita residual income once rent was paid. Low-income minority households, whether they were poor or near-poor, tended to carry lower rent burdens and retained higher residual incomes per member.

Table 9. RENT-INCOME STRESSES, UNASSISTED LOW-INCOME RENTERS in PRIVATE UNSUBSIDIZED RENTALS, by RACE/ETHNICITY, 2005

	Median Rent Burden	% Burdens 50% or more	Median Per Capita Monthly Residual Income
Poor Renters			
Black	61 %	66 %	$ 138
Hispanic	58 %	61 %	$ 140
Asian	55 %	56 %	$ 133
White	69 %	82 %	$ 124
Near-Poor Renters			
Black	41 %	33 %	$ 417
Hispanic	40 %	27 %	$ 390
Asian	43 %	33 %	$ 388
White	51 %	51 %	$ 387

Several factors help account for these differences. Within each income group, white households—mostly small, adult households—were among those at the lowest median income level. Yet, except for Asian households, they were among those that paid the highest rents. (See Table 10.) Black and Hispanic households consistently had lower median rents than white or Asian households, whether they were poor or near-poor; they were also more likely to live in rent-regulated apartments, and less likely to have recently moved. Another important difference is that a far higher proportion of white households were adult households without children, a factor that might predispose them to risk higher rent burdens. In contrast, the majority of black, Hispanic, and Asian households included children. Income pressures on the economy of families with children may have been more active constraints in their housing choices and resultant rent burdens.

Table 10. SELECTED CHARACTERISTICS: UNASSISTED LOW-INCOME HOUSEHOLDS in PRIVATE, UNSUBSIDIZED RENTALS, by RACE/ETHNICITY, 2005*

	POOR				NEAR-POOR			
	Black	**Hispanic**	**Asian**	**White**	**Black**	**Hispanic**	**Asian**	**White**
Median Income	$ 8,000	$ 9,100	$14,000	$ 7,992	$23,000	$23,042	$25,110	$18,000
Median Rent	$ 714	$ 747	$ 867	$ 875	$ 763	$ 800	$ 925	$ 850
Median HH Size	2	3	4	2	3	3	4	2
Earnings Income	63%	60%	96%	60%	92 %	94 %	99%	88%
Only Pub Assistance	22%	25 %	3	16%	2%	2%	--	2%
Rent-regulated	65%	72%	52%	64%	65%	70%	57%	58%
Recent Movers	55%	48%	63%	54%	52%	53%	62%	56%
HH Composition								
Childless	46%	32%	33%	64%	45%	38%	38%	70%
Married, Children	16%	27%	60%	22%	19%	31%	52%	24%
Single, Children	38%	42%	7%	14%	36%	32%	10%	7%

**Figures drawn from 2005 HVS, excluding respondents 65 or older, or younger than 25; those who did not report contract rent or household income; and those with Section 8 vouchers.*

These considerations, particularly the wide variation in median rent levels, suggest that residential location patterns—the geographical distribution of racial/ethnic groups across the city's housing sub-markets and neighborhoods—might play a significant role in housing decisions and resultant rent-income stresses. Whether differences in location patterns are a result of opportunity constraints or choice, the concentration of particular racial/ethnic groups in particular rental sub-markets or neighborhoods will have an effect on their rents, rent burdens, and residual incomes.

To analyze how rental sub-market location influences rent-income pressures experienced by different racial/ethnic groups, the 55 sub-borough districts in the 2005 HVS were divided into three categories based on the median rent levels in private, unsubsidized rentals.[17] Given the existing racial/ethnic neighborhood enclaves within the city, the overall pattern of residential location (without regard to income) is striking, but not entirely surprising. (See Table 11.)

Table 11. HOUSEHOLD DISTRIBUTION IN PRIVATE, UNSUBSIDIZED RENTALS, by SUB-BOROUGH DISTRICT RENT LEVEL & RACE/ETHNICITY, 2005

Household Race/ethnicity	Low-Rent Districts	Mid-Rent Districts	High-Rent Districts	
Black	58 %	34 %	8%	(100%)
Hispanic	48 %	37 %	15 %	(100%)
Asian	9 %	52 %	40 %	(100%)
White	11 %	46 %	43 %	(100%)

There were and are substantial differences among the groups in terms of location by sub-market rent level. Black and Hispanic renters located predominantly in the lower-rent sub-markets, while white and Asian renters located primarily in the higher-rent sub-markets. The largest enclaves of black renters were in districts such as East Flatbush, Central Harlem, and Crown Heights, all of them districts with relatively low rents. Hispanic renters were primarily clustered in Washington Heights/Inwood, Fordham, Kingsbridge Heights, Soundview/Parkchester, and Jackson Heights—all but the last low-rent districts. Major white enclaves were in the high-rent districts of Manhattan below the Harlems, in Park Slope and Williamsburg/Greenpoint, and in the moderate-rent districts of Brooklyn, such as Bay Ridge, Bensonhurst, Borough Park, and Sheepshead Bay. Asian renters clustered in Flushing, a high-rent sub-market, and the mid-rent districts of Lower East Side/Chinatown, Sunnyside/Woodside, Sunset Park, and Bensonhurst.

Low-income renters in the private, unsubsidized market followed a similar location pattern by sub-market district, but even higher concentrations lived in the low- and mid-rent districts, regardless of race or ethnicity. (See Table 12.)

Table 12. DISTRIBUTION OF LOW-INCOME HOUSEHOLDS IN PRIVATE, UNSUBSIDIZED RENTALS, by SUB-BOROUGH DISTRICT RENT LEVEL, RACE/ETHNICITY, AND INCOME LEVEL, 2005*

Household Race/ethnicity	Low-Rent Districts	Mid-Rent Districts	High-Rent Districts	
Poor Renters				
Black	69 %	27 %	4 %	(100%)
Hispanic	61 %	32 %	6 %	(100%)
Asian	15 %	56 %	30 %	(100%)
White	1 8%	60 %	22 %	(100%)
Near-Poor Renters				
Black	61 %	33 %	6 %	(100%)
Hispanic	47 %	39 %	14 %	(100%)
Asian	8 %	60 %	33 %	(100%)
White	15 %	54 %	32 %	(100%)

**2005 HVS households were excluded if the respondent was under 25 years old or 65 and older.*

The residential stratification of the city, simultaneously by race/ethnicity and by rent level, helps account for the observed differences in rent-income pressures among racial/ethnic groups of low-income tenants, particularly the relatively high rent burdens of white low-income households and of near-poor Asian households. Whatever the drawbacks of large minority residential enclaves in low-rent areas, and the assumed benefits of more economically and racially diverse communities, it appears that black and Hispanic households were able to constrain rent outlays, maintain lower, though still extreme, rent burdens, and retain marginally higher per capita residual incomes because of their location in the lower-rent districts. Market forces that inflate rents in those communities or contribute to their gentrification will make it much more difficult for low-income black and Hispanic renters to survive.

That minority New Yorkers cluster in particular neighborhoods is, in part, a function of constrained opportunities in the city's rental market for those in the bottom income-third, as well as forces that promote community consolidation by race/ethnicity. However, many of these neighborhoods have also functioned as lower-rent, affordable housing resources. Despite their frequently poorer physical conditions, these rental sub-markets that have a greater capacity to shelter economically disadvantaged groups from rent pressures that ravage many neighborhoods across the city.

Few, if any, sub-markets have been spared by rent inflation over the period from 1996 to 2005. Even sub-borough districts in the low-rent sub-market group (as of 2005) have seen a 39 percent increase in median private market rent levels, while the mid-rent and higher-rent district sub-markets have experienced a rent inflation of 50 percent. As their present neighborhoods undergo persistent rent inflation, low-income tenants in the private rental market can be expected to suffer more intensive rent-income stresses, more frequent hardships and displacement pressures, that will make it difficult for them to make their homes anywhere in the city.

Housing Hardships and Displacement Pressures

Since 2002, the Community Service Society has conducted an annual survey of low-income New Yorkers, "The Unheard Third," which tracks housing and other hardships that occurred during the previous year. Four hardship questions pertain directly to housing:

Have you or any member of your household:

(1) fallen behind in your rent or mortgage?

(2) had either the gas, electricity, or telephone turned off because the bill was not paid?

(3) moved in with other people even for a little while because of financial problems?

(4) stayed at a shelter, in an abandoned building, an automobile, or any other place not meant for regular housing even for one night because you didn't have enough money for a place to live?

The first two hardships—rent/mortgage arrears and utility cut-offs—are considered "lesser" hardships; the second two—doubling up and using shelter—are considered "severe" hardships.

In addition, since 2006, new questions were included that asked whether residents feel pressures that would "force" them to move over the next two years. If they registered in the affirmative, an additional closed-ended question attempted to identify their reasons for feeling forced out.

The trends to date for low-income renters confirm that:

(1) Housing-related hardships—both the lesser and severe hardships—have mounted since 2002 and maintained relatively high levels in recent years.

(2) Poor households experience higher rates of hardship than the near-poor.

(3) The gap in hardship rates between poor and the near-poor renters is rapidly narrowing, particularly among those in the private rental market.

(4) The more severe hardships—doubling-up and seeking shelter—are a growing portion of the hardships experienced.

(5) Fear of a forced move affects a significant proportion (28%) tenants in the private rental market regardless of income. But it is most frequently felt by black and Hispanic renters, and the primary source of the fear is that the neighborhood is becoming too expensive.

Housing Hardships

As of 2007, the rate of housing hardship among low-income renters remains high. Close to half (47%) experienced at least one of the four hardships tracked in the survey. As in previous years, the poor had a higher rate of hardship (50%) compared to the near-poor (44%).

In private, unsubsidized rentals, the gap between the poor and the near-poor has narrowed; the two income groups are converging in the incidence of the four kinds of hardship. (See Table 13.) However, poor renters have a substantially higher rate of severe hardships, particularly doubling-up with friends or relatives. Overall, income seems to be making less of a difference among private market, low-income tenants in the occurrence of housing hardships. The affordability problem is affecting a wider range of incomes and a larger number of working, near-poor families.

Table 13. INCIDENCE OF HARDSHIPS, PRIVATE UNSUBSIDIZED RENTERS, by INCOME & TYPE OF HARDSHIP, 2007

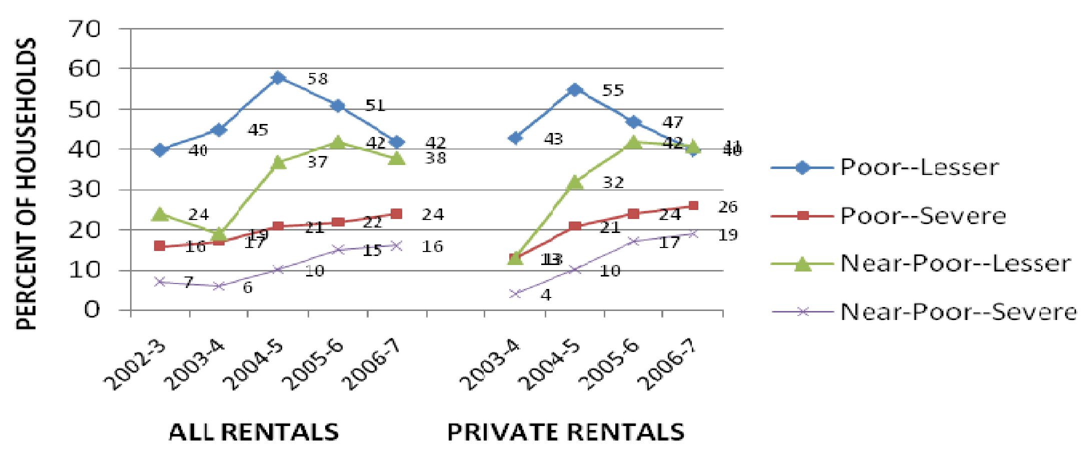
Type of Hardship	Poor	Near-Poor
Falling behind in rent	33 %	28 %
Utility cut-offs	26 %	22 %
Doubling-up	26 %	13 %
Seeking shelter	4 %	4 %
At least 1 hardship	48 %	44 %
2 or more hardships	29 %	20 %

Source: CSS 2007 "Unheard Third" survey of low-income New Yorkers, excluding renters under age 25 and over 64.

The incidence of housing hardship also varied by household type. In 2006-2007, low-income households with children had far higher rates of hardship—over half (54%) experienced at least one hardship—compared to adult households without children (41%). The difference suggests that stresses in low per capita residual income—insufficient income to meet needs other than rent—rather than very high rent burdens may be the major factor underlying housing hardship.

When housing hardships are grouped by severity, a similar narrowing of the gap between the poor and near-poor can be observed. (See Chart 7.) For the lesser hardships, the gap between the two groups has closed in recent years. The poor are experiencing a lower rate of lesser hardships, which parallels the incremental decline in their rent-income stresses that was already observed. Among the near-poor, lesser hardships are still rising. In private rentals, the rate of lesser hardships is now nearly identical for both groups. [18]

Chart 7. LESSER and SEVERE HOUSING HARDSHIPS, by INCOME LEVEL, ALL RENTALS & PRIVATE RENTALS

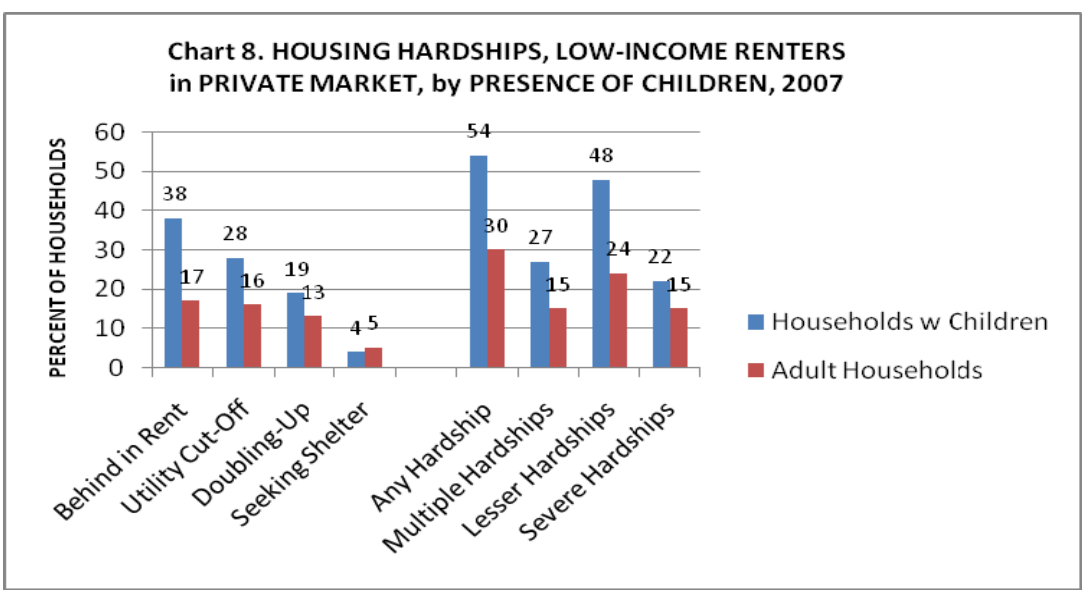


The severe hardships—doubling-up and seeking shelter—continue to mount for both poor and near-poor renters. It is striking that by 2006-2007 they affected a quarter (24%) of poor renters and a sixth (16%) of the near-poor. In 2002-2003 the rates of severe hardship were somewhat lower for poor renters (16%) and for near-poor renters (7%). The growing rent affordability problems of low-income New Yorkers are having more severe consequences and help explain the consistent, recent increases in the city shelter population for homeless families and individuals. Importantly, the severe hardships represent a growing proportion of housing hardships experienced by low-income tenants. The stakes for low-income tenants who are trying to hold on to their homes are getting higher.

In private, unsubsidized rentals, the lesser hardships—rent arrears, utility-cut-offs—are occurring at the same rate for both poor and near-poor renters. The poor continue to experience a higher rate of severe hardships, but the gap between the two income groups is narrowing. Despite incremental declines in housing hardship rates in recent years, the severity of housing hardship is intensifying—fewer households are experiencing the lesser hardships, a larger proportion have members who doubled-up or sought shelter during the previous year. In the private rental market, the fate of poor and near-poor renters is becoming indistinguishable—the near-poor are rapidly approaching the high hardship rates among the poor.

High and Rising Hardships for Low-Income Families with Children

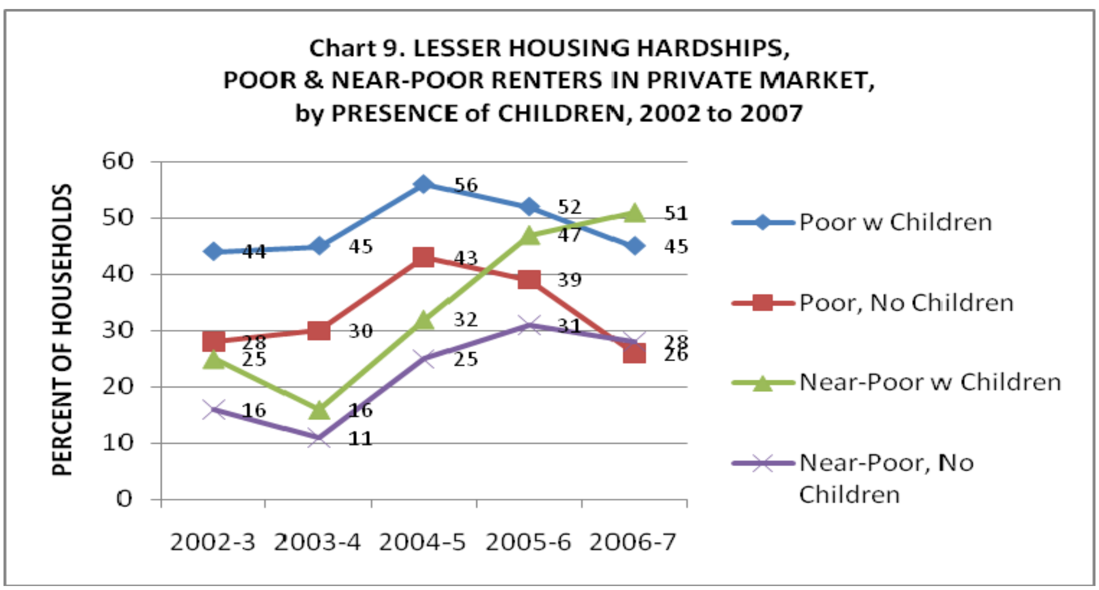
The foregoing analysis of rent-income pressures identified low-income families with children, who lived in private rentals, as a high risk group experiencing the most severe affordability problems. Those pressures were also very evident in the incidence of housing hardships. The analysis confirmed that households with children were experiencing far higher rates of housing hardship than adult households. (See Chart 8.)

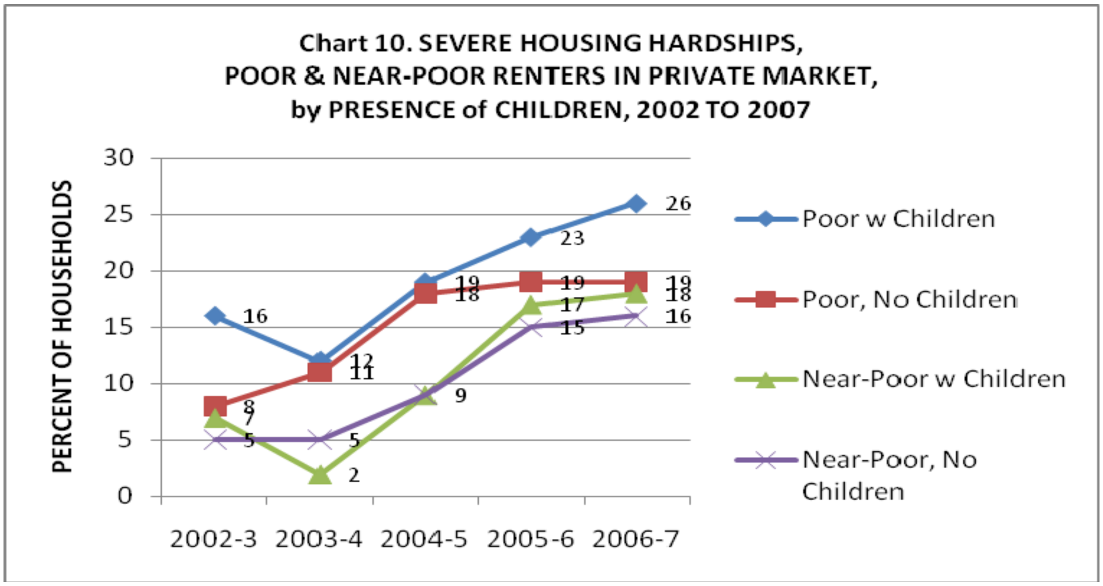


In 2007, over half (56%) of families with children under 18 had experienced at least one housing hardship, compared to less than a third (30%) of adult households. Multiple hardships were far more frequent among families (27%) than adult households (15%). Families more frequently incurred rent and utility arrears, and experienced the doubling-up of household members during the year. Adult households were slightly more likely to seek shelter—5 percent compared to 4 percent for families. Households with children were also at greater risk of the "lesser" hardships (rent and/or utility arrears) and of the severe hardships (doubling-up and/or seeking shelter). Overall, families, and the children living with them, were more likely to be serious casualties of housing hardship.

Hardship trends from 2002 to 2007 among poor and near-poor households show an even more striking pattern of rising housing stresses among families with children, particularly among the near-poor. (See Chart 9.) Over time, poor households experienced some reduction in the lesser hardships, although households with children remained at high levels. But the percentage of near-poor families with children, nearly all of them working families, who experienced housing-related financial stresses soared from 16 percent in 2003-2004 to 51 percent in 2006-2007, a rate higher than for poor families with children (45%).

It is striking that the incidence of severe housing hardships—doubling-up and/or seeking shelter—have risen in recent years for all groups, poor and near-poor, and for those with or without children. But the rapid escalation in severe hardships is most striking among poor and





near-poor households with children. These trends, along with the already observed extreme rent-income stresses among families with children, help account for underlying pressures that drive the persistent surge in homeless families in the city shelter system despite recent city efforts to prevent family homelessness. The rise in housing hardship among low-income families, and the extreme affordability pressures underlying them, represents the massive iceberg that lies just beneath the homeless family crisis.

Displacement Pressures

Beginning in 2006, the CSS Unheard Third survey asked two new questions dealing with displacement pressures. The questions were:

> *Some people say they are being forced out of their neighborhood. What about you? Do you feel like you are being forced out of your neighborhood now, or that it's likely you will be forced out in the next year or two, or would you say no, you do not feel you are being forced to move out of your neighborhood?.*
>
> *IF YES (feeling forced out): Would you say this is because people who are different from you are coming into the neighborhood, because it is becoming too expensive to live there, because it is becoming more dangerous, or something else?*

The survey results were consistent in the two years 2006 and 2007. Regardless of income—whether tenants were poor, near-poor, or higher income—over a quarter of renters

(28%) living in private, unsubsidized apartments felt they would be pressured out of their current neighborhoods within the next two years. Close to half a million of New York's 1.7 million renting households in the open market are affected by this kind of anxiety about displacement pressures.

Despite the sheer scale of these concerns, it is difficult to assess whether these pressures are unusual, or more acutely felt in New York than elsewhere. Comparable figures are not available for other large cities. Nevertheless the fear of imminent displacement is felt by a significant proportion of New York tenants at all income levels.

The primary reason given for potential displacement was economic. Among those who feared being forced out in the next two years, most respondents (61%) said it was because the neighborhood was becoming too expensive. Less frequently cited reasons were people moving into the neighborhood (14%) and the neighborhood becoming too dangerous (10%). The results of the two annual surveys sketch a picture of a rental market in which large numbers of tenants at all income levels feel the pressure of rising costs.

Fears of displacement were more frequent among black and Hispanic renters than among other racial/ethnic groups in the private rental market. White renters registered the fewest concerns (22%), followed by Asian renters (25%), but displacement pressures were more widespread among black renters (34%) and Hispanic renters (33%). If these fears are realized, the escalating rental market is likely to have its strongest displacement impacts on renters and sub-markets that are predominantly black and Hispanic.

It is difficult to say conclusively whether displacement fears or pressures have risen to new levels in recent years, or whether these results are unusually high. One way to gauge these figures is to weigh them against recent mobility patterns; that is, compare them with the rate at which tenants actually move over a comparable period of time. Do the displacement fears registered in the survey point to a potentially higher turnover rate among low-income tenants than has been the case in the near past?

For that purpose, the 2005 HVS data were used to determine the proportion of tenants in private, unsubsidized rentals in 2005 who had moved to their apartments over the two calendar years 2003 and 2004. The move-in rates serve as a baseline against which to assess whether the subjective displacement fears reported in the CSS survey are high or low.

In 2005, over a quarter (27%) of New York tenants living in private rentals had moved into their apartments during the two previous calendar years, 2003 and 2004. However, mobility rates for black and Hispanic households were lower—23 percent for black renters and 25 percent for Hispanic renters had moved in during the two years. If displacement fears are realized in the next two years, a third of black and Hispanic renters may be forced out of their neighborhoods, while move-ins by similar renters will be at a lower rate of between 23 and 25 percent. The result would be a net outward movement of black and Hispanic tenant households. It is a leap to suppose that all those who fear displacement will actually move, but out-movers will no doubt also include many households that had no displacement fears; for instance, those voluntary movers who need more space or move to another work location. In that sense, outward pressures may be on the order of the displacement pressures registered by blacks and Hispanic tenants.

It is conceivable that the fears of displacement registered in the CSS survey are exaggerated, particularly in light of anxieties about the city's rapidly appreciating rental market and continuing population growth that threatens many traditional, lower-rent neighborhoods with rising costs and gentrification. But, to the extent that displacement fears are realized, more black and Hispanic tenants—particularly at low-income levels—will be pressured out of their present communities by rising costs within the next years than can be expected to move into existing apartments. Since the majority of black and Hispanic renters tend to concentrate in the city's lower-rent sub-markets where rent increases have also been high, the impact on their rent burdens and other rent-income pressures will be great. These stresses could result in a net out-movement of these households from their present neighborhoods, and possibly out of the city, at a rate that may approximate 10 percent of black and Hispanic families now in the private rental market. Certainly, the signs point in that direction.

Major Conclusions

***Families with Children Are at Greatest Risk in the Affordability Crisis*:**
Low-income, largely working families with children are the hardest-hit casualties of the affordability crisis in New York City's private rental market.

The majority of New York's one million low-income households live unassisted in the city's private rental market where soaring rents and static incomes are exacerbating a long-standing affordability crisis. Among them, families with children under 18, particularly those that are single-headed, are experiencing the most intense rent-income stresses, as well as a high and growing incidence of housing hardships. Over half of households with children (54%) experienced housing hardship in 2007, compared to 30 percent among adult households. Over a quarter of those with children (27%) experienced multiple hardships compared to 15 percent of adult households. For families with children, the lower residual income available per household member, once rent was paid, left them with less money to meet other, non-housing needs and more vulnerable to hardship.

The affordability crisis places children at increasing risk of impoverishment as rising rents eat into income gains and place them at greater risk of hardship. Among them, single-headed (largely female-headed) families are living under the most wrenching rent-income stresses, as rising rents take a larger share of household income, leaving less residual income left over for other necessities.

In 2005, about 235,000 low-income New York City households with children were in this position. As a group they have the following profile characteristics:

Nearly all (90%) reported income from work during the previous year.
A large majority (69%) relied exclusively on work-related income.
Only a small proportion (6%) relied exclusively on public assistance (TANF, SSI, or Safety Net.)
The majority were near-poor (59%) rather than poor (41%).
The median household consisted of three persons.
Half of the families had married heads (52%), half were single-headed (48%).
Half were Hispanic families (48%), more than a fifth were black (22%), Asians and whites each constituted 15 percent.
Most (61%) lived in regulated apartments, but a large portion (39%) lived in unregulated units.
The largest number lived in Brooklyn (35%), then Queens (29%), the Bronx (23%), with smaller numbers in Manhattan (11%) and Staten Island (2%).

Given the affordability stresses under which these low-income families are living, every level of government needs to consider extending equitable relief—comparable to that received by homeowners without regard to income—so that renter families and their children can survive the rising cost of living in New York and other major cities.

<u>A Widening Affordability Crisis Is Affecting the Near-Poor</u>:
The affordability crisis in the private rental market is widening, affecting not only poor households but a rapidly growing number of working near-poor households, particularly those with children.

While poor New Yorkers in the private rental market continue to experience disastrously high rent affordability stresses and housing-related hardships, over the past decade there has been marked escalation among the near poor as rising rents outpace income gains. Between 1996 and 2005, near-poor renters experienced an increase in median rent burdens from 36 to 42 percent of household income; the proportion paying at least half their income for rent spiked from 22 to 35 percent; and their residual after-rent income per member dropped by 12 percent in constant dollars. Their position in the rental market is quickly approaching that of poor renters. Rates of housing hardship among the near poor—both the lesser and more severe hardships—are rapidly approaching those of the poor. This is dramatically striking among near-poor families with children, a pattern that suggests that intensifying pressures in the rental market may well account for the continuing surge in homeless families seeking shelter, despite the city's recent efforts at prevention.

<u>Black and Hispanic Renters Register the Highest Fears of Displacement</u>:
High affordability pressures on black and Hispanic low-income renters have been moderated by where they tend to live, in the lower-rent sub-markets in neighborhoods with relatively poor conditions. But fears of displacement (over the next two years) are relatively high among black and Hispanic renters as rent levels escalate in all sub-markets across the city, and housing hardship and affordability pressures intensify. The major reason for fearing displacement is that " the neighborhood is becoming too expensive."

A third of black and Hispanic renters fear they will be "forced out" of their neighborhoods in the next two years. Among white and Asian renters similar fears were registered by 22 and 25 percent of renters, respectively. Among those who fear displacement, the majority (61%) said it was because the neighborhood was becoming too expensive.

<u>Housing Hardships Are Expanding and Becoming More Severe</u>:
Housing hardships continue to be high among low-income renters in the private market. The most striking changes over time are 1) they are now rapidly escalating among the near-poor and 2) a larger portion of hardships are severe hardships—doubling-up or seeking shelter—that are related to homelessness.

Nearly half of low-income tenants in the private rental market experienced at least one housing hardship in the previous year—48 percent among the poor, 44 percent among the near-poor. Over a fifth experienced multiple hardships—29 percent among the poor, 20 percent among the near poor.

Housing hardships among near-poor renters are rapidly escalating since 2003 to levels approximating the poor. In 2006-2007, about 40 percent of both poor and near-poor renters experienced rent arrears and/or utility cut-offs. (In 2003-2004 the rate among the near-poor was 13 percent.) As of 2006-2007, the more severe hardships—household members doubling up or seeking shelter—occurred among a quarter of poor renters (26%) and a fifth (19%) of near-poor renters.

Income differences among low-income New Yorkers are no longer a major differentiator of housing hardships in the private rental market. Affordability is a serious crisis for a widening spectrum of low-income families.

The Rent Affordability Problem—Policy Options

Inequities in Government Assistance—Renters versus Homeowners

The growing rent affordability problem for low-income, largely working families has received widening attention as a national urban problem in recent years. Yet the policy mechanisms in place to address it are limited, particularly when compared to existing policies at every level of government that provide generous relief to homeowners, regardless of income, to cushion their housing costs.

Rental and homeownership tenure are not evenly distributed by income and race/ ethnicity. Even in a rental city like New York, the skewed distribution of homeownership is readily apparent—low-income households, and black and Hispanic households, are far more likely to rent. (See Table 14.) The regressive effects of homeowner relief, in the absence of equitable renter relief, are far greater for the state, where the majority of households own their homes. As a result, a costly state program of homeowner tax relief will effectively bypass low-income, minority households living under enormous affordability pressures and in greatest need simply because they are primarily renters, while it rewards a constituency of largely upper-income, white households.

The homeownership bias in federal tax policy has been an institutional fact-of-life for many decades. In 2006, the federal government expended $42 billion on rent assistance, mostly directly appropriated outlays through income-targeted HUD programs (primarily Section 8 vouchers). On the other hand, homeowners received $158 billion in assistance from Washington, mostly through tax expenditures (primarily homeownership income tax deductions) without any income restrictions.[19]

Table 14. HOMEOWNERSHIP RATES, by INCOME & by RACE/ETHNICITY, NEW YORK CITY AND NEW YORK STATE, 2005

	New York City	New York State
Poor	13 %	20%
Near-Poor	23%	40%
Higher	42%	80%
White	44%	75%
Hispanic	16%	28%
Black	29%	39%
Asian	38%	52%
All Households	33%	60%

In New York State, the primary source of property tax relief for homeowners is the STAR School Tax Relief Program and its variations. In 2007, the state budgeted over $4 billion for STAR-related relief to lessen property tax burdens on its four million homeowners, most of it without regard to income except for a $1.3 billion new initiative targeted to "middle class" homeowners with incomes of up to $250,000 annually.

Although tenants are impacted by rising property taxes that are passed along through their rents, the only relief available to renters, at any income level, is the New York State Real Property Tax Credit. The "circuit breaker," as it is known, is a refundable tax credit that has since 1978 offered relief to low-income households—renters and homeowners—who are considered to face property tax burdens beyond their means. In 2004, the latest year for which state expenditures are reported, the circuit breaker distributed a total of $30 million in refundable tax credits to about 300,000 needy owners and renters.[20] The figure was even lower than the $32 million the state expended in 2000 because the fixed range of incomes, house values, and rents targeted by the credit have remained unchanged since the late 1970s, and the potential constituency for the circuit breaker credit narrows over time.

New York State has nearly as many renter households as homeowners—in the 2000 decennial Census, 47 percent of state households were renters. As a group, New York homeowners have higher incomes than renters and are far less likely to include minority households. As a result, the state's system of property tax relief and its homeowner bias have inequitable, negative impacts on lower-income renters and the large majority of minority households who rent rather than own.

In New York City, property tax relief is a fairly recent phenomenon. Since 2004, New York City has issued $400 annual property tax rebate checks to one million individual home and apartment owners, regardless of income, to help relieve the 18 percent property tax increase levied in 2003. The total annual cost to the city is $250 million. Although renters pay property tax increases through their rents—even rent regulation guidelines take tax increases into account—no comparable relief is available for tenants, even as rent burdens mount and per capita residual incomes shrink, making it more difficult for low-income working families to make ends meet. Although the city now faces recession and declining revenues, Mayor Bloomberg has proposed to continue the $400 tax rebate in 2008. In 2007, City Council Speaker Christine Quinn introduced a city renter tax credit for the first time, which was targeted to low- and moderate-income tenants. It was not supported by Mayor Bloomberg when the legislation was deliberated and defeated in Albany. As of the drafting of this report, Speaker Quinn plans to reintroduce the New York City Renter Tax Credit, but its future is uncertain.

Current Policy Options

Two kinds of policy models or approaches are available to help low-income renters, who otherwise face market forces that drive rents further and further beyond their means, survive in the open, unsubsidized rental market. One approach is through categorical rent assistance programs—the primary program is the federal Section 8 Housing Choice Voucher. The other approach is through the tax system—tax expenditures, such as tax rebates, income tax credits, or deductions—that provide relief in the form or cash transfers to households that need it

Section 8 Housing Choice (Tenant-Based) Vouchers

The federal Section 8 Housing Choice Voucher program—also known as tenant-based vouchers—is designed to enable low-income households to access suitable rental housing in the open market at rents they can afford. Administered by local housing authorities, it provides deep rent subsidies that limit tenant contributions to rent to at most 30 percent of household income. Vouchers are largely targeted to those most in need—75 percent of an authority's available vouchers must be allocated to "extremely low-income households," those within 30 percent of the HUD area median income, roughly the federal poverty level.

If there were enough Section 8 vouchers to meet the affordability needs of all low-income tenants, there would be no reason to consider other mechanisms of rent assistance. However, the voucher program is limited in scale—at about two million vouchers nationally—because it is subject to annual federal budget appropriations. In New York City, Section 8 vouchers reach only one out of eight low-income tenants in the private, unsubsidized market, about one out of every six poor renters (17%), and one out of 12 near-poor renters (8%).

Despite widespread support for the voucher program, which has made it possible for the program to survive and avoid major cuts and reforms under the Bush administration, Washington is generally reluctant to add new ("incremental") vouchers to those already in use. In an unusual initiative, the Section 8 Voucher Reform Act (SEVRA—HR 1851) passed by the House last summer proposes to add 100,000 incremental vouchers over the next five years. As of this writing, the companion Senate bill is being drafted.

Limitations on federal funding prevent the program, despite its potential benefits, from reaching the majority of low-income tenants who face the rent pressures of the private market. However, other factors may also limit the reach of the existing voucher program.

A growing number of housing authorities—including the New York City Housing Authority (NYCHA)—face large annual operating deficits, in large part due to federal starvation funding. A number of authorities have begun to view Section 8 voucher funds as a resource to sustain underfunded public housing operations and now seek the opportunity to divert Section 8 voucher funds for that purpose. A provision of SEVRA—the Housing Innovation Program (HIP, previously the Moving-to-Work Program)—will provide that opportunity to housing authorities designated for the HIP program. To the extent that authorities, like NYCHA, seek HIP designation to enable them to divert voucher funding to public housing operations, there will be less funding and fewer vouchers available to families on the Section 8 waiting lists. HUD funding realities may make it difficult in New York and other large cities to stem the hemorrhaging of Section 8 funds that are diverted to preserve public housing.

The use of existing Section 8 vouchers is also constrained by building owners reluctant to participate in the program; who, in effect, discriminate against vouchers as a source of income for the apartment seeker. New York's rental market is robust, as a result of recent economic and population growth. Voucher holders must compete with other, more conventional and affluent apartment-seekers and the incentives for owner participation are lessened. The New York City Council recently enacted a law (Intro. 61-A), overriding a mayoral veto, to make discrimination against voucher holders illegal.

2) ***Tax mechanisms—Renter Tax Credits***

Tax mechanisms have distinct advantages and disadvantages over categorical rent assistance as a way of providing relief to income-stressed tenants. A key advantage is that they are *universal* cash transfers that can be brought to scale to serve the entire population in need, unlike the Section 8 lottery where the few lucky winners receive vouchers. Another advantage is that benefits can be distributed quickly and easily as a refundable tax credit through the annual income tax mechanism. A third advantage is that they are private, confidential transactions between government and the recipient that are not subject to discrimination in the marketplace, to annual appropriations, or to burdensome application procedures. The major disadvantage of the tax mechanisms is that, in all likelihood, they will provide relatively shallow relief because of the size of their constituency, rather than the deep rent subsidy available through limited Section 8 vouchers. Several tax expenditure approaches, at the three levels of government, should be considered.

The New York State Circuit Breaker

Eighteen states now provide property tax "circuit breakers" to assist households facing property tax burdens that are excessive given their limited incomes. In 17 states, including New York, renters qualify for benefits because it is acknowledged that they pay property taxes indirectly through their rents.

These circuit breakers are estimated to deliver about $3 billion annually in benefits.[21] However, current New York benefits (as of 2005) total only $30 million annually, about one percent of the total outlays across the 18 states. New York State is among those at the lowest rungs of the benefit ladder—it is one of the states that provides the lowest level of maximum benefit and the narrowest range of incomes for eligibility.

The New York State Real Property Tax Credit was designed in the late 1970s to offer low-income homeowners and renters a refundable tax credit to help them keep their homes in the face of unaffordable real estate property tax increases. The tax credit has remained unchanged since it was first enacted. It provides only marginal relief for non-seniors—a maximum of $75 annually—while seniors qualify for a maximum credit of $375. By comparison, New Jersey provides all renters with a maximum tax credit of $824. Moreover, the New York circuit breaker credit is narrowly targeted: to households with incomes up to $18,000; to renters who pay at most $530 monthly with heat included (only one out of six New York City low-income renters could qualify on that basis); and to homeowners with assets worth no more than $85,000.

As it stands, the New York circuit breaker serves a shrinking constituency of renters and homeowners at a time when local real estate property taxes and school taxes are rising to unprecedented levels and the need for relief is at an all-time high. At this time, the circuit breaker is the only source of state tax relief for low-income renters. Low-income homeowners also receive tax relief through STAR tax rebates. It is the state's lower income renters who are largely ignored.

New York City Renter Tax Credit?

The New York City renter tax credit proposed in 2007 by City Council Speaker Christine Quinn is likely to be introduced again by the Speaker. But due to fiscal constraints and a looming economic recession, its chances of passage are uncertain at best. On the other hand, Mayor Bloomberg, even in the current fiscal climate, has proposed to continue the $400 tax rebate checks to the city's one million home and apartment owners in the coming budget year, at a cost of $250 million. Basic concerns about equitable treatment of renters argue, at the least, for a simultaneous tax credit for the 600,000 low-income New Yorkers who rent in the private, unsubsidized market.

The Potential Impact of State-City Renter Tax Credits

If the city committed $250 million annually to renter tax credits, an amount equal to the expense of current property tax rebates for homeowners, and distributed them as tax rebates to 600,000 low-income renters in the private, unsubsidized market, the benefit to each tenant household would be comparable to the homeowner rebate. An average of $416 annually—or $35 monthly—would be provided to each tenant household.

The New York State Circuit Breaker, as of 2003, provided only 30,000 renters with an average tax credit of only $107 annually. A parallel expansion of the Circuit Breaker that provided an equal tax credit to low-income renters across the state would net city renters a total of $70 monthly as a cushion against property tax increases. These totals are not unrealistic—five states now provide income-eligible renters with maximum benefits of at least $824 annually, even without tax relief at the municipal level.

An across-the-board, combined state-city property tax benefit of $70 monthly—$840 annually—to each of New York City's 600,000 low-income households who rent in the private, unsubsidized market, without voucher assistance, would have the following impacts:

Table 15. IMPACT OF STATE-CITY TAX CREDIT OF $70 MONTHLY on UNASSISTED LOW-INCOME NYC RENTERS IN THE PRIVATE, UNSUBSIDIZED MARKET

	Monthly Credit	Median Rent Burden	% Burdens 50% or more	Median Per Capita Monthly Residual Inc.
Poor				
Current	$ 00	60%	65%	$ 134
With credit	$ 70	54%	57%	$ 154 (+15%)
Near-Poor				
Current	$ 00	42%	34%	$ 396
With credit	$ 70	38%	27%	$ 422 (+7%)

Viewed as rent relief, the $70 monthly tax credit would result in lower median rent burdens, a 6 percentage point drop for the poor and a 4 percentage point drop for the near-poor. The incidence of high rent burdens (at least 50%) would be reduced by 7 to 8 percentage points for each income group. While a reasonable state-local system of renter tax credits will not cure affordability problems experienced by low-income tenants, it will lessen their impact and provide significant relief to many who have trouble making ends meet after rent is paid. It should be kept in mind that the city's $400 tax rebates and the state's STAR tax rebates do not significantly lessen the intense pressures of rising property taxes on the city and state's homeowners, which continue to be hotly debated. Nevertheless, they cushion the blow.

The income effect of a state-city renter tax credit is perhaps its most striking impact. After-rent per capita residual income would increase by 15 percent among the poor and 7 percent among the near-poor. The credit would, in effect, be a substantial increase in the purchasing power of the poorest tenants even if rents remain unchanged, assisting those who bear consistent and disastrously high rent burdens beyond their incomes. For the near-poor it would help them recover some of the residual income—nearly all of it from working income—that they have lost to escalating rents over the past decade.

The state and the city need to overcome their bias toward tax relief directed nearly exclusively to homeowners regardless of income. Equitable relief should be available to renters, particularly low-income renters—nearly all of them working households—who are struggling with market and tax pressures without the benefit of housing subsidies and voucher assistance.

<u>The Federal Earned Income Tax Credit (EITC)—A Housing Supplement</u>

The federal earned income tax credit began on a small scale in 1975 under the Nixon administration as a work incentive for poor families, initially a refundable tax credit of up to $400 annually that served only six million families. It was expanded in subsequent administrations, particularly during the Clinton administration, as a way to "make work pay" and lessen the reliance of the poor on public assistance. As of 2006, EITC provided more than $41 billion in benefits, on a sliding income scale, to 22 million working families (with children) earning up to $38,348.[22]

Both EITC benefit levels and the annual calculation of federal poverty thresholds are currently uniform across the country and do not take into account differential costs of living or housing at the local or metropolitan level. One proposal, made in 2001 by Cushing Dolbeare, the founder of the National Low Income Housing Coalition, is to add a housing supplement to EITC that would be calibrated to differential housing costs for working poor families in metropolitan areas across the country. One such precedent is the fair market rent (FMR) calculated for each metropolitan area under the Section 8 Housing Choice Voucher program.

Such a housing supplement could have a substantial impact on buffering unaffordable rents in high cost areas or, if its income effects are considered, on the residual after-rent incomes of households where rents are high and burdens severe. Like all tax credits, the EITC supplement could be universally accessed by all eligible families, in contrast with the Section 8 voucher lottery that serves only a small proportion of those in need. One proposal that ties EITC to local housing costs would, for example, provide an annual housing supplement of $3,600 ($300 monthly) in high-cost Los Angeles, compared with a supplement of $1,836 ($153 monthly) in lower-cost Jackson, Mississippi.[23] Supplements on that scale would have a significant impact on rent-income pressures experienced by low-income working New Yorkers.

A related initiative is now being undertaken by New York City at the Center for Economic Opportunity to develop a new poverty measure that would take into account differential costs of living. The measure, being developed by former CSS senior analyst Mark Levitan, is based on a 1995 proposal made by the National Research Council. If it were effected, a changed federal poverty measure would set a new yardstick in the distribution of benefits under EITC and other federal social and housing programs. If EITC benefits were more closely tied to local costs of living for the working poor, it could act as a significant housing supplement in high-cost areas like New York.[24]

By itself, the EITC housing supplement would add to any existing New York State/City renter tax credits. In additions, since state and city EITC benefits are calibrated to the federal EITC, the resulting city and state increases could also be considered an additional renter tax credit.

Recommendations

1) Strengthen and Expand the "Core" Programs

The expansion and preservation of "brick-and-mortar" rental housing affordable to low-income, working New Yorkers—such as public housing, Mitchell-Lama rentals, and HUD-subsidized developments—is an overriding priority in providing alternatives to a private rental market that has become increasingly hostile and unaffordable to low-income tenants. Another overriding priority is to strengthen rent regulation protections that have been eroding for at least the last decade, by eliminating vacancy decontrol and reducing allowable rent increases on vacancy. Rent regulation has played an important role in moderating the rent-income stresses that low-income tenants experience in the open, unsubsidized rental market.

2) <u>Protect Section 8 Voucher Funds and Public Housing Operating Subsidies</u>

Section 8 Housing Choice Vouchers provide federal rent assistance that enables low-income households to participate in the open rental market at costs they can afford. About 115,000 vouchers are now in use in New York City, nearly all of them administered by the New York City Housing Authority (NYCHA). Vouchers do an effective job of keeping rent-income pressures within the affordable limits. (See Table 2.) However, because of the size of the federal program, vouchers currently assist only a small proportion (12%) of low-income New Yorkers in the private rental market.

Although federal expansion of the Section 8 voucher program would extend rent assistance to more low-income New Yorkers paying extortionate portions of their income for rent, such expansion occurs rarely. At this point, however, it appears likely under the Section 8 Voucher Reform Act (SEVRA) passed by the House in 2007 (HR 1851) and now being drafted by the U.S. Senate. ***The House SEVRA bill proposes to expand the national voucher pool by 100,000 "incremental" vouchers over the next five years—the provision should be strongly supported.***

Unfortunately, the fate of Section 8 voucher funds is also tied closely to the future of the public housing program. Both programs are administered by thousands of housing authorities across the country. A number of large city housing authorities—including the New York City Housing Authority (NYCHA)—that are facing large annual operating deficits are seeking to divert Section 8 voucher funds they receive to cover shortfalls in their public housing operations. Such a move will reduce housing opportunities that vouchers are intended to make available to Section 8 waiting list families, who number over 100,000 in New York City.

Public housing operating subsidies are required to cover the inevitable gap between the rents tenants can pay and housing authority costs for normal maintenance and operations. Washington has provided operating subsidies to federal public housing developments since the late 1960s, but HUD is now meeting only 83 percent of the operating costs it estimates as necessary. ***The federal budget for public housing operating subsidies must be raised to an adequate level to prevent Section 8 voucher funds from being diverted from their intended purpose and reducing housing opportunities for waiting-list families.***

Some housing authorities, like NYCHA, also operate state and locally-financed public housing not eligible for federal operating subsidies. About 21,000 of NYCHA's 182,000 units were originally financed by the state and city, which in recent years have eliminated the operating subsidies they used to provide. The operating shortfall in NYCHA's state and city-financed developments accounts for about half of its present $195 million deficit. ***New York State and City must take responsibility for providing adequate levels of operating subsidies for the public housing they built in order to prevent Section 8 voucher funds from being diverted.***

Even families lucky enough to win the Section 8 lottery and be handed a voucher have trouble finding suitable apartments in the city's tight, competitive rental market. One of the major obstacles is resistance by private apartment owners to participate in the program. A bill recently passed by the City Council would prohibit owners from discriminating against Section 8 vouchers as an income source. ***The law should be vigorously defended against possible litigation and strenuously enforced.***

3) Tax Credit Mechanisms

Every level of government has been ignoring the mounting problem of unaffordable housing costs experienced by low-income renters in urban areas. At the same time, generous, expanding benefits are made available to homeowners, without regard to income, through tax expenditure cash transfers that cushion their housing costs and property tax burdens. These benefits constitute housing subsidies that, in New York, effectively discriminate against low-income and minority households, who are far less likely to be homeowners and more likely to be overburdened renters.

Fairness argues for equitable relief for renters, certainly for low-income tenants whose earnings cannot keep pace with rising rents and property taxes, and who are at high risk of housing hardship and displacement. It is unlikely that federal housing vouchers will ever be universal entitlements or serve the majority of households in need. Relief against the rising tide of rents, and inertial wage levels, will continue to be needed by the majority of low-income households that must rely on the private rental market. Every level of government has a significant role to play in assisting low-income wage earners struggling to maintain themselves and their homes in our communities.

(i) Enact a Housing Supplement to the Federal Earned Income Tax Credit.

EITC benefits should reflect differential living and housing costs across the nation's communities and provide an appropriate housing supplement to working poor families who are most vulnerable to housing market and property tax pressures. If the federal EITC were calibrated to take into account high-cost areas, many low-income New Yorkers would benefit. Moreover, since the New York State and New York City EITC are tied to the federal benefit level, there would be corresponding additional benefits from the other two levels of government. One of the virtues of EITC is that it is accessible by all eligible households as a universal benefit within the confidentiality of the tax system. Its major drawback is that it does not yet assist single or adult households without children. Consideration should be given to expansion of EITC to working poor households that are presently uncovered.

(ii) Expand and Modernize the New York State Real Estate Tax Circuit Breaker.

The New York State Circuit Breaker has remained unchanged since it was first enacted in the late 1970s. Not only are its current benefits marginal and targeted to a very narrow band of low-income homeowners and renters, they are paltry when compared to the state's tax property relief for homeowners at any income level, and embarrassingly low when compared to circuit breakers in effect in a number of other states. Until a major federal initiative in supplementing the EITC is enacted, New York State has a responsibility to modernize and expand its circuit breaker.

(iii) <u>Enact a New York City Renter Tax Credit.</u>

In light of a popular homeowner property tax rebate of $400 annually, the city should reconsider equitable relief for its low-income renters, who also pay property tax increases passed along through their rents. The Renter Tax Credit proposal offered by City Council Speaker Christine Quinn in 2007 should be actively supported.

Mounting rent-income pressures on low-income New Yorkers make it increasingly difficult for them to meet housing and other needs, and to continue to live and work in this city. Fears of forced moves and displacement, felt most strongly among the city's black and Hispanic renters, are propelled by rising costs, even in the lower-rent neighborhoods across the boroughs. The city's growth and relative prosperity should not be at the sacrifice of low-income tenants and their communities, while homeowners at all incomes receive generous assistance from every level of government. Our leaders should consider rising rent burdens, the diminishing real income left to working families once rent is paid, and the housing hardships they produce as immediate threats and as an urgent problem that must be addressed.

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ENDNOTES

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[1] See *Americas's Rental Housing, Homes for a Diverse Nation* (Joint Center for Housing Studies of Harvard University, March, 2006); *Out of Reach 2007* (National Low Income Housing Coalition, 2007).

[2] See *Making the Rent, 2002 to 2005: Changing Rent Burdens & Housing Hardships Among Low-Income New Yorkers*, by Victor Bach & Tom Waters. (CSS Update Report, Community Service Society, December, 2006).

[3] 2005 is the most recent year for which NYC Housing & Vacancy Survey (HVS) data are available from the U.S. Bureau of the Census. Trends are compared against the 1996 HVS. Unless otherwise noted, these are the primary data sources for this analysis.

[4] In 2005, 7 percent of low-income households held Section 8 rental assistance vouchers in private, unsubsidized apartments. Vouchers limit out-of-pocket tenant rents to at most 30 percent of household income.

[5] See "New York City Losing Blacks, Census Shows", Sam Roberts (New York Times, April 3, 2006).

[6] Because inaccuracies and inconsistencies in income and rent reporting can confound rent burden analysis, a CSS renter sub-sample was used to minimize discrepancies in the analysis of burdens. A description of the sub-sample is contained in the Appendix 1.

[7] Data on Section 8 vouchers were not available in the 1996 HVS. For the purpose of longitudinal consistency, Section 8 vouchers are ignored in this trend analysis.

[8] Renter income-third intervals chosen for analysis of 1996 to 2005 trends are based on the CSS renter sub-sample:

	1996	2005
Low Third	At most $23,276 (33%)	At most $30,000 (34%)
Middle Third	More than $23,276, at most $41,185 (33%)	More than $30,000, at most $54,000 (33%)
High Third	More than $41,185 (33%)	More than $54,000 (33%)

[9] For instance, the public housing ceiling rent is based solely on apartment size (number of bedrooms). If a household is paying ceiling rent, further income increases are not reflected in rent charges. The ceiling was designed as an incentive to keep higher income residents in the public housing community.

[10] For an analysis of recent losses to New York City's subsidized rental housing, see *Closing the Door: Accelerating Losses of New York City Subsidized Housing*, by Tom Waters & Victor Bach (CSS Policy Brief, Community Service Society, May 2006).

[11] See Michael Stone, "Housing Affordability: The Residual Income Approach," *Housing Policy Debate, Volume 17, Issue I, (Fannie Mae Foundation, 2006).* It should be noted that residual income may also cover housing costs beyond contract rent, such as heating, utility, or repair costs not covered by the lease.

[12] Low income households are defined as those within twice the federal poverty threshold. They include *poor households* with incomes within the threshold and *near-poor households* with incomes above the threshold but within twice the threshold. For the 2005 HVS, the 2004 poverty threshold was $15, 067 for a family of three; for the 1996 HVS, the 1995 poverty threshold was $12,158 for a family of three.

[13] The 1996 to 2005 trend analysis includes renters with Section 8 vouchers because they are not identified in the 1996 HVS.

[14] Comparable figures for public assistance are not available in the 1996 NYC HVS. The figures for working households are for 1995 in the 1996 HVS and for 2004 in the 2005 HVS.

[15] This trend among the near-poor echoes the central theme of *The Missing Class: Portraits of the Near Poor in America*, by Katherine S. Newman and Victor Tan Chen (Beacon Press, Boston, 2007).

[16] The 2005 analyses of rent-income stresses in this report include all low-income tenants in the CSS renter sub-sample who live in the unsubsidized rental market, except those who hold Section 8 vouchers. The focus is on "unassisted" low-income tenants in market rentals.

[17] Finer disaggregation by neighborhood or sub-market area would be preferable, but HVS sample-size constraints make that level of analysis uncertain. The 55 sub-borough districts were divided into rough thirds, based on median rent levels in private, unsubsidized units as of the 2005 HVS. A "low-rent" district was defined as one with a median contract rent up to $820, a "mid-rent" district had a median above $820 and below $960, and a "high-rent" district had a median rent of at least $960. Nineteen sub-borough districts were classified as "low-rent" (537,000 units), 24 districts were "mid-rent" (715,000 units), and 12 districts were "high-rent" (478,000 units). See Appendix 2 for the specific designation of each sub-borough.

[18] Housing hardship trends were analyzed using two-year moving averages in order to lessen annual sampling variation and track longer-term trends.

[19] Gillian Reynolds, "Federal Housing Subsidies: To Rent or To Own?" (*The Urban Institute: Opportunity and Ownership Facts, No. 6, December, 2007).*

[20] *Annual Report on New York State Tax Expenditures*, New York State Division of the Budget , Department of Taxation and Finance, 2007, page 28.

[21] See "The Property Tax Circuit Breaker: An Introduction and Survey of Current Programs," by Karen Lyons, Sarah Farkas, and Nicholas Johnson (Center on Budget & Policy Priorities, March 21, 2007). The paper provides the comparisons of New York with other states that are discussed in this report.

[22] Much of this description derives from: "Housing the Working Poor," by Peter Dreier, *Shelterforce,* Fall, 2007, pp. 8-13. Also see: "The Earned Income Tax Credit as an Instrument of Housing Policy," by Michael Stegman, Alter Davis, and Roberto Quercia, *Housing Policy Debate,* Volume 15, Issue 2, 2004.

[23] See Dreier, already cited, p. 11.

[24] See "NYC to Lead Country in Remaking Poverty Gauge" and "Q&A: NYC's New Take on Poverty," by Tram Whitehurst, *City Limits Weekly, #614, November 19, 2007.*

APPENDIX 1.

THE CSS RENTER SUB-SAMPLE

Methodological Note:
Because of unavoidable inconsistencies and inaccuracies in respondent reporting of household income and contract rent, this analysis of rent burdens is based on a sub-sample of renter households within each of the HVS samples used. The CSS renter sub-sample for each HVS year was selected on the following basis:

1) Rent-paying households only (exclude rent-free and owned housing)
2) Head of household age at least 25 and less than 65
3) Households with a positive HVS contract rent burden
4) Households within the middle 90 percent of the income distribution for renters (excludes 5 percent outliers at either extreme)

The resulting household income intervals used for each HVS year are as follows:

2005	$6,006 to $133,000
2002	$6,000 to $130,000
1999	$5,700 to $131,000
1996	$5,000 to $119,950

5) Households within the middle 90 percent of the contract rent distribution for renters (excludes 5 percent outliers at either extreme)

The resulting contract rent distributions used for each HVS year are as follows:

2005	$208 to $2,100 monthly
2002	$200 to $1,900 monthly
1999	$177 to $1,550 monthly
1996	$163 to $1,300 monthly

6) Residual (after-rent) household income of at least $100 monthly, in 2002 dollars

For each HVS year, the residual income threshold, in 2002 dollars was:

2005	$111
2002	$100
1999	$93
1996	$87

The resulting CSS sub-sample can be considered a more "mainstream" sample of New York City renters than the HVS renter sample as a whole. The comparison below of some of the key parameters for each of the two samples suggests that the CSS results are more likely to underestimate rent burdens and related measures of rent-income pressures for the city as a whole.

Comparison of HVS and CSS Renter Samples

	1996	1999	2002	2005

Median Income	HVS:	$24,680	$27,600	$32,000	$33,904
	CSS:	$31,000	$35,000	$39,000	$40,050
Median Contract Rent	HVS:	$ 600	$ 648	$ 706	$ 850
	CSS:	$ 600	$ 650	$ 730	$ 850
Median Contract Rent Burden	HVS:	28 %	27 %	27 %	28 %
	CSS:	24 %	23 %	23 %	25 %
Percent Households With High Burdens (50% or more)	HVS:	26 %	26 %	23 %	26 %
	CSS:	12 %	12 %	12 %	14 %

APPENDIX 2.
CLASSIFICATION OF SUB-BOROUGH DISTRICTS AS LOW-RENT, MID-RENT, AND HIGH-RENT SUB-MARKETS

The classification was based on the median rent for private, unsubsidized apartments in the sub-borough district, based on 2005 New York City HVS data.

Low-Rent Districts (median contract rent up to $820)
Mott Haven/Hunts Point, Bx ($650)
Morrisania/East Tremont, Bx ($731)
Highbridge/South Concourse, Bx ($743)
University Heights/Fordham, Bx ($665)
Kingsbridge Heights/Moshulu, Bx ($800)
Soundview/Parkchester, Bx ($775)
Pelham Parkway, Bx ($820)
Bedford Stuyvesant, Bk ($750)
Bushwick, Bk ($790)
East New York/Starrett City, Bk ($800)
North Crown/Prospect Heights, Bk ($800)
South Crown Heights, Bk ($750)
Ocean Hill/Brownsville, Bk ($790)
East Flatbush, Bk ($800)
Central Harlem, Mn ($600)
Washington Heights/Inwood, Mn ($770)
Rockaways, Qu ($800)
Mid-Island, SI ($800)
South Shore, SI ($750)

Mid-Rent Districts (median contract rent above $820 and less than $960)

Riverdale/Kingsbridge, Bx ($863)
Throgs Neck/Co-op City, Bx ($900)
Williamsbridge/Baychester. Bx ($834)
Williamsburg/Greenpoint, Bk ($900)
Brooklyn Heights/Fort Greene, Bk ($950)
Sunset Park, Bk ($892)
Bay Ridge, Bk ($925)
Bensonhurst, Bk ($850)
Borough Park, Bk ($850)
Coney Island, Bk ($850)
Flatbush, Bk ($850)
Sheepshead Bay/Gravesend, Bk ($900)
Flatlands/Canarsie. Bk ($918)
Lower East Side/Chinatown, Mn ($950)
Morningside/Hamilton Heights, Mn ($922)
East Harlem, Mn ($931)
Astoria, Qu ($950)
Sunnyside/Woodside, Qu ($950)
Elmhurst/Corona, Qu ($950)
Middle Village/Ridgewood, Qu ($900)
Kew Gardens/Woodhaven, Qu ($900)
Jamaica, Qu ($ 884)
Bellerose/Rosedale, Qu ($900)
North Shore, SI ($900)

High-Rent Districts (median contract rent at least $960)
Park Slope/Carroll Gardens, Bk ($1,090)
Greenwich Village/Financial District, Mn ($1,640)
Chelsea/Clinton/Midtown, Mn ($1,475)
Stuyvesantown/Turtle Bay, Mn ($1,472)
Upper West Side, Mn ($1,200)
Upper East Side, Mn ($1,600)
Jackson Heights, Qu ($962)
Forest Hills/Rego Park, Qu ($980)
Flushing/Whitestone, Qu ($1,000)
Hillcrest/Fresh Meadows, Qu ($960)
Howard Beach/South Ozone Park, Qu ($975)
Bayside/Little Neck, Qu ($1,200)