Community Service Society | Fighting Poverty Strengthening New York

MAKING THE RENT: WHO'S AT RISK?

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

CSS Update Report **May 2008**

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SUMMARY

Since the late-1990s, the incomes of low-income New Yorkers have not kept pace with rapidly rising rents, exacerbating the existing affordability crisis. In the 2006 CSS Making the Rent report, we found that:

Affordability problems among poor tenants in private market rentals continue to be acute. *In 2005, their median rent burden—the portion of income they pay for rent—was 60 percent of income. Two-thirds (65%) paid at least half their incomes for rent. Once rent was paid, poor households retained, on average, less than $5 a day per person to cover other necessities, such as food, clothing, transportation, school supplies, uncovered medical costs, and unpaid utility costs.*

Affordability problems for near-poor tenants in private market rentals are rapidly worsening, approaching those of the poor. *In 2005, near-poor renters—with incomes between 100% and 200% of federal poverty level—had a median rent burden of 42 percent. Over a third (34%) paid at least half their incomes for rent.*

Rent regulation moderates the impact of rising rents on affordability for low-income New Yorkers. *Low-income renters—both poor and near-poor households—who live in regulated apartments have lower rent burdens and retain more residual income per member once rent is paid compared to renters in unregulated units.*

MAJOR REPORT FINDINGS: Who's at Greatest Risk?

This report takes a closer look at which low-income households are at greatest risk of extreme affordability pressures. It also tracks housing hardships and emerging displacement fears in relation to the mounting affordability problems experienced by low-income renters.

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 (62%) live 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.

In 2005, about 235,000 low-income New York City households living with children in the private rental market were in this position. The growing 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, including services that make it possible for the adult to work.

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.

A Widening Affordability Crisis Is Affecting the Near-Poor:
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 submarkets 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 submarkets 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.

CSS RECOMMENDS:

Strengthen the "Core" Programs

- Preserve government-assisted affordable rental housing—Mitchell-Lama rentals, HUD-subsidized, private developments, and public housing.
- Maximize available funding for Section 8 Housing Choice Vouchers.
- Minimize NYCHA diversion of Section 8 voucher funds to support public housing operations.
- Strengthen rent stabilization by eliminating vacancy decontrol and reducing vacancy increases.

Use Tax Credit Mechanisms to Provide Equitable Relief for Low-Income Renters

- Enact a federal housing supplement to the Earned Income Tax Credit that takes into account differential costs of living by geographical area.
- Enact a New York City renter tax credit for low-income tenants in parallel with the existing $400 annual property tax rebate for all homeowners.
- Expand and modernize the New York State Circuit Breaker Real Estate Property Tax Credit in parallel with the existing system of STAR homeowner tax rebates.