Legislative deal means further deepening of New York's housing crisis

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On Thursday, following more than a week's extension of its session, the New York state legislature adopted a package of bills that includes the extension of two key programs—rent regulations and the 421-a tax abatement program for developers—that affect the availability of affordable housing for workers in New York City. The deal was worked out between Democratic Governor Andrew Cuomo and the leaders of the two legislative chambers, the Republican-controlled Senate and the Democrat-controlled Assembly.

The legislative package was adopted after months of political theater involving the legislature, the governor, and New York Mayor Bill de Blasio, a self-styled "progressive" Democrat. The governor, the mayor, and the Assembly Democrats all proclaimed that they were fighting to improve the availability of affordable housing and opposed to entrenched real estate interests. In the end, however, the legislation leaves essentially intact conditions under which working people in New York are having increasing difficulty in finding a decent, affordable place to live.

The rent regulations, which affect New York City and a number of other municipalities in the state, were extended for four years. They nominally restrain the rate of increase that can be imposed on tenants. Despite this program, the numbers of apartments that are even marginally affordable to working class New Yorkers has been decreasing for decades.

During the period leading up to the agreement, there was a deluge of media stories and statements from various politicians, most especially mayor de Blasio, that a failure to renew the rent regulations would create a catastrophe. While the end of rent regulations would indeed have very dire consequences for working class families, the real purpose of this campaign was to create an atmosphere in which the continuation of the existing structure, more or less intact, could be presented as a great victory, while, in fact, conditions continue to worsen. Indeed, since the current regulatory structure was put in place in 1974, this same scenario of feigned crisis followed by "compromise" has been replayed repeatedly.

The rules that govern rents encompass over two million tenants living in more than one million apartments, nearly half of all rental units in New York City. These regulations include two categories: rent control, dating back to 1947, and rent stabilization, created in its present form in 1974. Neither represents permanent protections for renters. Various provisions in both programs allow apartments to be progressively shifted to the open market, insuring that the supply of affordable housing will continue to dwindle. Conversion of buildings to coops or condominiums also removes the apartments from the jurisdiction of rent regulation. Apartments built after 1974 are not subject to either program.

The extremely tight housing situation in New York is reflected by the fact that only 2.12 percent of units that fall under the rent regulations are currently vacant, and only 1.8 percent of the units with rents under $800.

Under the just-expired city rent regulations, an apartment can be shifted to the open market if it becomes vacant and the rent has risen, in accordance with the provisions of the regulations, to at least $2,500 per month. The newly adopted deal raises that limit marginally to $2,700. Last year, 6,200 apartments were subject to "vacancy deregulation." There is also a provision for "luxury decontrol" under which an apartment whose tenant had an income of at least $200,000 for two years goes onto the open market. This affected less than 200 apartments last year, a miniscule proportion of the overall number. Nevertheless, under the spurious claim that large numbers of rich people are benefiting from the rent regulations, proposals have been floated for the imposition of a “means test” with a much lower threshold in order to greatly increase the numbers of apartments that are shifted to the open market.

Approximately 35,000 apartments lost rent protections during the last four years alone, and an estimated 87,000 or more will do so over the next four.

A new study by the Furman Center at New York University, based on recently released data gathered by the city, finds that the amount of affordable housing in New York has decreased significantly over the past dozen years. Between 2002 and 2014, the number of affordable, rent-stabilized units fell by 233,931 (27 percent); the number of unregulated affordable units by 96,595 (23 percent); and unsubsidized affordable units by over 330,000 – a total of over 660,000 in all.

Compared to these figures, Mayor de Blasio’s promise to “build or preserve” 200,000 affordable units over the next ten years is laughably inadequate, even to replace what has already been lost, let alone to counterbalance future losses.

Recent census data indicate that the median rent for rent-controlled apartments is $1,020 a month paid by someone making $29,000 a year (over 42 percent of gross income), and for stabilized units, the median rent is $1,300 a month paid by someone making $40,000 a year (39 percent of gross income).

The other housing program renewed at the end of the legislative session, extended provisionally for six months, is known as 421-a. It provides tax abatements for developers who include a small proportion of “affordable” units in new construction. Over the years, it has done nothing to ameliorate the housing crisis in the city, while proving highly lucrative for developers. Among other benefits, 421-a allows developers to build affordable units “off site.” Exclusively luxury buildings can be constructed in prime neighborhoods, reaping the huge tax benefits on these high-priced properties, while the “affordable” units can be situated in less expensive, peripheral locations.

Furthermore, it has created such egregious symbols of inequality as the “poor door” buildings in which tenants of moderate means are entirely segregated from the wealthy elite, even to the point of having separate entrances.

The 421-a program has, in part, promoted the runaway boom in the construction of luxury apartments, driving rents up throughout the city. It has proven so rewarding to developers that its renewal has received the enthusiastic backing of the Real Estate Board of New York, a powerful pro-development lobby, despite some nominal reforms proposed by de Blasio.

The legislative deal that extends 421-a makes only marginal changes in the program. It is projected to result in the creation of a mere 24,000 affordable housing units over a decade. The mouthpiece of the city’s corporate elite, *Crain’s New York Business*, stated that even if the proportion of affordable units mandated under the program were increased as proposed, “it would barely make a dent in the demand for quality, affordable housing …”

As demonstrated by this deal, no significant improvement in the city’s housing crisis is possible within the existing system. The entire political establishment of New York, both city and state, Democrat and Republican, is intimately entangled with real estate interests. Governor Cuomo has received millions in campaign contributions from developers. Recent scandals which resulted in the ouster of the leader of the State Senate, Dean Skelos, a Republican, and of the Assembly, Sheldon Silver, a Democrat, involved, at least in part, issues related to real estate interests. And de Blasio’s housing proposals have been filled with major giveaways to developers, including the selling of prime open space within city-owned housing complexes. This is not just a matter of “corruption,” although that is certainly a factor. The reality is that both major parties, and all of their supporters, are inherently defenders of the financial and corporate elite.