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Hearing on Rent-Regulated Housing
New York State Assembly Standing Committee on Housing

January 20, 2011

Thank you, Mr. Chairman, for this opportunity to comment on affordable housing and the future of rent regulation. My organization, the Community Service Society, is an independent nonprofit organization that addresses the most urgent problems facing low-wage workers and their communities here in New York City, including the effects of the city's chronic housing shortage.

Rent-regulated housing is the single most important component of the city's affordable housing stock. Well over a million low-income people live in rent-regulated housing - those with incomes below twice the poverty line - about \$35,200. That is far more than live in public and subsidized housing combined.

Rent regulation is an absolutely vital protection for these tenants because none of them can afford the market rate for a vacant apartment in any neighborhood of the city.

A family of three with an income at twice the poverty rate earns at most \$35,214 a year, and can therefore afford a rent of about \$880 a month, using the nationally recognized affordability standard of 30 percent of household income for rent. In what neighborhood could you find a two-bedroom apartment for that amount of rent? When we talk about strengthening and preserving rent-regulation, we are talking about the homes of over a million people who, without rent regulation, would have nowhere in the city to go.

This is an example of the situation of low-income families in unregulated housing during the economic downturn. A single mother of an eight year-old child was unemployed for almost two years. During this time she made every effort to pay a portion of the rent, but eventually the landlord took her to housing court for nonpayment. When she got a job, she was able to pay only the current rent. The accumulated arrears were impossible to pay off, and she was forced to take unpaid days off from work in order to hold off eviction. This resulted in her employer warning that if she took any additional days off, she would be let go. With help from the Community Service Society, she was given a grant to cover the remaining balance of her arrears.

Low-income New Yorkers have been hit hard by the recession, and there is no job market recovery in sight. It is all too likely that the state of New York will make budget cuts that compound their hardships. Meanwhile, rents for low-income people continue to rise.

All over the city's low-income neighborhoods, when a family that makes \$20,000 or \$30,000 a year moves out of an apartment where they paid 40 percent of income in rent, another family with the same income moves in and starts paying 60 percent of income in rent. Now more than ever, the state should stop the erosion of vital rent and eviction protections.

The weakening of the rent laws over the past 15 years is one major reason for this erosion. Vacancy decontrol, exorbitant rent increases on vacancy, and the abuse of preferential rents are destroying the affordability of housing all over the city. These are problems that were created by legislation and that can be undone by legislation.

The governor and State Legislature should renew the rent laws without any further weakening, and put an end to existing loopholes, especially vacancy decontrol. Vacancy decontrol allows every regulated apartment in the city and some suburbs to be deregulated when a tenant moves out. The law requires improvements to be made in order to deregulate most apartments, but this requirement is generally not difficult to meet, and the extremely weak provisions for enforcement of this requirement make this provision a wide open door for unscrupulous landlords to deregulate apartments in every neighborhood of the city.

Research by the Community Service Society has found a significant loss in the availability of rent-regulated apartments in low-rent neighborhoods in the Bronx, Brooklyn, and Queens, along with dramatic losses in Upper Manhattan.

In addition, it is time for the state to respond to the devastating loss of subsidized housing over the past decade by placing former Mitchell-Lama rental and project-based Section 8 buildings under rent regulation.

Mitchell-Lama rental housing plays a vital role in the city's affordable housing stock. It houses 100,000 low- and middle-income people, and it helps preserve the city's income diversity and vitality by maintaining a supply of affordable housing that stays in place as neighborhoods change. But during the housing boom, we lost an enormous share of that stock.

Twenty years ago, New York City had more than 64,000 Mitchell-Lama rental apartments. Since then we have lost more than 29,000 - 45 percent of the stock - leaving fewer than 35,000 apartments still under Mitchell-Lama. Most of these losses occurred in the last ten years.

And while we have developed new affordable apartments during this period, the vast majority of these new apartments are targeted for people with incomes much higher than those of Mitchell-Lama tenants, who had a median income of \$25,000 in 2008. That means they can afford monthly rents of about \$625 a month, using the 30 percent affordability standard.

Thirty-two percent of Mitchell-Lama tenants are poor - with a household income of no more than \$17,607 for a family of three - and another 22 percent are near-poor - that is, their incomes are from 100 to 199 percent of the poverty threshold - up to \$35,214 for a family of three. This is the income range that is being hit hardest by the worsening affordable housing shortage.

Project-based Section 8 housing, where the median household income is just \$12,000, is also being lost, albeit at a slower rate.

The most important thing that the State Legislature must do right now to respond to this crisis is to protect tenants in former Mitchell-Lama and Section 8 buildings.

Of the 29,000 rental apartments that have been removed from Mitchell-Lama in the last 20 years, 14,000 are not eligible for rent stabilization because they were occupied after December 31, 1973. Some of the tenants who lived in these completely deregulated apartments were eligible for federal Section 8 vouchers because the buildings had federal subsidies - but thousands were not. And even those tenants who were eligible face a continuous risk of losing their vouchers, either because of problems with their annual recertification process or because their apartments are in such poor condition that they do not pass physical inspections required under the Section 8 program.

We urgently need protections for tenants in these buildings - not just in subsidized buildings that leave their programs in the future, but in the buildings we have already lost. A bill to protect Mitchell-Lama housing - A.2499 - has recently been introduced in the Assembly.

The fairness and stability created by the rent regulation system has important benefits for the quality of life for all New Yorkers, especially the low-income renters.

Although a growing number of rent-stabilized tenants pay rents over 30 percent of income, rent-stabilized tenants continue to have a significantly lower likelihood of excessive rents.

Strong rent regulation provides tenants the freedom to advocate for better conditions. The New York City Department of Housing Preservation and Development and other government agencies are limited in staff capacity. They rely on tenant initiative to guide enforcement of the Housing and Maintenance Code and other laws. Rent regulation is the best protection against arbitrary eviction in retaliation against tenants who advocate for better conditions in their apartments and buildings. It is essential to the maintenance of safe and decent housing.

Rent regulation prevents displacement, providing neighborhood stability, strengthening social ties in neighborhoods and ensuring that tenants can share in the benefits when their neighborhoods improve.

For all these reasons, the Legislature should renew rent regulation laws while ending vacancy decontrol, exorbitant rent increases on vacancy, and the abuse of preferential rents.

FOR Q & A: TESTIMONY ON RENT REGULATIONS

ON "421-A," THE PROPERTY TAX EXEMPTION FOR NEW
CONSTRUCTION:

- THE 421-A TAX EXEMPTION IS NOT AN EFFICIENT WAY TO PROMOTE AFFORDABLE HOUSING.
- THE TIGHTENING OF REQUIREMENTS FOR THE EXEMPTION IN 2006 AND 2007 IMPROVED THE PROGRAM SIGNIFICANTLY, BUT WE ARE STILL NOT CONVINCED THAT 421-A IS CONTRIBUTING THAT MUCH TO OUR RESPONSE TO THE HOUSING CRISIS.
- THE SIZE OF THE TAX BENEFIT IS OUT OF PROPORTION WITH THE AMOUNT OF AFFORDABLE HOUSING PRODUCED. UNDER THE 80/20 REQUIREMENT FOR MANHATTAN AND SOME NEIGHBORHOODS IN OTHER BOROUGHES, THE CITY COULD EASILY END UP FORGOING HUNDREDS OF THOUSANDS OF DOLLARS IN TAXES FOR EACH APARTMENT AFFORDABLE TO A FAMILY WITH ABOUT A \$40,000 A YEAR INCOME. IN OTHER NEIGHBORHOODS THERE IS NO AFFORDABILITY REQUIREMENT AT ALL.

- IT IS STILL MORE OF A DEVELOPMENT-ENCOURAGING PROGRAM THAN AN AFFORDABILITY PROGRAM. IT IS OWNERS OF LAND, NOT LOW-INCOME HOUSEHOLDS, WHO RECEIVE THE BIGGEST BENEFITS.

ON THE PROPERTY TAX CAP:

- LOCAL PROPERTY TAX ESCALATION HAS BEEN CONTRIBUTING TO THE STATEWIDE HOUSING AFFORDABILITY CRISIS, NOT ONLY FOR MODEST-INCOME HOMEOWNERS, BUT FOR RENTERS AS WELL, WHO PAY TAXES THROUGH THEIR RENTS. IN 2009, LOW-INCOME NEW YORK RENTERS—WITH INCOMES UP TO TWICE THE POVERTY LEVEL, \$44,000 FOR A FAMILY OF FOUR—PAID, ON THE AVERAGE, 57 PERCENT OF HOUSEHOLD INCOME TOWARD HOUSING COSTS. EXTRAORDINARY RENT BURDENS OCCUR NOT JUST IN NEW YORK CITY, THEY RANGE ACROSS THE STATE MAP FROM ERIE AND MONROE COUNTIES TO WESTCHESTER, SUFFOLK, AND NASSAU COUNTIES.
- A CIRCUIT BREAKER APPROACH NEEDS TO BE USED TO TARGET TAX RELIEF EFFICIENTLY WHERE IT IS MOST NEEDED, BASED ON INCOME AND TAX BURDEN.