

# **FITTING IN – HOUSING AND PLANNING FOR NEW YORK CITY’S FUTURE**

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## **1 Introduction**

New York City (NYC) is a challenging housing market, as anyone who has ever tried to find accommodations here can easily attest. Its housing market is also one of the few areas of public policy where statistics and public perception are in perfect harmony. The impression of New York as an expensive place where affordable housing is nearly impossible to find is borne out by a remarkably low rental housing vacancy rate of 2.91% in 2008, and the fact that nearly half of New York’s renter households pay more than 30% of their income for housing. Not surprisingly, the newest entrants into NYC’s housing market, likely to be foreign born immigrants, face the greatest obstacles. Despite a sustained and significant investment by the public sector in housing production, shortages and affordability gaps continue, and the city is now projecting that its population will grow by an astounding one million persons by the year 2030. How will this increasing population be accommodated in a housing stock that is aging, expensive, and scarce? It is reasonable to wonder how the population fits into the housing stock now.

## **2 A Look Back**

Before the first Europeans set foot on what would become Manhattan, the Algonquians had already set up the tip of lower Manhattan as a center of commerce, which attracted Native Americans from the region seeking to trade (Pritchard 2002). The Dutch quickly built on the established trade routes, and NYC’s image as a place to do

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<sup>1</sup> The paper was written with research assistance from Sarah Watson, Marsha Nicholson, and Stefanie Marazzi.

business would set the stage for its planning (or lack thereof) for the next three centuries (Pluntz 1990).

Waves of populations would continually be drawn in by the promise of economic opportunity and prosperity. The promise was not fulfilled for every immigrant, and certainly not for the Algonquin people who were here first. It was not even made to the many who were brought here in slavery. But NYC has managed to house, feed, and employ millions of migrants from all over the world in its nearly 400-year post-European history, and integrate them into American society and culture.

Nearly from its earliest beginnings, NYC had trouble keeping its housing stock up to the level of its population. While the Dutch West Indian Company attempted to regulate housing construction and conditions soon after its arrival in 1624, the earliest New Yorkers were already adept at avoiding and circumventing the laws.

With the rise of transatlantic commercial steamship travel in the mid 19<sup>th</sup> century, NYC became accessible to European immigrants in staggering numbers. As New York's population increased dramatically, its housing stock moved ever closer to the European urban model of densely packed multiple dwellings – townhouses for the rich, tenements and lodging houses for the poor. New York's character as a city of renters and apartment dwellers, which sets it apart from the rest of the United States, was then well established. This pattern remains in place today with roughly two thirds of NYC's households renting their housing and a third who are owners, a pattern that is nearly perfectly reversed for the rest of U.S. households. The city's characteristic tight market for housing begins to emerge at this time as well.

Housing standards and conditions have evolved considerably in the last 100 years. First regulations focused on fire prevention, followed by health, access to light and air, and finally the size and shape of units themselves. Housing standards have continually improved the conditions of NYC's housing stock so that now only 0.5% of New York's occupied housing units are in dilapidated buildings, the lowest rate since this indicator was first measured in the 1960s. However, one of the consequences of rising standards is that more and more households are unable to attain them.

Not surprisingly, it is the poorest households who are left to find accommodations as best as they can; by accepting or creating below-standard housing, by combining households to pool income to purchase housing, or both. Those with greater means attract a marketplace more than willing to build housing that meets their needs. Immigrants, often without sufficient income and facing cultural and language barriers, can easily find themselves at the bottom of the housing market, accepting the worst accommodations with little ability to access anything better.

The promise of jobs and opportunities for advancement for immigrants themselves and their children kept NYC at the forefront of population in-migration in the United States for more than a century. But finally the promise of improved economic conditions would come to a halt by the 1970s. An out-migration of moderate and middle-income (mostly white) households followed the suburbanization of America's families after WWII. This, combined with a significant in-migration of lower-income African

American families from the south and Hispanic households from Puerto Rico, transformed NYC's low and moderate income neighborhoods and set the stage for its most challenging decades.

The massive population losses of the 1970s and 1980s, the loss of 500,000 manufacturing jobs (upon which new immigrants had come to depend for employment) in the decades following WWII, and the resulting collapse of the private rental market in the city's low- and moderate-income neighborhoods shook the city's image of never-ending growth to the core. While these larger trends swept across most of America's cities, New York, with its heavy reliance on denser concentrations of multifamily rental housing, was particularly vulnerable to their impacts. With approximately 321,000 housing units lost to arson and abandonment between 1970 and 1981 – enough to house the whole city of Baltimore – many communities that had been portals for new immigrants to enter American life were brought to brink of destruction. Even neighborhoods that were not devastated by arson and abandonment, like Flushing in Queens, suffered massive property value losses and the collapse of its retail market, rendering its housing stock virtually worthless.

### **3 Current Situation: Growth Comes Back**

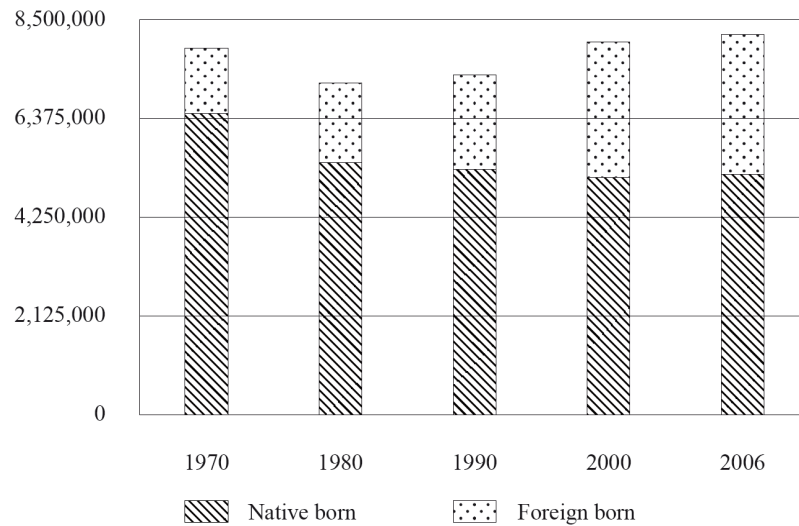
It was not clear that NYC's critical role as an entrance point into the United States for foreign immigrants would survive. But it did survive, and the last decennial census revealed that NYC alone amongst the older American cities was actually adding population rather than losing it. Its population is now estimated to be about 8.36 million.

It is far too easy to attribute NYC's resurgence simply to its dominance as the financial capital of the United States (and perhaps the world, even in the current downturn). New York's resurgence was equally attributable to its unprecedented public sector investment in the reconstruction of the housing stock in its most devastated neighborhoods. This investment, begun in the Koch administration in 1986, has been sustained through four mayoral administrations and easily exceeds six billion dollars (Perine & Schill 2007).

In addition, the reduction of NYC's infamous crime rate in the late 1990s improved both the economic condition of the city as a whole, and the quality of life in the city's most troubled neighborhoods.

All of these factors combined to attract jobs and population, and improve neighborhoods. Perhaps most remarkably, the city's recent population growth was a result of the in-migration of foreign born persons, while the population of native born New Yorkers continued to decline. And while there is now evidence that the in-migration of the foreign born is slowing somewhat, the trends of the last three decades have transformed the city's population dramatically, with both the numbers of immigrants arriving and their sheer diversity.

Figure 1: U.S. decennial census population by place of birth

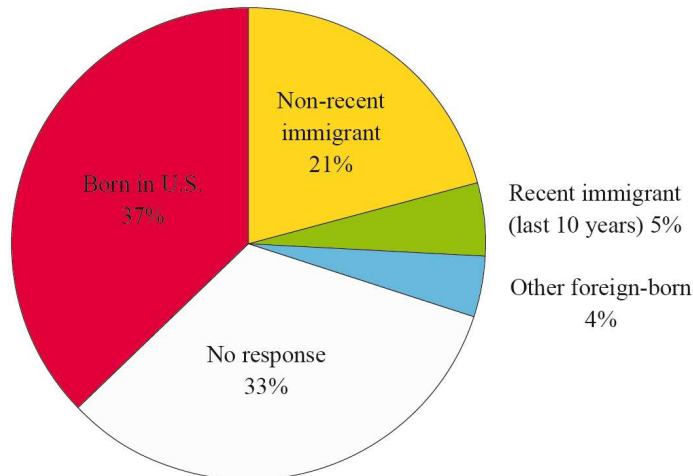


Source: NYC Housing & Vacancy Survey 2008.

As of 2008, only 37% of New York's head of households had been born in the United States. European immigrants largely dominated NYC's landscape in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, thus they represent 21% of NYC's heads of households. Today's immigrants are coming largely from outside of the developed world. Asians, Central and South Asians, Central and South Americans, and West Africans represent the majority of immigrants and the most rapidly increasing populations. Eastern Europeans are immigrating as well, but it is the dominance of the developing world that is transforming the shape of many of New York's communities. Significantly, one-third of the Housing and Vacancy Survey respondents did not reply to questions regarding their immigrant status, so one can assume that the immigration data is underrepresented.

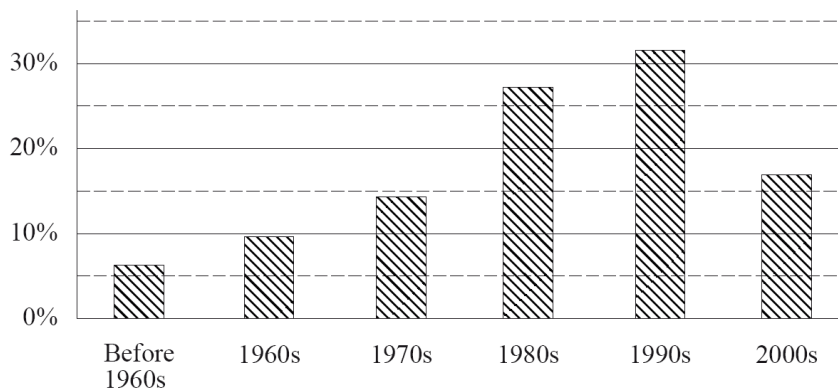
The City of New York now projects a population increase of approximately one million by the year 2030.<sup>2</sup> But New York's housing stock has not experienced a similar increase in units. With a physical environment that is largely already built upon, New York can expect to continue to have a shortage of available housing for those trying to find accommodations. This shortage is expected to have a disproportionate impact on the newest entrants into the housing marketplace, in this case, the foreign born. Since the vacancy rate in 2008 is only 2.91%, how will this increased population be accommodated within the city's housing stock in the future?

<sup>2</sup> PlaNYC 2030; 2006, The City of New York, Mayor Michael R. Bloomberg.

Figure 2: **Households by immigrant status**

Source: NYC Housing & Vacancy Survey 2008.

If we begin with how the existing population fits into the housing stock, it will be easier to understand what conditions future New Yorkers may be facing. In 2008, according to the NYC Housing and Vacancy Survey, the city’s population was 8.36 million and fit into 3.3 million housing units, excluding the homeless. But *how* did they fit into these units?

Figure 3: **Breakdown of the decades that NYC immigrant heads-of-households moved to United States (in %, 2008)**

Source: NYC Housing & Vacancy Survey 2008.

Those households with adequate or excess resources consume the housing of their choice. That choice is based on a housing “bundle” which includes neighborhood characteristics like schools, ease of transportation, safety, quality of life, access to shopping, and social environment. The physical size and shape of the housing is only one aspect of choice that those with adequate resources consider. The more resources available to a household, the more of their housing “bundle” they can attain.

Leaving aside the housing “bundle” choices, a significant number of New York renter households have resources that allow them to obtain reasonable housing. By examining three proxies for successful housing matches – affordability, crowding, and physical conditions – we can estimate the percentage of households that have the resources to make a good housing match. In 2008, 51% of renter households paid less than 30% of their income, 88% of NYC’s housing units had less than three maintenance deficiencies, and 78% of NYC’s housing units were occupied with less than one person per room.

However, as resources are reduced, so is housing choice. Housing characteristics and the related housing “bundle” begin to be traded off as income and circumstances decline. By 2008, 27.5% of NYC renter households paid more than half of their income for rent, having increased from 23.3% in 1991. Units that were severely overcrowded also increased from 3.6% in 1991 to 3.8% in 2008. The percentage of housing units with more than five maintenance deficiencies declined from 8.3% in 1991 to 4.1% in 2008.

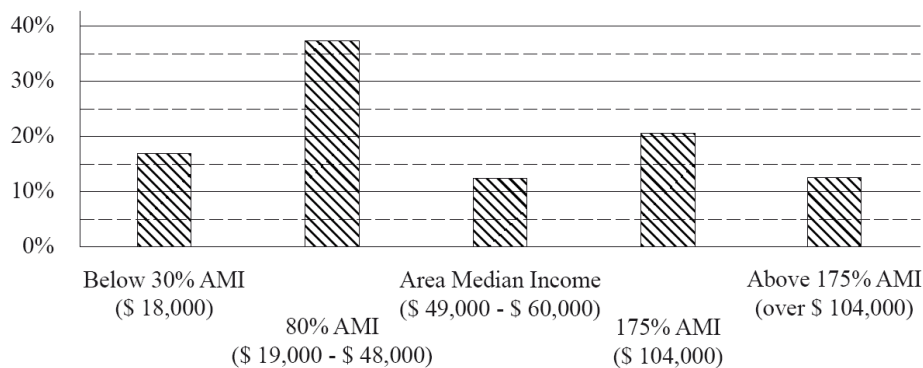
Perhaps most striking is that more and more households are forming *combined* or shared households in order to obtain housing. Approximately 1,000,000 households in 2005, or 31.5% of all units, had more than one household sharing with them. Of that number approximately 750,000 households were sharing with *related* individuals or families. The remaining 250,000 households shared their housing with *unrelated* individuals or families. The incidence of shared households increases for immigrant households; 42% of households headed by an immigrant shared their housing with another household in 2005.

A closer look at households headed by immigrants who came to America between 1998 and 2008 begins to indicate additional composition differences aside from simple sharing arrangements. Only 15% of recent immigrant headed households are single-person households. For the general household population (excluding this recent immigrant headed households), the percent of single-person households is 35%. Recent immigrant headed households are less likely to live alone, more likely to share with other unrelated or related adults, or to form combined family households than the population excluding recent immigrants. Certainly income plays a significant role, but does not explain the trends completely.

It is reasonable to assume that some of the combined or shared households are choosing to share, such as extended families that culturally prefer to remain together. But it is also likely that the majority of such combined households are making those choices in order to obtain housing and would choose their own housing if reasonable

accommodations were available to them. An important caveat when considering immigrant households is that nearly half of NYC's households headed by immigrants have income at the Average Median Income or above (\$49,000 or more annual income for family of four). Their impact in the housing market is varied, across both rental markets and neighborhoods.

Figure 4: **Income of recent immigrants to NYC, 2008 (% of AMI)**



Source: NYC Housing & Vacancy Survey 2008.

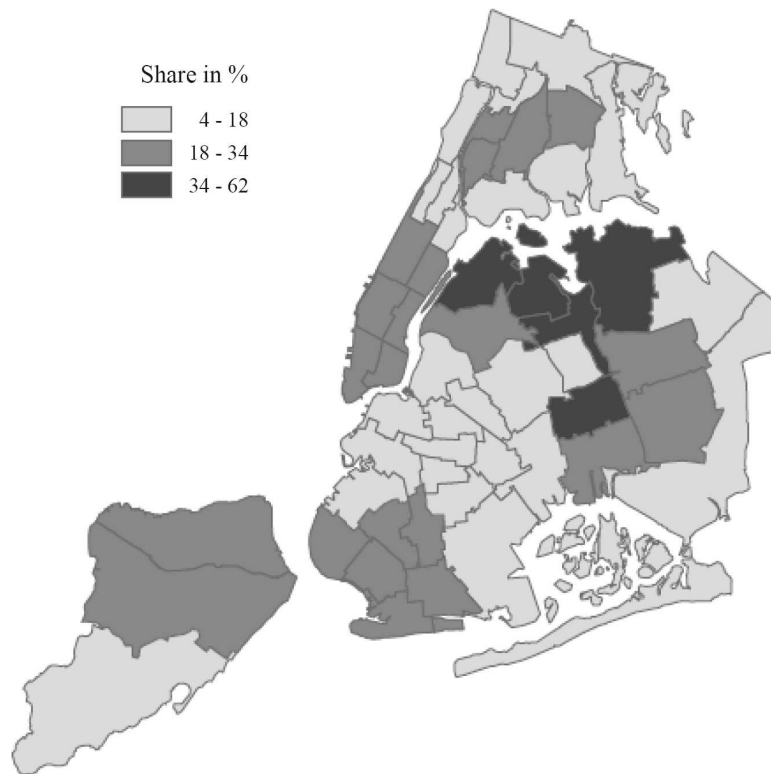
This geographic diversity is particularly evident if one maps the location of households headed by immigrants in 2008. They are largely concentrated in the neighborhoods of Flushing/Whitestone, Jackson Heights, Elmhurst/Corona, Washington Heights/Inwood, Astoria, and Flatbush. Once again the dominance of the borough of Queens in its ability to attract immigrants is clear.

Still, one can't overlook the impact of shared households on the housing market. If we assumed all shared or combined households would opt for their own accommodations, the housing stock would have to increase by 25% to 4 million units, a near physical and financial impossibility. And this, of course, still does not accommodate the projected population increases in the next two decades.

Housing shortages have been a constant component of NYC's housing market since the end of WWII. Since 1965 it has been measured by the U.S. Census Housing and Vacancy Survey, the only survey of housing stock in the United States, which uses a sample of buildings that remain constant between decennial census years, which permit comparisons over time. Since 1965 the vacancy rate has remained below 5%, which inhibits easy access to housing.

Although the vacancy rate has varied somewhat over the last 40 years (while remaining below 5%), it does not illustrate the obstacles to obtaining housing very well. In fact the rate has not really changed all that much, yet housing shortages seem to worsen.

**Map 1: Concentration of immigrant headed households by sub-borough areas in New York City, 2008**



Source: U.S. Census Housing & Vacancy Survey 2008.

It is more useful to consider the housing *seeker* and examine the marketplace that they face. After all, the vacancy rate has little or no impact on households that are already housed, it is the housing seekers who are most impacted by a shrinking vacancy rate.

In 1991 the vacancy rate was 3.78%, compared to 2.91% in 2005. However, a more dramatic comparison is revealed when examining the housing supply available to housing seekers. In 1991 median income households seeking a housing unit could comfortably afford 35% of the vacant apartments on the market. In other words 35% of the vacant apartments for rent in 1991 were renting at amounts that did not exceed 30% of the income of median income households in that year. Of the 35% of the affordable vacant apartments, 69% of them actually did rent to median income households. The remaining 31% of the vacant apartments affordable to median income households were rented to households with more income.



By 2005, both the availability of such affordable units and the competition for them had changed dramatically. Only 24% of vacant apartments available for rent were affordable to households of median income (down from 35% in 1991). Of that smaller total, 62% were rented to median income households, with 38% being rented to households with more income. So while the median income housing seeker in 1991 successfully rented 24% of the available affordable vacant units, by 2005 they were successful in renting only 15% of the available affordable vacant units. Not only did the pie shrink, but the competition for the affordable and available units increased.

These trends place undue pressure on the housing market and are causing more and more households to live outside or below the acceptable housing standards. Analysis by CHPC in 2002 estimated that 150,000 units were illegally occupied (Bracconi & Galvez 2003). This number surely was an underestimate. The public sector strategies encouraging housing production have been successful, but have not changed the basic characteristic of NYC's housing market, evidenced by shrinking vacancy rates and increasing affordability gaps.

These trends impact all NYC households, but they impact housing seekers most dramatically. The continued influx of immigrants represent a subset of housing seekers who can reasonably be expected to fair less well in the competition for housing units. In addition, new immigrants' neighborhood choices – low-density areas of Queens for example – are frequently in direct opposition to public-sector strategies to increase density in some areas and restrict density in others. This fact, coupled with the public sector's lack of focus on housing for single adults or shared households, further restricts access to housing for immigrant households. When income constraints are added, the picture is even more complex.

## **4 Outlook**

It is clear that new construction alone, while desirable, will not address all of New York's housing problems. With the majority of NYC's housing stock built before WWII, it is also imperative that the existing housing stock be preserved for our newest generation of New Yorkers. This would require a shifting of resources toward renovation and enforcement of existing housing standards, as well as better access to housing for new immigrants.

The public sector will have to rethink its approach to shared or combined households and single-adult households, as well as its choices about increasing density if it is to adequately address the housing needs of immigrants. Certainly the legal status of immigrants further exacerbates housing concerns since local government is unable to provide any housing assistance to undocumented immigrants. Further, such undocumented households are unlikely to seek assistance from government at all and are more likely to be vulnerable to living in illegal conditions. Without reconsideration of

overall U.S. immigration policies at the Federal level, local government will always be at a disadvantage in addressing the housing needs of immigrants.

NYC's housing market is especially challenging for new immigrants with its permanent shortages and affordability problems. Expanding the supply of affordable housing is expensive and elusive in NYC's built environment. With the end of public housing production more than 20 years ago, an important source of low income housing was ended. Locally financed efforts have been successful in making accommodations for the homeless and providing preferences to local community residents, but in general have not reached the immigrant population.

In the meantime, immigrants themselves are reshaping communities and adapting into the housing stock through shared households, occupying illegal spaces, and carrying excessive rent burdens. If the population growth projections hold, we can expect more crowding, shared households, and affordability gaps. While these trends are consistent with NYC's history, it is disappointing that our newest immigrants will likely face a housing market that, while physically much improved, is still largely out of reach.

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