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PAYING TODAY'S RENT LEAVES LITTLE TO SPARE

The burden of rent is bringing the status of the 'near-poor' closer to that of the poor.

By Nicholas Jahr

Springtime was full of grim news for New York City renters. In April, U.S. Rep. Anthony Weiner released an analysis showing that more than 500,000 New Yorkers are spending half or more of their income on housing. In May, the Community Service Society expanded on that observation with a report showing the trend that a growing number of lower-income residents are dedicating an ever-greater fraction of their income to rent. And last week—as if to prove the point—the Rent Guidelines Board approved the highest rent increase for rent-stabilized apartments in years, allowing a 4.5 percent increase on one-year leases, an 8.5 percent increase on two-year leases, plus an unusual supplemental increase for longer-term residents. That's on top of the higher food and energy costs city residents already are grappling with.

The [report](#) by the Community Service Society (CSS) paints a picture of a city riven by increasing inequality. Drawing on data from 1996 to 2005, "Making the Rent: Who's at Risk – Rent-Income Stresses and Housing Hardship among Low-Income New Yorkers" documents the perilous position of low-income renters in New York City. As of 2005, about one million of the city's three million households were classified as low-income, earning no more than twice the federal poverty threshold (which comes to \$35,200 a year for a family of three). The majority of them find their homes in the private, unsubsidized rental market. "If you look at the top income third," said Victor Bach, CSS senior policy analyst for housing and one of the authors of the report, "over half of households own rather than rent, whereas if you look at the bottom third, nearly everybody rents."

Over the period covered by the report, the median rent burden shouldered by all tenants—or what the report calls a "typical" fraction of income spent on rent—rose from 23.6 percent to 25.2 percent. So across the city, rent burdens are creeping ever closer to the 30 percent threshold, beyond which was deemed "unaffordable" in President Ronald Reagan's administration (until the Reagan era the threshold had stood at 25 percent).

But this is a median for all tenants. The loads borne by the poor, who live below the federal poverty threshold, and by the near-poor, with incomes up to twice that level, are in fact far heavier than this figure suggests. (For a chart showing the current federal poverty guidelines, click [here](#).)

Echoing its annual poverty survey, [The Unheard Third](#), this report—which draws on the city [Housing Vacancy Survey](#) as its primary source—divides renters by income into thirds, with the bottom third encompassing the poor and near-poor. While median rent burdens for all rentals

(subsidized, regulated and unregulated) increased for each third, the median for renters in the top and middle thirds remained safely within the federal affordability threshold, at 16 and 27 percent, respectively. The median rent burden of the one million New York households in the bottom third, on the other hand, reached 44 percent of household income in 2005. Already well past the federal affordability threshold, the median rent burden faced by the poor and near-poor is now approaching the 50 percent mark. Thus the report delivers an alarming picture of what can only be called a crisis of affordability.

Many of those in the "unheard third" are already past the 50 percent mark—39 percent of them, to be precise, or two out of every five renters in the bottom third. Overall, more than three out of four (78 percent) struggle with rents that are "merely" unaffordable (more than 30 percent of income). By contrast, only a small fraction of households in the middle and top thirds endured rent burdens as high.

A major finding of the CSS report is the identification of an even more worrisome trend: The closer relationship of "near-poor" to "poor." In 2005, 95 percent of the poor lived with an "unaffordable" rent burden—paying more than 30 percent of income—which was actually a percentage point lower than in 1996. During the same period, the proportion of the near-poor living with an unaffordable rent burden shot up, from 68 to 78 percent. Looking at high rent burdens of 50 percent of income or more, this relationship is even more pronounced: The number of the poor confronting such a "disastrous" burden fell from 72 to 68 percent, and leapt among the near-poor, from 22 to 35 percent. While the poor suffer the hardest rent burdens in the city, the situation of the near-poor is deteriorating. (For more about who exactly is considered "poor," see City Limits Weekly #614, November 19, 2007, [NYC To Lead Country In Remaking Poverty Gauge.](#))

Similarly, when it comes to per capita residual income—how much is left after the rent is paid for each member of the household to live on—poor renters did nominally better over time, finding themselves with \$127 per month in 1996 and \$132 per month in 2005. (These amounts are both expressed in 2004 dollars.) And yet "it is beyond comprehension," the report states, "that, in 2005, poor families had to survive on a median residual income [of] \$132 monthly per member... or less than \$5 a day to cover each member's food, clothing, transportation, school supply, uncovered medical, and other necessary costs."

While better off than the poor, in terms of residual income near-poor renters saw the floor drop out: their per capita residual income dropped from \$446 per month in 1996 to \$393 per month in 2005 (again, in 2004 dollars). "It stands to reason," notes Tom Waters, CSS housing policy analyst and the report's co-author, "that if your household is under greater strain because of high rents, you're going to have less ability to do things in the long term that lead to increasing income." Whether that means foregoing education, job training opportunities or paid child care, it suggests the near-poor are becoming increasingly mired in poverty.

Rates of "housing hardship"—when people fall behind in the rent, have utilities shut off, double up with others, or stay at a shelter or on the street—also reflect the increasingly dire situation of the near-poor. Here the situation is particularly bleak: while poor households struggle with the highest rates of housing hardship, here too the gap between the poor and the near-poor is "rapidly narrowing," with the more severe type of hardship becoming "a growing portion of the hardships experienced." As the report concludes, "the stakes for low-income tenants who are

trying to hold on to their homes are getting higher.”

To longtime actors in city housing policy, the bleak trends described in "Making the Rent" may not seem like news. "The interesting thing," says Harold Shultz, a senior fellow at the Citizens Housing and Planning Commission and former special counsel at the city Department of Housing Preservation and Development, "is that the quality of the housing has substantially improved ... so people are getting more for their money." According to the city's Housing Vacancy Survey, renters pointed to a number of improvements in building conditions between 2002 and 2005.

Overall, says Shultz, "The problem is less of a rent problem and more of an income problem for people at lower income levels who want to live in New York City."

To shore up the increasingly precarious position of the near-poor, the CSS report says intervention is needed on the demand side immediately. To this end, the report considers a variety of measures, from Section 8 vouchers to several different forms of tax credit.

While Section 8 drastically improves tenants' rent burdens and per capita residual income, and current proposals call for an increase of 100,000 "incremental" vouchers, the report notes that there are already 100,000 people waiting for Section 8 vouchers in New York alone. Other relief will be needed.

One policy option mentioned is a modification of the New York State Real Property Tax Credit—the "circuit breaker"—first adopted in the 1970s to deliver a tax credit to those whose low incomes meant they faced property taxes beyond their means. While across the country similar provisions dole out about \$3 billion each year, in 2005 New York distributed only \$30 million, or 1 percent, of the total benefits across the 18 states. The state's relative stinginess is in large part a result of the fact that the amount tripping the circuit breaker has never been updated; most of New York state's poor tenants are ineligible for the circuit breaker as their rent is too high.

As the report points out, many New York City homeowners already enjoy some property tax relief, in the annual rebate checks the city has issued since 2004 (at a total cost of \$250 million per year). Last year Council Speaker Christine Quinn proposed a renter's tax credit, but Mayor Bloomberg declined to offer his support and the measure went down to defeat in Albany. Similarly, a housing supplement to the Earned Income Tax Credit would probably deliver the most relief of any of these proposals, but will require significant action from Congress.

Victor Bach observes that during "the first rent strikes in New York City in 1904 on the Lower East Side... the tenants were railing about rent burdens of 35 or 40 percent of income. The rent burdens for poor households now are close to about 62 percent on the average." Although tenants and affordable housing advocates aren't exactly silent about their displeasure in this era, Bach remarks, "It's just surprising that the level of protest isn't even stronger."

- Nicholas Jahr