

The Rent Guidelines Board 2000 Housing Supply Report

June 6, 2000

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Introduction

The continuing strength of the national and local economies is reflected in New York City's housing industry. For the first time since 1987, the number of permits issued for new residential construction topped 12,000 (12,421 permits were issued in 1999, an increase of 20% over the prior year). The number of permits issued for the first three months of 2000 indicates that even more permits will be issued this year. There has also been an increase in the number of properties receiving tax incentives for new construction or rehabilitation. The number of new units benefiting from tax incentives under the 421-a program increased dramatically last year, increasing to its highest level since 1988. The number of certificates of occupancy, which are issued to new housing completions, also significantly increased last year, especially in Manhattan. However, while New York City experienced a net gain of total units from 1996 to 1999, the number of rental units declined. Furthermore, the number of units which are vacant and available-for-rent dropped considerably over the period.

New York City's Housing Inventory

According to the 1999 Housing and Vacancy Survey (HVS), the percent of rental units relative to all dwellings declined slightly, from 70% in 1996 to 66% in 1999.¹ This shift resulted from a decline in the total number of rental units by one-half of one percent, or about 10,000 rental units, and an increase in the number of owner units by 8.7%, or over 74,000. While the proportion of rental units declined, N.Y.C. remains unique in that the substantial majority of its residents live in rental units. The City's proportion of renter households is more than twice the national average, which is 34.2%, according to the 1997 American Housing Survey, conducted by the Census Bureau. New York City is also unique in the types of dwelling units owned. Whereas conventional one- and two-family homes are the norm nationally, the high number of co-operatives and condominiums and small multiple dwellings such as brownstones in its owner-occupied housing pool further differentiates New York City from other parts of the country. In New York City, these alternative forms of home ownership account for 45% (412,000) of owner-occupied dwellings, according to the 1999 HVS, an increase from the 42% figure reported in the 1996 HVS.

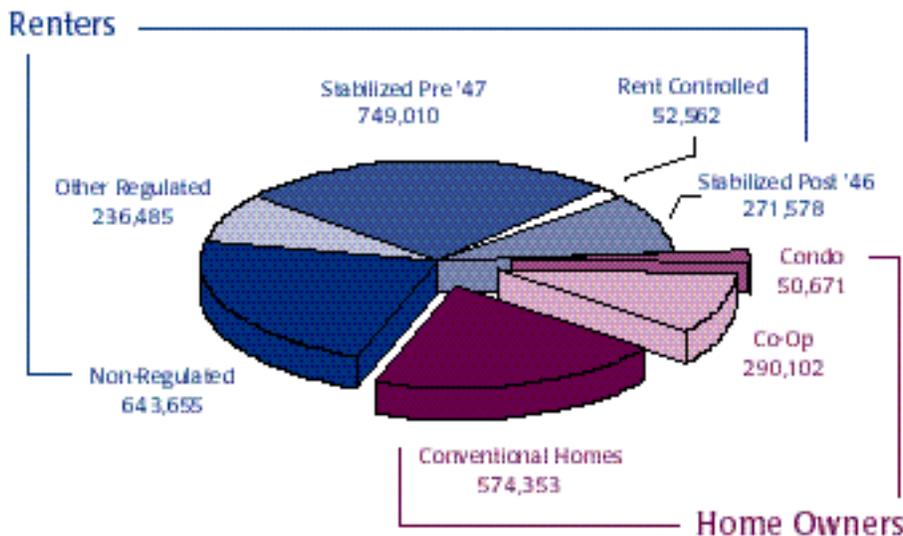
Examining both rental and owner units combined, N.Y.C. saw a net increase in total housing units of 44,000, or 1.5%, to 3,039,000 in 1999. However, there was a significant drop in the number of vacant rental and owner units. The number of vacant, available-for-rent units fell 20.7% over the last three years. Similarly, the number of vacant available-for-sale units fell by 27.9%. Furthermore, the number of vacant units not available for sale or rent also fell by 19.2%.

WHAT'S NEW

- ✓ Vacant available rentals fell by almost 17,000 units, or 20.7%, over the last three years, lowering the vacancy rate from 4.01% in 1996 to 3.19% in 1999.
- ✓ The number of vacant available-for-rent stabilized units fell by 31.3% over the last three years.
- ✓ Over 12,000 new dwelling units were approved for construction in 1999, an increase of 20% over 1998.
- ✓ The number of units newly receiving 421-a certificates increased 189% last year, to over 6,000 units.
- ✓ About 82,000 dwellings obtained J-51 tax benefits last year, 21% fewer than in 1998.
- ✓ The City reduced its in rem occupied housing stock by 20%, or 3,750 units, from FY 1998 to FY 1999.

New York City's Housing Stock is Predominantly Renter-Occupied

(Number of Renter and Owner Occupied Units)



Source: U.S. Bureau of the Census, 1999 New York City Housing & Vacancy Survey.

The 1999 HVS shows different shifts in the City's stock of privately-owned, rental, and vacant units unavailable for sale or rent. Although the 1999 HVS found 25,000 more conventional² homes than in 1996, the expansion in the privately-owned housing stock³ stems more significantly from the addition of 49,500 cooperative and condominium apartments over the last three years, for a total gain of 75,000 owner units. However, there was a drop of almost 10,000 total rental units over the period. While unregulated units increased by more than 27,000, the number of regulated units dropped. Rent controlled units declined by 18,000, stabilized units fell by 6,000 and the number of other regulated units⁴ declined by 13,000. Finally, there were 21,000 fewer vacant units which were off the sale or rental markets. These units were most likely either added to the housing market or to a lesser degree, demolished.

With the significant drop in vacant, available-for-rent and -sale units, the vacancy rate for New York City's rental stock decreased from 4.01% in 1996 to 3.19% in 1999. It is the lowest in Queens, where just 2.11%, or 9,000, available rental units are vacant. Meanwhile, Staten Island's vacancy rate, at 5.82%, is the highest. (See chart at right for each borough's vacancy rate.)

The vacancy rate for rental housing in New York City is a matter of close scrutiny. The City's vacancy rate is calculated triennially in the HVS to determine if the percentage of vacant rental apartments which constitutes the end of the 'housing emergency' (5%), has been surpassed. If the citywide vacancy rate exceeds the benchmark level of 5%, it would in theory mean the end of the housing crisis. At that point, rent stabilization and rent control would be subject to statutory termination.

Housing in New York City is clearly dominated by the size of its rental housing stock, which comprised 66% of all occupied units in 1999. The rental

VACANT AVAILABLE RENTALS

	1996	1999	Change
Total	81,256	64,412	-20.7%
Controlled	NA*	NA*	NA*
Stabilized			
Pre-1947	37,549	25,790	-31.3%
Post-1946	29,381	20,069	-31.7%
Mitchell Lama	8,168	5,720	-30.0%
Public Housing	3,500	2,829	-19.2%
Private, Non-regulated	6,450	3,323	-48.5%
Private, Non-regulated	33,758	32,471	-3.8%

*NA: Once a rent controlled unit becomes vacant it typically reverts to rent stabilization.

Source: 1996 and 1999 New York City Housing and Vacancy Surveys.

N.Y.C. VACANCY RATES

	1996	1999	Change
N.Y.C. Total	4.01%	3.19%	-20.3%
Pre-1947*	3.85%	2.61%	-32.2%
Post-1946*	2.83%	2.06%	-27.2%
Bronx	5.43%	5.04%	-7.2%
Brooklyn	4.20%	3.26%	-22.4%
Manhattan	3.47%	2.57%	-25.9%
Queens	3.28%	2.11%	-35.7%
Staten Island	4.17%	5.82%	39.6%

*Stabilized units

Source: 1996 and 1999 New York City Housing and Vacancy Surveys.

housing stock in New York City is also very diverse and contains many subgroups. Unlike many other urban centers in the nation, however, the bulk of rental units in New York City are rent regulated. Of the 2,018,000 occupied and vacant available rental units reported in the most recent HVS, only about 30% were unregulated, or "free market." The remainder is comprised of rent controlled (3%), pre-war rent stabilized (38%), post-war rent stabilized (14%) and various other types of regulated apartment units (16%).

The decline in the City's stock of 6,000 rent stabilized units from 1996 to 1999 results from several specific circumstances. Units can be added to the stabilized stock in various ways. For example, units that were once rent controlled and are vacated in buildings with six or more units will generally fall under stabilization laws, unless the new rent is \$2,000 or more per month. In 1996, 70,600 units were rent controlled, while 52,600 were rent controlled in 1999—a drop of 26%. Also, newly constructed units that participate in tax abatement and exemption programs, such as 421-a, will be subject to rent regulation. The 421-a plan added more than 10,000 units to stabilization from 1996 to 1999. (This program will be further discussed in the section on tax incentive programs.) However, units can also leave stabilization through several mechanisms, primarily "luxury" or vacancy decontrol, the expiration of tax incentives or co-op or condo conversion.

Different forces changed the pre- and post-war stabilized housing stock from 1996 to 1999. Though there was a decrease in the overall number of rent stabilized apartments over the last three years, the number of pre-1947 stabilized apartments actually increased by 0.7%, while the number of post-1946 stabilized apartments fell by 3.8%. Although more exact explanations will be evident when the longitudinal HVS file is released, there are two likely causes. The increase in pre-war units may in large part be due to the decline in the number of rent controlled units. Since all rent controlled units are in pre-war buildings, the 18,000 units that have been decontrolled over the last three years probably explains much of the increase in stabilized units in those buildings.

Meanwhile, the decrease in stabilized units in post-war buildings may in large part be attributed to decontrol provisions enacted by the Rent Regulation Reform Act of 1997 (RRRA-97), since post-war buildings generally command higher rents. Since RRRA-97 was enacted, many units have become deregulated due either to "luxury" or vacancy decontrol. From 1994 through May 1999, 1978 units have been deregulated due to "luxury" decontrol, according to the the NYS Division of Housing and Community Renewal. However, exact vacancy decontrol figures are unavailable. "Luxury" decontrol occurs when a stabilized household's income exceeds \$175,000 for two successive years and the rent is \$2,000 or more per month, and vacancy decontrol occurs when the rent is \$2,000 or more after a vacancy. Furthermore, the loss of post-war units may be due to expiring tax incentive programs or co-op and condo conversions, which will be discussed further below.

Changes in the Housing Inventory

New Additions

The housing inventory is typically enlarged through new construction, through substantial rehabilitation of deteriorated apartments and through conversions from non-residential to residential use. The number of permits authorized for new construction indicates how many new dwellings will be completed and ready for occupancy within three years, depending on the type of housing structure. The gap between units issued permits and those that are actually constructed has significantly narrowed in recent years, according to the Census Bureau. Thus, tracking permits is a solid measure of new housing coming on-line in the near future.

New York City again saw a significant increase last year in the number of permits issued. In 1999, 12,421 permits were issued for new construction, an increase of 19.6% over the 10,387 permits issued in 1998. Though still well below the nineteen-eighties' 20,000 peak reached in 1985, and the 1960's average of 37,000 new units each year, residential building has continued its resurgence since recovering from

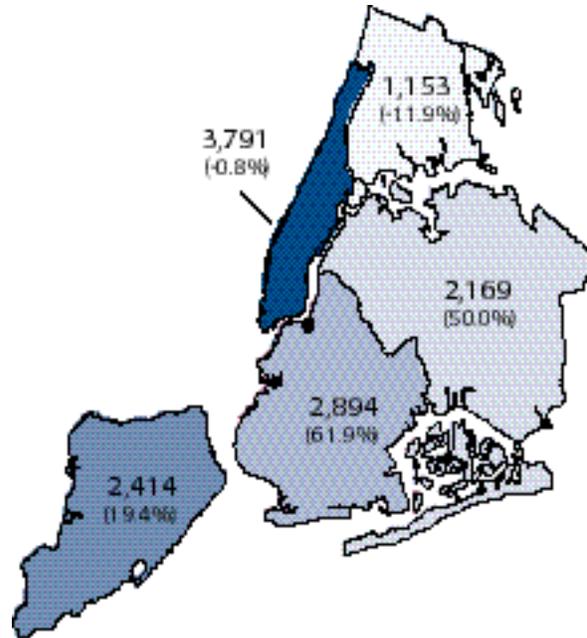
the recession of the early 1990s, with more permits issued last year than in any year since 1987. While the City overall saw an increase in 1999, the number of permits issued for Manhattan remained virtually unchanged, falling 0.8% to 3,791. In the Bronx, permits fell by 11.9%, to 1,153. However, the other three boroughs saw significant increases last year, most notably a 62% increase in Brooklyn, to 2,894 and 50% in Queens, to 2,169. Staten Island also increased, by 19%, to 2,414. (See Appendix 1.)

In Manhattan, the Bronx and Brooklyn, however, there were significant changes in the number of permits issued during the first quarter of 2000. During the first three months of this year, Manhattan has seen a 50% increase in permits over the first three months of last year, and in the Bronx, permits are up by 102%. But in Brooklyn, permits are down by close to 50%. Staten Island remained virtually unchanged, and only Queens has seen its significant increase in permits issued last year continue into this year, with an even larger 70% increase in the first quarter. The City overall has seen an 11.4% increase in permits in the first quarter of 2000, with a total of 3,166 filed so far.

Another way of measuring the level of housing creation involves examining the number of certificates of occupancy issued each year. In 1998, the most recent year for which figures are available, there were 11,432 new housing completions citywide, an increase of 50%. Manhattan saw the

Over 12,000 Permits Issued Last Year for New Housing Units in New York City

(Total Number of Permits Issued in 1999 and Percentage Change From 1998 by Borough)

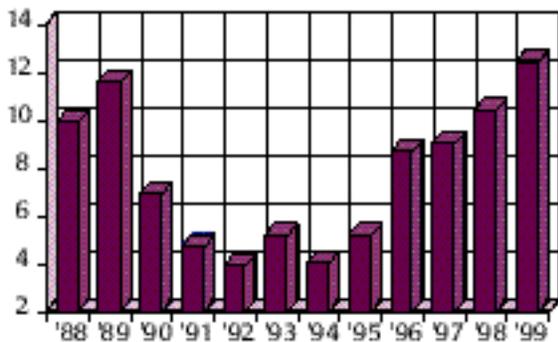


Source: U.S. Bureau of the Census, Manufacturing and Construction Division Building Permits Branch.

most significant jump, increasing by 405%, from 1,024 in 1997 to 5,175 in 1998. The only other borough to see an increase in 1998 was Queens, going from 2,032 to 2,598, a 28% increase. Meanwhile, Brooklyn (at 1,369 in 1998) and Staten Island (1,791) each saw slight declines of around 2%, but the Bronx saw a sharp falloff in 1998, decreasing 59%, from 1,391 in 1997 to 575 in 1998.⁵

Increases in Number of Permits Issued for New Construction Continues

(Units Issued New Housing Permits, in Thousands)



Source: U.S. Bureau of the Census, Manufacturing and Construction Division - Building Permits Branch.

Tax Incentive Programs

Many new multifamily properties containing three or more rental units receive tax exemptions under the 421-a tax incentive program created in 1970. The program (and its counterpart for conventional, one- to two-family homes, under Section 421-b of the New York State Real Property Tax Law) allows a reduction by owners in the taxable assessed value of eligible properties. That is, owners are exempt from paying additional real estate taxes due to the increased value of the property resulting from the improvements

made. According to the Department of Housing Preservation and Development (HPD), eligible projects must be new construction of multiple dwellings on lots that were vacant, predominantly vacant or improved with a non-conforming use three or more years before the new construction is to commence. Owners are exempt from paying additional real estate taxes on the increased value of the property due to the new construction (i.e. housing structure). Apartments built with 421-a tax exemptions are subject to the provisions of the Rent Stabilization Laws during the exemption period. Thus, 421-a tenants share the same tenancy protection as stabilized tenants, and initial rents approved by HPD are then confined to increases established by the Rent Guidelines Board (RGB).

The level and duration of 421-a benefits depend on geographic location, reservation of units for low- and moderate-income families, construction periods and government involvement. All properties are subject to construction guidelines as well. Rental properties located outside what is known as the Manhattan Exclusionary Zone (which is located between 14th and 96th Streets) receive an exemption for 10 to 25 years depending on location, whether they meet one of the first two conditions listed above, and whether they are located in a neighborhood preservation area. Longer exemption periods apply in northern

Manhattan and the other boroughs, and to projects which receive governmental assistance or contain 20% low-income units.

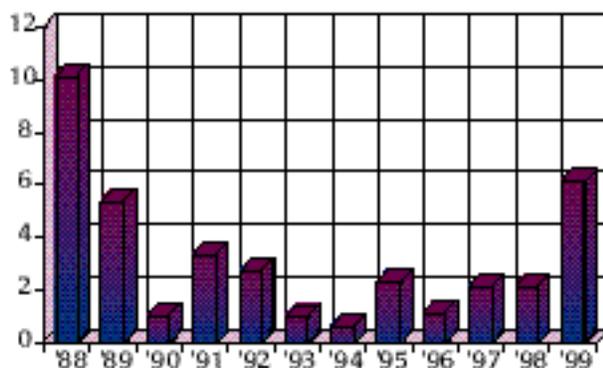
Housing developments located in the Manhattan Exclusionary Zone (located between 14th and 96th Streets) receive exemptions for ten years—a full exemption from taxes for two years, followed by an eight year period in which taxes are phased in at 20% every two years, provided they meet all of the criteria listed above. Manhattan’s strong residential market has the effect of stimulating development of affordable housing in other parts of the City. Participation in the 421-a Affordable Housing Program, under the criteria listed above, enables developers of new market-rate projects in Manhattan’s exclusionary zone to buy tax-abatement certificates from developers who create or rehabilitate affordable housing elsewhere in the City. For each low-income rental unit produced, five tax abatement certificates are given. According to HPD, these certificates are generally sold for \$10,000 to \$20,000 each.⁶ There were slightly more housing starts under the Affordable Housing Program in 1999 than in 1998. It is estimated that when all the units begun in 1999 are completed, 533 new affordable units will be produced, creating 2,665 certificates to be sold. There were also 93 housing units that began undergoing gut rehabilitation under the program last year, which will produce 465 certificates.

In addition, significantly more affordable units were completed under the program last year than in the previous year. Last year, 485 new affordable units were completed, which produced 2,420 certificates for market-rate housing, and 145 units finished undergoing gut rehabilitation last year, creating 725 certificates.

Citywide, the number of apartments newly receiving 421-a exemptions increased 189% to 6,123 in 1999, from 2,118 units in 1998. The largest number of certificates awarded last year were for buildings located in Brooklyn and Queens, with each containing a third, and in Manhattan, in which 19% of the buildings receiving certificates are located. However, because Manhattan’s buildings tend to be much larger, the vast majority of apartment units

Units Newly Receiving 421-a Certificates Increased 189% From 1998 to 1999

(Units Receiving Certificates, in Thousands)



Source: N.Y.C. Dept. of Housing Preservation & Development.

receiving certificates last year are located in that borough, where three-quarters of the units receiving benefits are located.

While last year's increase in the number of certificates issued was substantial, it was still lower than the late 1980s average when 8,000 new units per year received exemptions. However, the number of units receiving exemptions last year was the highest number since over 10,000 were issued in 1988. According to the 1999 HVS, there were close to 30,000 rent stabilized apartments currently receiving 421-a benefits. These units, however, do not remain permanent members of the stabilized stock. As exemptions expire, rental apartments are no longer governed by rent regulation rules. (See Appendices 5 and 6.)

Conversions and Subdivisions

New York City's population last year grew one tenth of one percentage point, to 7.43 million. While small, the increase does have an impact on housing availability, as more people search for housing, particularly affordable housing, posing a further strain on an already tight housing market. Since new development alone cannot satisfy the growing needs of residents, alternative methods for supplying new housing units, such as subdivisions and conversions, help to meet demand. Conversions are generally non-residential spaces, such as offices, that are converted for residential uses. Over the last few years, there has been a growing number of conversions in neighborhoods like SoHo and TriBeCa in Manhattan, and DUMBO and Williamsburg in Brooklyn. Former commercial spaces are being transformed into loft apartments in these areas, attracting those individuals who are looking for less conventional residences.

In addition to conversion of manufacturing and unused office space into residential units, there has also been an increasing number of conversions taking place among single room occupancy (SRO) buildings. Over the past few years, there have been an increasing number of reports of SRO buildings being converted to tourist hotels or single-family dwellings or apartments. SRO owners may convert SRO

housing to other uses only after they obtain a "Certificate of No Harassment" from HPD. The number of Certificates issued over the past three years has greatly increased in Manhattan, where the vast majority of SRO's are located. In 1995 and 1996, an average of 67 applications were filed each year. However, from 1997 through 1999, an average of 115 applications for Certificates of No Harassment were filed in Manhattan, a 72% increase.⁷

New rental units are also added to the housing market by subdividing existing housing units. By dividing large apartments and houses into one or more apartments per floor, more units are made available for rental. However, while this helps to alleviate the housing shortage, in many cases the subdivision is done illegally and poses a danger to communities in which they are most commonly found. Illegally subdivided apartments not only violate building and maintenance codes, they also strain sanitation, sewer and school systems, and well as other City services.

To deal with the problem of illegal conversions, a Quality of Life Team, whose purpose is to address illegal conversions and related quality of life complaints, was created by the N.Y.C. Department of Buildings (DOB). According to the Mayor's Management Report, the number of complaints, field visits and violations issued have continued to increase since the advent of the team. In FY 1997, there were 1,466 violations issued, while in FY 1998 there were 4,931 and in FY 1999, a total of 6,935 violations. For the first four months of FY 1999, 3,595 violations were issued compared to 2,043 in the first quarter of FY 1998 and 1,855 in FY 1997's first quarter.

Cooperative and Condominium Activity

Another source of new housing is created in New York City by the construction of cooperatives and condominiums. Co-ops and condos are also created by converting or rehabilitating existing units. While New York remains predominantly a city of renters, the level of home-ownership has been increasing. In fact, the number of co-op and condo apartments increased by almost 50,000 over the last three years,

almost twice the number of unregulated rental apartment units added from 1996 to 1999, according to the most recent Housing and Vacancy Survey.

Owners wishing to convert their buildings to co-ops or condos, and developers wanting to build new co-op or condo buildings, must file their plan with the New York State Attorney General's Office. In 1999, the Attorney General received 119 plans, eleven percent less than in the prior year. These plans translate into 2,854 units in 1999, which is a third less than in 1998. The bulk of the plans and units are located in Manhattan, where 78 plans and 2,209 unit filings were made. Citywide, new construction represents the bulk of the increase in plans accepted, accounting for 50 plans and 1,123 units. Rehabilitation accounted for 30 plans and 1,029 units, and the remainder, 39 plans and 702 units, were conversions. (See Appendices 3 and 4.)

However, the increasing number of co-op and condo units on the market also hurts the rental apartment market when conversion takes place. Co-op and condo conversions typically reduce the number of apartments available to renters. Conversions represent 24.6% of the total number of units filing plans with the Attorney General in 1999, a significant increase from the 4.9% figure found in 1998. While the number of units converted has dropped over the last couple of years, residual effects remain because of the time lag in its impact on the housing market. Since most conversion plans are non-eviction plans, only when the original rental tenant moves out does the apartment become owner-occupied. When that happens, the unit is then removed from the rental universe, thereby reducing the number of rental apartments available. Thus, thousands of renter-occupied units are being converted as tenants under non-eviction plans move out, even as the number of units planned for conversion have dwindled in recent years.

Rehabilitation

New York City's aging housing stock, more than 60% of which is over 50 years old, requires periodic renovation and rehabilitation to remain in livable condition. Substantial rehabilitation, subsidized through tax abatement and exemption programs, is

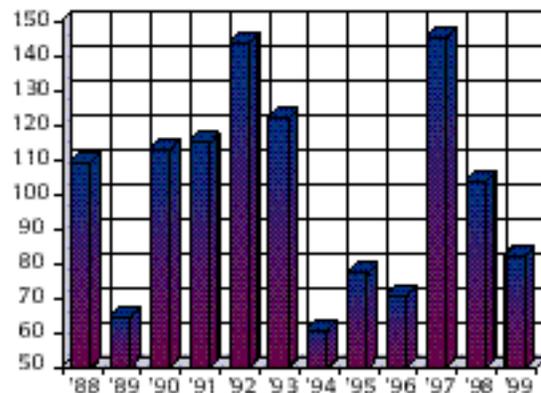
another method by which units remain or are readmitted to the City's housing stock. The J-51 tax abatement and exemption program is designed to promote the periodic renovation of New York City's stock of rental housing. In the late 1980s and early 1990s, the number of units approved for initial J-51 tax abatements and exemptions each year was frequently above 100,000 dwellings. In the mid 1990s, rehabilitation activity declined to just under 70,000 units per year. But in 1997, coinciding with the improving N.Y.C. economy, the number of units receiving J-51 benefits increased sharply, with over 145,000 additional units receiving this tax incentive. However, over the last two years, despite the improved economy, the number of units newly receiving benefits has declined, falling to 82,121 last year, a drop of 21% from 1998 and 44% since 1997. (See Appendices 5 and 6.)

The J-51 tax relief program requires that rental units be subject to rent regulation for the duration of the benefits, just like the 421-a program. Apartment units in many high-rent neighborhoods are not allowed to enter the program because the apartment tax assessment generally cannot exceed \$38,000 after completion.

Rehabilitation activities that are eligible for tax abatements and exemptions include Major Capital Improvements (MCIs), substantial rehabilitation,

21% Decline in the Number of Units Receiving J-51 Certificates Last Year

(Units Receiving Initial Benefits, in Thousands)



Source: N.Y.C. Dept. of Housing Preservation & Development.

conversion from non-residential uses, and moderate rehabilitation, which requires significant improvement to at least one major building-wide system. Enriched exemption and abatement benefits are also available for conversion to Class A multiple dwellings (which are permanent residential dwellings) and rehabilitation of Class A buildings that are not entirely vacant.

Approximately 500,000 total dwellings were receiving J-51 tax benefits as of 1999, the vast majority of which were rentals in multifamily buildings and cooperatives, the 1999 HVS reports. Since most units receiving J-51 benefits would ordinarily be under the jurisdiction of rent stabilization laws even without tax abatements, the majority of these units will remain stabilized after the benefit period. However, rental apartments not stabilized prior to receiving tax benefits will not be subject to the City's rent regulations once their benefits expire.

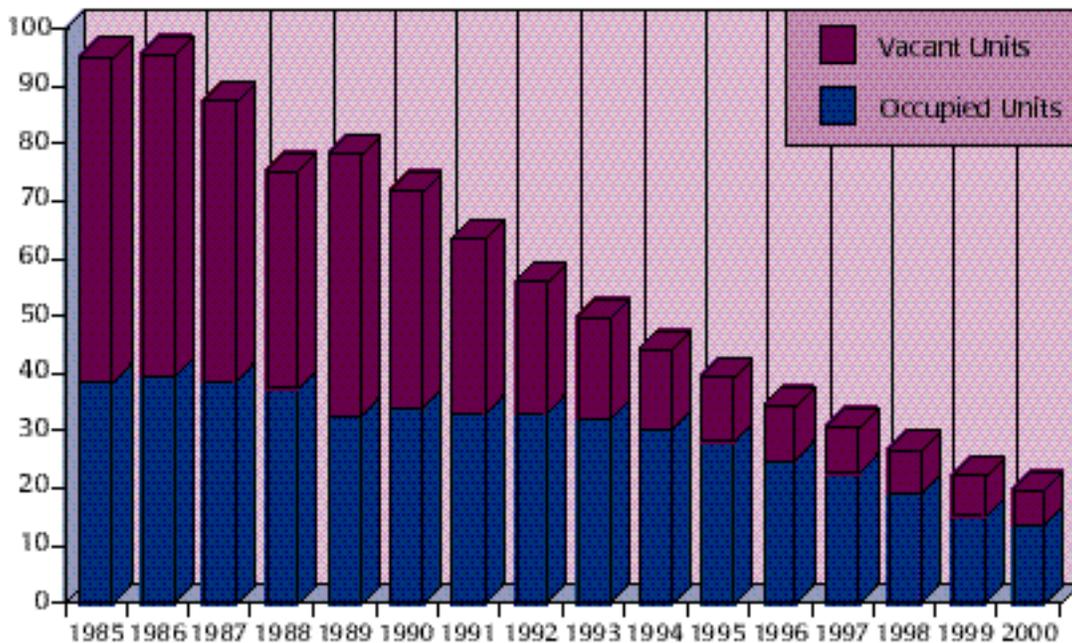
Tax-Delinquent Property

Since the mid 1990s, the N.Y.C. Department of Housing Preservation and Development (HPD) has

taken various actions to reduce the level of tax delinquency and abandonment. Prior to 1994, the policy of the City was to take the title or vest properties that were in tax arrears for at least a year. However, after ending this in rem foreclosure policy, new policies were devised to deal with these properties. The alternative to City ownership has been rehabilitation and transfer of in rem units to private or non-profit entities. HPD has successfully reduced the number of occupied in rem units in central (City) management to 14,475 by the end of December 1999. From FY 1994 through December 1999, the City has reduced the number of occupied in rem housing units by 52%, or by almost 16,000 units, adding an estimated \$7.8 million annually to the City in tax revenue, and providing additional low-cost housing opportunities to needy families.⁸ (See graph below.)

The City has been selling its rehabilitated in rem buildings in three different ways, as part of its Building Blocks Initiative program: the Neighborhood Entrepreneurs Program (NEP) for private entrepreneurs; Neighborhood Redevelopment Program (NRP) for nonprofit

City In Rem Housing Stock Continued to Decline Last Year
(Units in HPD Central Management Stock, in Thousands)



Note: 2000 reflects the FY 2000 plan for N.Y.C. Dept. of Housing Preservation & Development.
Source: Mayor's Management Report, Office of Operations, FY 1985-FY 2000.

community groups; and the Tenant Interim Lease (TIL) program for tenants.

As of October, 1999, the latest date for which this data is available, the City has reduced the number of vacant, city-owned buildings substantially over the past three years, declining 38% from 1996 to 1999, when the City had 822. The number of vacant units declined to 6,481. There are 14,629 occupied units and 1,845 occupied buildings in central management, the lowest number since HPD took over the in rem program in 1978. The department plans to further reduce the number of occupied units to 13,477 by the end of FY 2000, and 10,627 by the end of FY 2001. (See Appendix 7.)

Demolitions

Last year saw a decline in the number of demolitions in New York City, after increases over the prior three years. From 1996 to 1998 the number of demolitions increased. However, demolitions decreased to 717 last year, 15% less than in 1998. While in the early 1990s relatively few residential buildings in New York City were being demolished, this began to change in 1996, when the number of buildings demolished doubled from the previous year, and in 1997, when the number of buildings razed increased to 494, a 30% increase.⁹ Despite the decline last year, the number of demolitions that occurred in 1999 was the second highest since the RGB started collecting this data in 1985. According to the N.Y.C. Department of Buildings (DOB), the overall higher number of demolitions over the last few years is in large part due to the increased size of current and future developments. Larger projects require more space, sometimes an entire city block, and this calls for the demolition of more buildings. (See Appendix 8.)

Prospects for Housing Programs

After experiencing budget cuts in prior years, the U.S. Department of Housing and Urban Development (HUD), has seen its proposed budgets for upcoming fiscal years increase. Since it is the

largest single source of funds for local housing initiatives, the HUD budget has a great impact in N.Y.C. This year, President Clinton has proposed a \$32 billion HUD budget for FY2001, the largest in more than 20 years. Included in the proposal is a nationwide addition of 60,000 new rental assistance vouchers, following the approval last year of 50,000 vouchers, after four years of no new vouchers. Also proposed are 120,000 new Incremental Housing Vouchers, of which about 1,700, at a value of \$14 million, would be available in N.Y.C., to address the need for affordable housing. In addition, an \$86 million increase in the Public Housing Capital Fund is proposed, bringing the total budget to \$2.955 billion, with similar increases proposed in other housing program budgets.

Overall, the proposed HUD budget for FY2001 for N.Y.C. is \$1.2 billion, an increase of \$61 million over FY2000. This includes an additional 1,700 new incremental housing vouchers, worth \$14 million, a 1.7% increase in public housing operating subsidies worth \$12 million, and a 5.9% increase in community development block grants worth \$13 million.

A recent Census Bureau report found that New York State has one of the lowest rates of housing creation in the country. During the 1990s, N.Y.S. had only a 3.2% increase in the number of total housing units, ranking it 49th in the nation in the number of housing units created.¹⁰ However, proposed increases in the HUD budget may impact positively on the level of new housing created in the City and State.

Another recent study found that the cost of residential construction in N.Y.C. is the highest in the nation, making it prohibitively expensive to build new homes for those unable to pay high prices or without governmental assistance. The study found pervasive corruption, outdated regulations and excessive labor and material costs to be the prime reasons for the high expense. It found that it costs an average of \$183,000 to build one apartment in a typical six-story building in N.Y.C., which is between 21 and 55 percent higher than in three other major U.S. cities examined for the study: Los Angeles, Chicago and Dallas.¹¹

Endnotes

1. 1996 and 1999 New York City Housing & Vacancy Survey, U.S. Bureau of the Census.
2. Conventional homes include one- to five-family homes in which the occupants own the residence.
3. Includes owner-occupied and owner-vacant and available for sale.
4. Other units include public housing, Mitchell-Lama, In Rem, HUD regulated, Article 4 and Loft Board units.
5. Housing completions for Manhattan are compiled from the Yale Robbins, Inc. Residential Construction in Manhattan Newsletter and the Final Certificate of Occupancy Issued listings from the N.Y.C. Dept. of Buildings. All other boroughs based solely on Final Certificate listings only.
6. Landlord Information/Tax Incentives: 421-A, New York City Department of Housing Preservation & Development web site.
7. N.Y.C. Department of Housing Preservation and Development, as presented at May 2, 2000 Rent Guidelines Board meeting by West Side SRO Law Project.
8. Mayor's Management Report, Prelim. FY 2000.
9. For the last several years, the DOB could not guarantee that the number of demolitions provided to the RGB contained residential units only.
10. U.S. Dept. of Commerce - Census Bureau, News Release, 12/8/99.
11. "Reducing the Cost of New Housing Construction in New York City," The New York University School of Law Center for Real Estate and Urban Policy, Salama, J., Schill, M., and Stark, M., July 1999.

Appendix

1. Permits Issued For Housing Units in New York City, 1960-2000

<u>Year</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Manhattan</u>	<u>Queens</u>	<u>Staten Island</u>	<u>Total</u>
1960	--	--	--	--	--	46,792
1961	--	--	--	--	--	70,606
1962	--	--	--	--	--	70,686
1963	--	--	--	--	--	49,898
1964	--	--	--	--	--	20,594
1965	--	--	--	--	--	25,715
1966	--	--	--	--	--	23,142
1967	--	--	--	--	--	22,174
1968	--	--	--	--	--	22,062
1969	--	--	--	--	--	17,031
1970	--	--	--	--	--	22,365
1971	--	--	--	--	--	32,254
1972	--	--	--	--	--	36,061
1973	--	--	--	--	--	22,417
1974	--	--	--	--	--	15,743
1975	--	--	--	--	--	3,810
1976	--	--	--	--	--	5,435
1977	--	--	--	--	--	7,639
1978	--	--	--	--	--	11,096
1979	--	--	--	--	--	14,524
1980	--	--	--	--	--	7,800
1981	--	--	--	--	--	11,060
1982	--	--	--	--	--	7,649
1983	--	--	--	--	--	11,795
1984	--	--	--	--	--	11,566
1985	1,263	1,068	12,079	2,211	3,711	20,332
1986	920	1,278	1,622	2,180	3,782	9,782
1987	931	1,650	3,811	3,182	4,190	13,764
1988	967	1,629	2,460	2,506	2,335	9,897
1989	1,643	1,775	2,986	2,339	2,803	11,546
1990	1,182	1,634	2,398	704	940	6,858
1991	1,093	1,024	756	602	1,224	4,699
1992	1,257	646	373	351	1,255	3,882
1993	1,293	1,015	1,150	530	1,185	5,173
1994	846	911	428	560	1,265	4,010
1995	853	943	1,129	738	1,472	5,135
1996	885	942	3,369	1,301	2,155	8,652
1997	1,161	1,063	3,762	1,144	1,857	8,987
1998	1,309	1,787	3,823	1,446	2,022	10,387
1999	1,153	2,894	3,791	2,169	2,414	12,421
2000	303 (150)	472 (930)	1,266 (843)	500 (294)	625 (626)	3,166 (2,843)

First three months of 2000. The number of permits issued in the first three months of 1999 is in parenthesis.

Source: U.S. Bureau of the Census, Manufacturing and Construction Division, Building Permits Branch.

2. New Dwelling Units Completed in New York City, 1960-98

<u>Year</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Manhattan</u>	<u>Queens</u>	<u>Staten Island</u>	<u>Total</u>
1960	4,970	9,860	5,018	14,108	1,292	35,248
1961	4,424	8,380	10,539	10,632	1,152	35,127
1962	6,458	10,595	12,094	15,480	2,677	47,304
1963	8,780	12,264	19,398	17,166	2,423	60,031
1964	9,503	13,555	15,833	10,846	2,182	51,919
1965	6,247	10,084	14,699	16,103	2,319	49,452
1966	7,174	6,926	8,854	6,935	2,242	32,131
1967	4,038	3,195	7,108	5,626	3,069	23,036
1968	3,138	4,158	2,707	4,209	3,030	17,242
1969	1,313	2,371	6,570	3,447	3,768	17,469
1970	1,652	1,695	3,155	4,230	3,602	14,334
1971	7,169	2,102	4,708	2,576	2,909	19,464
1972	11,923	2,593	1,931	3,021	3,199	22,667
1973	6,294	4,340	2,918	3,415	3,969	20,936
1974	3,380	4,379	6,418	3,406	2,756	20,339
1975	4,469	3,084	9,171	2,146	2,524	21,394
1976	1,373	10,782	6,760	3,364	1,638	23,917
1977	721	3,621	2,547	1,350	1,984	10,223
1978	464	345	3,845	697	1,717	7,068
1979	405	1,566	4,060	1,042	2,642	9,715
1980	1,709	708	3,306	783	2,380	8,886
1981	396	454	4,416	1,152	2,316	8,734
1982	997	332	1,812	2,451	1,657	7,249
1983	757	1,526	2,558	2,926	1,254	9,021
1984	242	1,975	3,500	2,291	2,277	10,285
1985	557	1,301	1,739	1,871	1,939	7,407
1986	968	2,398	4,266	1,776	2,715	12,123
1987	1,177	1,735	4,197	2,347	3,301	12,757
1988	1,248	1,631	5,548	2,100	2,693	13,220
1989	847	2,098	5,979	3,560	2,201	14,685
1990	872	929	6,376	2,340	1,384	11,901
1991	656	764	2,595	1,996	1,628	7,638
1992	802	1,337	2,720	1,905	1,136	7,900
1993	886	619	1,222	1,329	1,456	5,512
1994	891	1,035	1,939	2,000	1,573	7,438
1995	1,166	1,647	2,941	1,183	1,268	8,205
1996	1,075	1,577	1,661	1,528	1,699	7,540
1997	1,391	1,369	1,024	2,032	1,791	7,607
1998	575	1,333	5,175	2,598	1,751	11,432

Note: 1998 is the most recent year for which data is currently available. Dwelling unit count is based on the number of Final Certificates of Occupancy issued by N.Y.C. Department of Buildings, or equivalent action by the Empire State Development Corporation or N.Y.S. Dormitory Authority. In addition, housing completions in Manhattan are also compiled from the Yale Robins, Inc. Residential Construction in Manhattan newsletter. The N.Y.C. Dept. of City Planning revised the Manhattan figures for the years 1994 and 1995, which are reflected above.

Source: New York City Department of City Planning, Certificates of Occupancy issued in Newly Constructed Buildings.

3. Number of Residential Cooperative and Condominium Plans Accepted for Filing By the Attorney General's Office, 1997-99

	1997	1998	1999
Private Plans	<u>Plans (Units)</u>	<u>Plans (Units)</u>	<u>Plans (Units)</u>
New Construction	33	69 (3,225)	50 (1,123)
Rehabilitation	0	45 (812)	30 (1,029)
Conversion (Non-Eviction)	4	19 (210)	12 (359)
Conversion (Eviction)	0	0	1 (48)
Private Total	37 (900-1,300) ^β	133 (4,247)	93 (2,559)
HPD Sponsored Plans	<u>Plans (Units)</u>	<u>Plans (Units)</u>	<u>Plans (Units)</u>
New Construction	NA	0	0
Rehabilitation	NA	3 (14)	0
Conversion (Non-Eviction)	NA	21 (176)	0
Conversion (Eviction)	NA	0	26 (295)
HPDT total	NA	24 (190)	26 (295)
Grand Total	37 (900-1,300) ^β	157 (4,437)	119 (2,854)

Note: Figures exclude "Homeowner" and "Commercial" plans/units.

NA: Attorney General's Office does not have this data available due to a change in reporting systems.

β Number of units is estimated from the average building size of coop/condo plans submitted in prior years.

The Attorney General's Office did not differentiate between non-eviction and eviction conversions.

Source: New York State Attorney General's Office, Real Estate Financing.

4. Number of Units in Cooperative and Condominium Plans Accepted for Filing By the New York State Attorney General's Office, 1981-1999

Year	New Construction	Conversion Eviction	Conversion Non-Eviction	Total New Construction & Conversion	Units in HPD Sponsored Plans
1981	6,926	13,134	4,360	24,420	925
1982	6,096	26,469	16,439	49,004	1,948
1983	4,865	18,009	19,678	42,552	906
1984	4,663	7,432	25,873	37,968	519
1985	9,391	2,276	30,277	41,944	935
1986	11,684	687	39,874	52,245	195
1987	8,460	1,064	35,574	45,098	1,175
1988	9,899	1,006	32,283	43,188	1,159
1989	6,153	137	25,459	31,749	945
1990	4,203	364	14,640	19,207	1,175
1991	1,111	173	1,757	3,041	2,459
1992	793	0	566	1,359	1,674
1993	775	41	134	950	455
1994	393	283	176	852	901
1995	614	321	201	1,136	935
1996	NA	NA	NA	750-1,000 ^β	NA
1997	NA	NA	NA	900-1,300 ^β	NA
1998	3,225	0	386	3,611	190
1999	1,123	48	359	1,530	295

Note: HPDPlans are a subset of all plans and include rehabilitation plans; the total column does not contain rehabilitation plans explaining why HPD plans are higher than the total in some years.

NA: The Attorney General's Office does not have this data available at present due to a change in reporting systems.

β Number of units is estimated from the average building size of coop/condo plans submitted in prior years.

Source: New York State Attorney General's Office, Real Estate Financing.

5. Tax Incentive Programs

Buildings Receiving Certificates for 421-a Exemptions, 1997-99

	1997		1998		1999	
	<u>Preliminary Certificates</u>	<u>Units</u>	<u>Final Certificates</u>	<u>Units</u>	<u>Final Certificates</u>	<u>Units</u>
Bronx	7	60	8	138	14	322
Brooklyn	38	317	31	397	37	457
Manhattan	9	1,407	9	1,389	21	4,591
Queens	21	302	21	222	37	637
Staten Island	0	13	2	72	2	116
Total	75	2,099	71	2,118	111	6,123

Buildings Receiving J-51 Tax Abatements and Exemptions, 1997-99

	1997			1998			1999		
	<u>Buildings</u>	<u>Units</u>	<u>Certified Cost (\$1,000s)</u>	<u>Buildings</u>	<u>Units</u>	<u>Certified Cost (\$1,000s)</u>	<u>Buildings</u>	<u>Units</u>	<u>Certified Cost (\$1,000s)</u>
Bronx	350	17,290	\$33,256	196	10,239	\$17,911	285	9,344	\$22,444
Brooklyn	759	36,165	\$57,298	565	22,060	\$26,094	2,968	19,819	\$25,787
Manhattan	2,181	55,232	\$80,675	1,005	46,007	\$53,666	879	23,763	\$45,173
Queens	742	36,231	\$25,294	477	24,324	\$15,336	639	27,129	\$18,729
Staten Island	12	398	\$82,000	15	897	\$760,600	24	2,066	\$7,351
Total	4,044	145,316	\$196,806	2,258	103,527	\$113,768	4,795	82,121	\$119,484

Source: New York City Department of Housing Preservation and Development, Office of Development, Tax Incentive Programs.

Note: 1998 and 1999 421-a exemption figures represent the actual number of certificates issued in each year, not preliminary.

6. Tax Incentive Programs - Units Receiving Initial Benefits, 1981-1999

<u>Year</u>	<u>421-a</u>	<u>J-51</u>
1981	3,505	--
1982	3,620	--
1983	2,088	--
1984	5,820	--
1985	5,478	--
1986	8,569	--
1987	8,286	--
1988	10,079	109,367
1989	5,342	64,392
1990	980	113,009
1991	3,323	115,031
1992	2,650	143,593
1993	914	122,000
1994	627	60,874
1995	2,284	77,072
1996	1,085	70,431
1997	2,099	145,316
1998	2,118	103,527
1999	6,123	82,121

Source: New York City Department of Housing Preservation and Development, Office of Development, Tax Incentive Programs.

7. City-Owned Properties, 1985-2000

Year	Central Management				Alternative Management		Vestings		Buildings Sold
	Occupied Units	Occupied Buildings	Vacant Units	Vacant Buildings	Units	Buildings	Units	Buildings	Buildings
1985	38,561	4,102	56,474	5,732	12,825	542	--	--	531
1986	39,632	4,033	55,782	5,662	13,375	583	--	--	275
1987	38,201	4,042	48,987	4,638	13,723	587	--	--	621
1988	37,355	3,628	37,734	3,972	14,494	624	--	--	58 +
1989	32,377	3,359	45,724	3,542	17,621	780	--	--	72
1990	33,851	3,303	37,951	3,110	14,800	705	3,323	292	112
1991	32,783	3,234	30,534	2,796	12,695	615	2,288	273	140
1992	32,801	3,206	22,854	2,368	--	--	1,462	197	--
1993	32,078	3,098	17,265	2,085	9,237	470	2,455	211	162
1994	30,358	2,992	13,675	1,763	8,606	436	715	69	81
1995	27,922	2,885	11,190	1,521	7,903	433	240	17	170
1996	24,503	2,684	9,971	1,349	6,915	393	49	2	386
1997	22,298	2,484	8,177	1,139	5,380	289	0	0	253
1998	19,084	2,232	7,511	1,021	6,086	305	0	0	206
1999	15,333	1,905	6,664	869	6,640	401	0	0	251
2000 ^B	13,477	1,674	6,118	673	5,284	299	0	0	176

Note: HPD could not confirm vestings data prior to FY 1990.

B. Plan for FY 2000, excluding data in vestings columns.

Source: N.Y.C. Office of Operations, Preliminary Fiscal 2000 Mayor's Management Report; N.Y.C. Department of Housing Preservation and Development.

8. Residential Building Demolitions in New York City, 1985-1999

Year	Bronx		Brooklyn		Manhattan		Queens		Staten Island		Total	
	5+ Units	Total	5+ Units	Total	5+ Units	Total	5+ Units	Total	5+ Units	Total	5+ Units	Total
1985	81	157	3	101	59	73	3	133	1	31	147	495
1986	48	96	14	197	19	38	3	273	4	67	88	671
1987	14	55	2	130	22	33	1	273	6	83	45	574
1988	3	34	2	169	25	44	2	269	0	160	32	676
1989	6	48	8	160	20	38	3	219	0	109	37	574
1990	4	29	3	133	20	28	5	119	0	71	32	380
1991	10	33	15	95	9	14	1	68	0	32	35	242
1992	12	51	6	63	2	5	1	41	0	33	21	193
1993	0	17	4	94	0	1	3	51	0	5	7	168
1994	3	14	4	83	5	5	2	42	0	8	14	152
1995	2	18	0	81	0	0	2	37	0	17	4	153
1996	--	30	--	123	--	25	--	118	--	84	--	380
1997	--	29	--	127	--	51	--	168	--	119	--	494
1998	--	71	--	226	--	103	--	275	--	164	--	839
1999	--	67	--	211	--	53	--	227	--	159	--	717

Note: The Census Bureau discontinued collecting demolition statistics in December, 1995; the New York City Department of Buildings supplied the total number of buildings demolished from 1996 forward.

Source: U.S. Bureau of the Census, Manufacturing and Construction Division, Building Permits Branch; New York City Department of Buildings.