Addressing New York City's Affordable Housing Crisis

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Statement of Public Members
Hilary Botein and David Reiss
at the June 27, 2017 Meeting of the New York City Rent Guidelines Board

The Rent Guidelines Board determines rent increases for New York City’s 1 million rent-stabilized apartments. We must weigh the economic conditions of the residential real estate industry; current and projected cost of living; and other data made available to us. To make our decision, we reviewed reams of data and multiple analyses of those data. We also held five public hearings at which we heard hundreds of tenants speak, sing, chant, cry, and demonstrate. These hearings are among the only opportunities that tenants have to speak publicly about their housing situations, and they made clear the extremity of the housing crisis in the City, and that it will get worse without significant intervention.

Tenants who came to the RGB hearings are not a representative sample of rent-stabilized tenants in New York City. But they told us a lot about the state of housing in the City. We felt that it was incumbent on us to respond to what we heard, even where it did not relate directly to the jurisdiction of the Board.

New York City cannot expect any meaningful housing assistance from the federal government in the near term. Our observations therefore focus on state and municipal actions that could address some of the issues that regularly cropped up at our hearings.

There is a desperate need for affordable housing that is pegged to residents’ incomes. Housing is deemed “affordable” when housing costs are 30 percent of a
household’s income. There is no guarantee that rent stabilized housing remain affordable to a particular household, and there is no income eligibility for rent stabilized housing. This aspect of rent regulation explains its durable political appeal, but makes it an imperfect vehicle for meeting the needs of low-income tenants.

Mayor de Blasio is protecting and developing hundreds of thousands of units of affordable housing through the Housing New York plan announced at the beginning of his term. More recently, his Administration announced a program to create 10,000 deeply affordable apartments and a new Elder Rent Assistance program. But more can be done to help low-income tenants.

The Senior Citizen Rent Increase Exemption (SCRIE) and Disability Rent Increase Exemption (DRIE) programs have proven their effectiveness in “freezing” the rents of more than 60,000 low and moderate income rent-stabilized households. The state should create and fund a similar program for low-income rent stabilized tenants who pay more than 30 percent of their incomes towards housing costs.

**State laws governing rent stabilization must be amended.** Three elements of the law particularly penalize low-income tenants in gentrifying neighborhoods, and were behind the most distressing tenant testimonies that we heard. They are not within the RGB’s purview, but change is critical if the law is to operate as it was intended to do. The state legislature has considered bills that would make the necessary changes. First, owners can charge tenants a “preferential” rent, which is lower than the legal registered rent for the
apartment. Preferential rents are granted most often in neighborhoods where the rent that the market can bear is less than the legal rent. This sounds like a good option for both tenants and owners, and perhaps that was its original intention. But now, as neighborhoods gentrify and market rates increase, the prospect of increasing a preferential rent with little notice has become a threat to tenants’ abilities to stay in their apartments. Preferential rents should be restricted to the tenancy of a particular tenant, as was the law before a 2003 amendment. Owners would then be able to increase rents for those tenants no more than the percentages approved by the Board.

Second, owners can tack on a 20 percent “vacancy increase” every time an apartment turns over. This increase incentivizes harassment, and should be limited to situations of very long tenancies, to keep owners from actively seeking to keep tenancies short.

Third, owners making what is termed a Major Capital Improvement (MCI) – a new roof, windows, or a boiler, for example – can pass this expense on to tenants via a rent increase that continues in perpetuity, after the owner has recouped her or his expenses. We also heard allegations of sketchy capital improvement applications that were intended to increase rents without improving the conditions in the building. The state legislature should review how MCIs work in order to ensure that they are properly incentivizing landlords to invest in their buildings to the benefit of both owners and tenants.

**New York City needs a repair program for broken gas lines.** We heard from tenants who had not had gas in their apartments for more than a year. We understand that fixing
gas lines is particularly complicated and expensive, and that gas leaks raise serious safety concerns, but it is unacceptable for families to go for more than a year without gas, and we are concerned about fire safety issues resulting from people using hot plates. The city needs to step in and make the repairs.

We have a housing crisis. Low income tenants, who live disproportionately in communities of color, experience this crisis most acutely. We will not find systemic solutions within the housing market. All solutions require a lot of money, and we cannot count on anything from the federal government. But it is imperative that our state and local governments act, or New York City’s already burgeoning shelter system will be forced to take in even more people. Since the 1970s, New York City has been a leader in committing public resources to housing its low income residents, and that legacy must continue. The Rent Guidelines Board cannot solve the housing crisis, but other arms of the New York State and City government can work together to reduce its impacts on low-income households.