

HOUSING HARDSHIP AND RENT BURDENS AMONG POOR NEW YORKERS

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Victor Bach, Senior Housing Policy Analyst
Community Service Society

Overview

The CSS *Unheard Third Annual Survey* consistently finds agreement among low income New Yorkers that jobs and the economy are the biggest issues facing the city. Yet when asked: “what personally worries you the most?” their leading response is “housing”.

High housing costs are the front-line economic issue for families struggling with low incomes and wages, for whom housing is their largest single monthly expense. The housing problems families have in order to make ends meet are evident in CSS survey findings on housing hardships: Close to half (43%) of poor New Yorkers experienced at least one housing hardship during the year—primarily falling behind on rent or mortgage payments. Close to a third (29%) experienced multiple hardships.

That a quarter of New York renters pay at least half of their incomes on rent—based on the triennial Housing & Vacancy Survey (HVS)—is an often-cited indication that rents are beyond what many city households can afford.¹ Nearly all of those heavily burdened households were found to be poorer New Yorkers.² Yet the rent burden data is rarely disaggregated by income, so that it can be projected down to its specific impacts on low income renters.

Our findings on housing hardship led us to look more closely at rents and rent burdens among poor New York households, using the most recent HVS data for 2002. This paper provides some of the initial findings. We believe they will be of interest to the Rent Guidelines Board in its deliberations this year.

Use of the HVS Data

New York City’s housing and households are arguably the most carefully studied of any city in the country, due to the HVS survey carried out by the U.S Bureau of the

¹ See also the annual *Out of Reach* report issued by the National Low Income Housing Coalition.

² See: Citizen Housing and Planning Council, *Heavy Burdens*, Volume 9, Number 1, March/April 2003. It found that in 1999 nearly all the high burdened households were poor, but raised important questions about the validity of the rent and income data in the HVS surveys.

Census every three years, as required to sustain rent regulation. As for any attempt to use the data to analyze rent burdens—how rents relate to household income—the limitations and imperfections in the data are well known, stemming from inaccuracies and inconsistencies inherent in survey methodology, even the Census Bureau’s, when it comes to reporting of rent and income.

We would argue that the HVS data, despite its inherent weaknesses, is the most useful and detailed data on hand for the analysis of rent burdens. Other than the decennial census, it is the densest sample of city households available. It goes into far more detail on housing characteristics than does the national census. In particular, it allows the analyst to disaggregate the data by housing sector—to distinguish among households who live in housing they own, or who live in government-subsidized rentals, or who live in the private rental stock, regulated and unregulated. It would be a mistake to ignore or overlook what light the HVS can shed on the affordability of rental housing in this city.

The Renter Subsample Used

In an attempt to minimize inconsistencies and inaccuracies in reported income and rent data, a renter subsample of the HVS sample was used. Households that lived rent-free or without reported income sources and positive net incomes were eliminated, as were those for whom contract rent was inconsistent with their incomes. To “mainstream” the renter subsample, households at the high and low income extremes, and at the high and low rent extremes were eliminated. Only the central 90 percent of each distribution remain in the subsample—the outlying 5 percent were excluded at each end. Moreover, since younger households (under 25) and older households (over 65) traditionally bear the highest rent burdens they too were eliminated. Only households in the age range from 25 to 65 are included. (See end note.)

The resulting CSS renter subsample constitutes 60 percent of the total HVS renter sample, and 75 percent of the HVS sample within the 25 to 65 age range. The subsample is intended to represent renter households closer to the center of the distribution, while excluding the more extreme cases. Poorer households tend to be under-represented and higher-income households over-represented in the subsample. It is not surprising that the median rent and rent burden levels in the subsample are more conservative estimates of citywide trends.

Table 1
RENTS & RENT BURDENS—Sample Comparison

	<u>HVS Renter Sample</u>	<u>CSS Renter Subsample</u>
Median Contract Rent	\$706	\$730
Median Contract Rent As Percent of Income	27%	23%
Percent Paying 50% or More of Income	23%	12%
	(N=2 million HH)	(N=1.2 million HH)

Major Conclusions

Rent-regulated apartments are the largest source of housing for poor New Yorkers .

The HVS data are clear—without subsampling of any kind—on where poor households live. About 61 percent of poor New Yorkers live in private, unassisted rental housing. Another 26 percent live in subsidized rental housing—public housing, Section 8 housing, Mitchell-Lama rentals, and the like. Only a relatively few (14%) own their homes or apartments.

The largest block of poor households, about 42 percent, live in regulated rental housing, subject either to rent stabilization or rent control. They make their homes largely in the regulated rental housing stock. (See bar chart.)

Poor and near-poor renters bear very high rents in relation to their incomes.

In the renter subsample, the median rent burden for poor households is 57 percent of income. Moreover, nearly two-thirds of poor households (65%) pay at least half of their incomes toward rent. The median after-rent income—what is left each month when the contract rent is paid—is about \$125 per person, or little over \$30 a week to cover basics like food, clothing, transit, as well as housing related costs for heating or utilities not included in the contract rent. The typical or median household has \$400 in “discretionary” income each month once the contract rent of \$550 a month is paid.

Table 2

RENTS & INCOME (All Poor and Near-Poor Renters)*

	<u>Poor</u>	<u>Poor & Nr Poor</u>
Median Contract Rent	\$550	\$600
Median Contract Rent As Percent of Income	57%	53%
Paying 50% or More of Income		
Percent	65%	56%
Est. No. Households**	201,000	232,000
Median After-Rent Monthly Income	\$400	\$500
Median After-Rent Monthly Income Per Person	\$125	\$168

*CSS Renter Subsample. Near-poor defined as between 100 and 125% of federal poverty level.

**Households in age range from 25 to 65.

In regulated rental units, rent burdens for poor and near-poor renters are even higher.

Because a quarter of poor renters live in the subsidized housing sector, and are included in the renter subsample, it is not surprising that those living in private rental housing bear higher rent burdens. It is surprising that, even in the rent-regulated stock, where the largest share of poor households live, rent burdens are so severe.

The median rent burden for poor renters is 62 percent of income, that is half pay that much or more of their incomes toward rent. Three-quarters of poor households (74%) pay at least half their income toward rent. The median after-rent income is \$118 monthly per person, less than \$30 a week per member of the family. The “typical family” lays out a median contract rent of \$596 monthly, and has \$383 a month left for other expenses.

Table 3
RENTS & INCOMES (Poor and Near-Poor Renters in Private Regulated Units)*

	<u>Poor</u>	<u>Poor & Nr Poor</u>
Median Contract Rent	\$596	\$600
Median Contract Rent As Percent of Income	62%	56%
Paying 50% or More of Income		
Percent	74%	61%
Est. No. Households**	112,000	127,000
Median After-Rent Monthly Income	\$383	\$479
Median After-Rent Monthly Income Per Person	\$118	\$170

*CSS Renter Subsample. Near-poor defined as between 100 and 125 percent of federal poverty levels.

** Households in age range from 25 to 65.

Implications for RGB

If these figures are striking, they are no doubt worse at present. Since 2001 when the HVS data was gathered, household incomes have remained relatively static, while rent guideline increases have been on the order of 5 percent a year. The annual ACS data confirm overall rising median rent levels in recent years.

These rent stresses among low income New Yorkers have real and costly consequences. We also know from the CSS annual survey how little savings poor households have to fall back on, if they can not meet the rent out of their incomes. (See chart.) These stress factors help account for the high rates of housing hardship we observe in the CSS annual survey, for chronic rent arrears that generate the high volume of nonpayment actions in housing court, for the personal and social costs of evictions, family doubling-up, and the growing numbers of families at the door of the shelter system.

RGB's mission is to set fair and reasonable rent guidelines that take into account the realities of housing maintenance and operation, on the one hand, and the realities of rent stresses on tenants who can least afford them. The high rent burdens carried by poor and near-poor New Yorkers, even in the rent-regulated stock, argue for the RGB to be prudent in considering rent increases:

1. Rent guideline increases should be kept to a minimum.
2. "Jump" increases in the low-rent stock, which RGB has proposed in previous years, should be avoided. Those are the units in which poorer tenants tend to be concentrated.

NOTE:

The CSS renter subsample of the 2002 NYC Housing & Vacancy Survey (HVS) is based on the following selection criteria:

- Rent payers only (exclude rent-free and owned housing)
- Positive net incomes only (exclude negative or no income reported)
- Monthly income must exceed contract rent by at least \$100 a month
- Middle 90% of income distribution -- \$6,000 through \$130,000 -- (exclude high and low extremes/outliers)
- Middle 90% of rent distribution – monthly contract rent of \$200 through \$1,900 – (exclude high and low extremes/outliers)
- Head of household age between 25 and 65 (exclude younger and older households)
- Exclude rent burdens – contract rent as percent of income – that could not be computed by Bureau of the Census