

Notes on the housing crisis

New York City surpasses London, Tokyo for highest rents

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The shortage of affordable housing and the consequent high rates of homelessness in New York City, already severe before the 2008 crash, have worsened steadily since then. A recent study, reported by the *Wall Street Journal*, found that New York has now surpassed London and Tokyo as having the highest cost for rental apartments anywhere in the world.

While rents have increased dramatically, income has lagged far behind. A study by ApartmentList reports that, while median New York rents have risen by 64 percent since 1960, median income rose only 18 percent, a difference of 46 percent. Not surprisingly, another study found that nearly two thirds of New Yorkers suffer severe economic hardship, leading many into homelessness. Research published last year found that workers earning the minimum wage of \$8.75/hour cannot afford to live in New York City.

As a consequence of this disconnect between housing costs and incomes, homelessness has reached record levels. About 60,000 people, more than a third of them children, spend each night in homeless shelters, a situation that has now become chronic. Many thousands more are out on the street, living “in the rough.” A large proportion of the latter suffer from mental or physical illnesses. This level of homelessness is the highest since the Great Depression, and 87 percent greater than a decade ago.

Even the 60,000 figure understates the scale of suffering. According to the Coalition for the Homeless, during fiscal year 2015 “more than 109,000 different homeless men, women, and children slept in the New York City municipal shelter system.” That included over 42,000 different children. These numbers reflect the precarious economic circumstances faced by a significant portion of the city’s population, who live on the edge of homelessness.

Conditions in the homeless shelters continue to deteriorate. The horrid state of these shelters is no secret. A variety of reports have highlighted the problem for years, and yet no significant improvements have been made. The combination of grossly inadequate funding and a maze of absurd and contradictory bureaucratic procedures have created Kafkaesque conditions in which tens of thousands of homeless people are

trapped.

As recently highlighted by the *New York Times*, in an article entitled “How Do Rent-Burdened New Yorkers Cope?” the acute lack of affordable housing and consequent sharp disconnect between stagnant or declining incomes and increasing housing costs force many of those who still have a home to pay substantial portions of their incomes for rent (in some cases over 50 percent). Consequently, they must subject themselves to severe austerity by making painful cuts in necessities such as food, clothing, and medical care.

One of the people profiled in the article, 70-year-old Parvati Devi, a retired hairdresser and manicurist, spends 51 percent of her income (consisting of Social Security and food stamps) on rent and utilities. She is a virtual prisoner in her home. “Today I’m staying in the house not to spend money. It’s difficult to have a quality of life,” she told the *Times*.

Another, Kay Urbant, who is in her 60s, was laid off in 2008 and has had difficulty finding steady work since then. She has also suffered from a cardiac condition. “I sometimes don’t sleep at night not knowing what I’ll do next.”

This kind of precarious existence leaves large numbers of city residents highly vulnerable to losing their homes. One unexpected expense can mean disaster.

By contrast, there is no shortage of housing affordable to the city’s wealthier residents. Indeed, the rush by developers to construct high-end units, facilitated by the loosening of regulations by the city, such as those on height restrictions, is reaching the point of creating a glut on the market. Some builders of new luxury housing are being forced to offer incentives in the competition to attract wealthy tenants.

In one rapidly gentrifying neighborhood in Brooklyn, the developer is offering three months free rent for those who sign a new lease. Even with this discount, one-bedroom apartments would still effectively cost approximately \$3,400 per month, which is far out of reach for the majority of New Yorkers. According to a recent study, the median monthly rent for “entry level” apartments in Brooklyn rose 50 percent from 2009 to 2016, to \$2,481. By contrast, during that same period, high-end units dropped 4 percent, to \$4,783.

Overall, only about a quarter of the new apartments under construction are considered to be “affordable,” despite the tremendous demand. Even this is an overestimate, given the grossly unrealistic formula by which the city calculates what is affordable for most New Yorkers.

The extreme need was illustrated in one recent case in which 87,700 people applied for just 200 low- and middle-income apartments in one Brooklyn development. By contrast, it is projected that 38,000 new market rate units (i.e., affordable only to those with high incomes) will be built over the next three years.

The relative abundance of high-cost and high profit housing for those with high disposable incomes stands in sharp contrast to the critical deficit in availability of housing affordable for the great majority of city residents and the systematic depletion of assistance for those struggling to find a place to live.

Due to severe underfunding, city-issued rent assistance vouchers are available for only about a third of people in the shelters, and it is well documented that private landlords systematically discriminate against people who attempt to use these vouchers to help pay their rents. A variety of other federal and local programs providing rent assistance for low-income families, such as Section 8 and Human Resource Administration (HRA) vouchers, and the city’s Advantage program, which formerly provided a limited degree of assistance, have been severely cut back or eliminated altogether.

New York Governor Andrew Cuomo and New York City’s mayor, Bill de Blasio, both Democrats, have each proposed programs or made promises regarding housing and homelessness that have been unfulfilled or turned out to be far less than they appeared.

Cuomo, for his part, in a move apparently aimed at undermining de Blasio, a perceived political rival, torpedoed renewal of the state’s 421-a tax abatement program, which required a certain percentage of “affordable” units to be included in new housing developments that participated in the program. This program, which had been in place for decades, was quite lucrative for developers, but had a negligible impact on the shortage of affordable housing. Cuomo has repeatedly feigned interest in reviving or replacing the program, but has made no substantial efforts in that regard.

At the same time, the governor promised \$2 billion to build “supportive housing” (designed for individuals suffering from substance addiction or mental illness), but has actually provided only \$150 million. The lack of funding has markedly reduced availability of such units. In 2014, 6.3 percent of shelter residents were placed in supportive housing, in 2015 only 5 percent, and the projection for this year is 4.6 percent.

De Blasio has promoted a “ mandatory inclusionary housing ” scheme, which is styled as a way of promoting the construction of affordable housing by providing developers with a variety of incentives, which would, in part, compensate

for the loss of 421-a. The developers would be allowed to construct buildings with a majority of “market rate” units and a smaller number offered at what the city considers affordable rates. However, this program is meeting substantial local opposition from existing residents who justifiably fear that the supposedly “affordable” portion of the new apartments will, in fact, be out of their reach, due to the skewed method used by the city to calculate levels of affordability.

Even the durability of this supposed affordability is questionable. ProPublica recent revealed de facto collusion by the city with landlords. It revealed that the city has been extremely negligent in collecting data that would be needed to gauge landlords’ obligation to comply with rent caps for existing buildings receiving tax abatements under 421-a.

The administrations of both current Democratic mayor de Blasio and his predecessor, Republican Michael Bloomberg, have shown extreme favoritism to private developers for the construction of buildings with predominantly market rate apartments, covered by a fig leaf of supposedly affordable units. This, in effect, amounts to city-sponsored gentrification.

The inability of either Democrats or Republicans to make any meaningful improvement (indeed quite the opposite) with regard to the critical lack of affordable housing and the directly related increase in homelessness is not the result of bad policies or lack of funds. Rather, it expresses the reality that there is no solution to these twin crises under capitalism.

The idea that decent, affordable housing for all is a social right is anathema to the ruling class. All the programs now proposed are predicated on mechanisms whereby private developers can maximize profits. As also being experienced in the health field under Obamacare, if such programs fail to provide for the needs of the working class, the attitude is “so be it.”

A huge social explosion is imminent. The critical lack of affordable housing in New York and elsewhere must soon reach the point at which workers will no longer tolerate these unlivable conditions.



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