

# The Rent Guidelines Board 2002 Housing Supply Report

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June 4, 2002

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## Introduction

Despite the emergence of a recession and the attack on the World Trade Center, 2001 represented a generally strong year for New York City's residential housing market. The number of permits issued for new dwelling units citywide increased 12%, to almost 17,000 units, the most since 1985. The number of completed housing units grew as well, rising 8.2%. The year 2001 also saw a 43% increase in the number of cooperative and condominium plans approved for conversion or new construction. New York City continued to reduce the share of city-owned vacant and occupied buildings, falling 28% during the 2001 fiscal year through various disposition programs. The City also saw a substantial increase in publicly-sponsored residential construction in FY 2001, increasing 65%. However, rehabilitation of residential units under the J-51 tax abatement and exemption program decreased by 3%. In addition, 2001 saw fewer housing starts under the 421-a Affordable Housing Program, though more units were completed this year.

## New York City's Housing Inventory

Unlike the nation as a whole, most residents of New York City do not own the homes in which they live. According to the 1999 *Housing and Vacancy Survey (HVS)*, the most recent year for which data is available, until the 2002 *HVS* is released, the percent of rental units relative to all dwellings in New York City stood at 66% in 1999, down from 70% in 1996. Notwithstanding the decline, the City still has twice as many rental units than the nation as a whole.<sup>1</sup> New York City remains unique in the types of dwelling units owned as well. While standard one- and two-family homes are the norm nationally, the high number of cooperatives 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*, up from 42% in 1996. Examining both rental and owner units combined, New York City in 1999 had a total of 3,039,000 housing units.

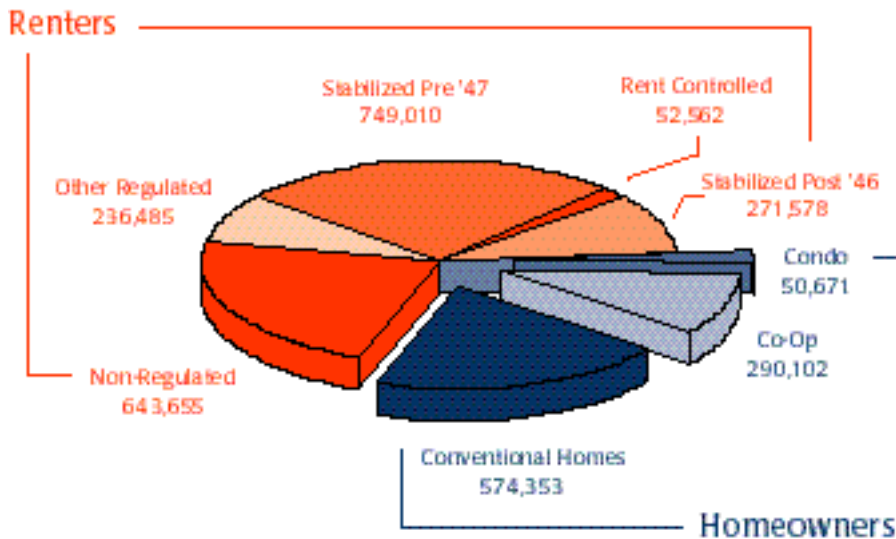
While the proportion of rental units has declined in recent years, New York City's housing remains dominated by the size of its rental housing stock. In addition, unlike most cities, the bulk of rental units in New York City are rent regulated. Of the 2,018,000 occupied and vacant available rental units reported in the most recent *HVS*, just under a third (30%) were unregulated, or "free market." The majority are either pre-war rent stabilized (38%) or post-war rent stabilized (14%), and the rest are rent controlled (3%) or part of various other<sup>2</sup> types of regulated apartment units (16%).<sup>3</sup>

## WHAT'S NEW

- ✓ Almost 17,000 permits were issued for new dwelling units in NYC in 2001, the most since 1985 and a 12% increase over the prior year.
- ✓ The number of new housing units completed in 2001 increased 8.2% over the prior year, to 13,231.
- ✓ City-sponsored residential construction increased 65% during FY 2001, to a total of 12,554 new housing starts.
- ✓ The city-owned *in rem* housing stock continued to decline, falling 28% during FY 2001.
- ✓ The number of housing units newly receiving 421-a exemptions increased 72% in 2001, to 4,870.
- ✓ The Attorney General's office reported a 43% increase in the number of co-op or condo conversion plans approved in 2001, to 172 plans containing 5,032 units.

## 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.

In contrast to the decline in the number of rental units, the number of privately owned homes increased between 1996 and 1999. This is due primarily to the purchase of cooperatives and condominiums. The 1999 HVS reports that of the 75,000 unit increase in the privately-owned housing stock<sup>4</sup>, about two-thirds involved the addition of co-ops or condos, and only a third (25,000) were due to the addition of conventional homes.<sup>5</sup> Moreover, the number of unregulated rental units increased by more than 27,000. On the other hand, the share of rental units overall fell because of an even larger drop in the number of regulated units. Rent controlled units declined by 18,000, stabilized units fell by 6,000 and the number of other regulated units<sup>6</sup> declined by 13,000. Finally, there were 21,000 fewer vacant units that were off the sale or rental markets. These units were most likely either added to the housing market or to a lesser extent, demolished. (See chart above)

With a decline in the number of available apartments and an increase in the City's population, as reported in the 2000 Census, the vacancy rate for New York City's rental stock decreased from 4.01% in 1996 to 3.19% in 1999. (See adjoining tables.) The release of the 2002 Housing and Vacancy Survey next year should provide an indication of whether the shortage of housing has continued.

### VACANT AVAILABLE RENTALS

	1996	1999	Change
Total	81,256	64,412	-20.7%
Controlled	NA*	NA*	NA*
Stabilized	37,549	25,790	-31.3%
Pre-1947	29,381	20,069	-31.7%
Post-1946	8,168	5,720	-30.0%
Mitchell Lama	3,500	2,829	-19.2%
Public Housing	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.

### NYC VACANCY RATES

	1996	1999	Change
NYC 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.

## Changes in the Housing Inventory

### New Additions

The housing supply generally grows through new construction, substantial rehabilitation of deteriorated buildings and building conversions from non-

residential to residential use. The number of permits authorized for new construction is a measure of how many new dwelling units will be completed and ready for occupancy within three years, depending on the type of housing structure.

Continuing an upward trend, the City saw an increase from 2000 to 2001 in the number of permits issued for new privately-owned residential units in single and multi-family buildings. In 2001, permits were issued for 16,856 units of new construction, an increase of 12.0% over the 15,050 units in 2000 (see graph below). While remaining significantly lower than the nineteen-eighties' 20,000 unit peak reached in 1985, and the 1960's average of 37,000 new units each year, residential building has continued its revival since recovering from the recession of the early 1990's, with more permits issued for residential units in 2001 than in any year since 1985, and the second highest since 1973. Substantial increases in permits issued in 2001 occurred in three boroughs. The Bronx increased the most, up 34.6%, to 2,216; Queens increased by 19.9%, to 3,264; and Manhattan increased 19.5%, to 6,109. The number of permits issued in Brooklyn increased slightly in 2001, up 2.4% to 2,973, and Staten Island saw a 14.0%

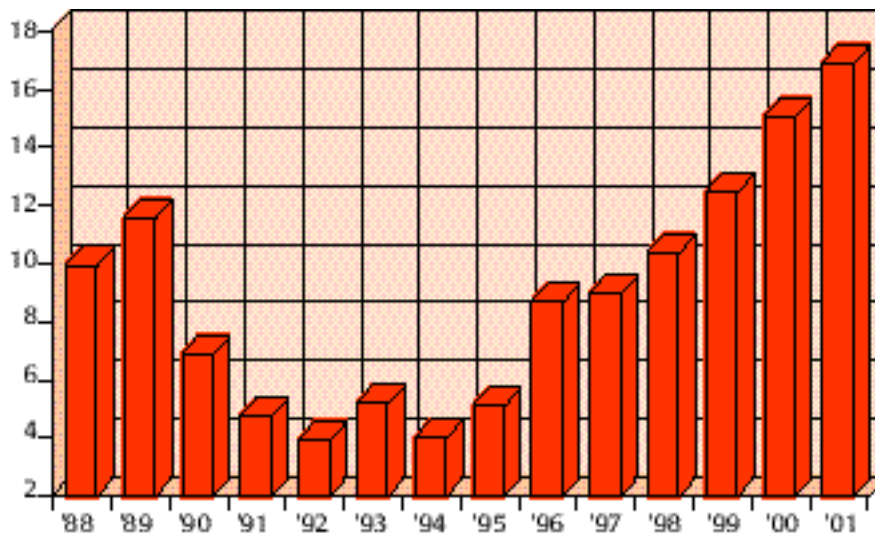
decline, to 2,294. (See Appendix A and the map on the following page.)

The most recent available building permit data is for the first quarter of 2002, January through March, and it shows a different trend than that found during the 2001 calendar year. Compared to the first quarter of 2001, the number of permits issued in New York City in the first quarter of 2002 has decreased by more than a third, falling from 4,421 in the first three months of 2001 to 2,838 in the same period in 2002. Manhattan had the largest decrease, 78.9%, while Brooklyn fell 27.4%. The remaining boroughs saw increases, with the Bronx continuing its upward trend in the beginning of 2002, up 25.8% over the early part of 2001. Queens also continued its trend of increases, up 13.6%, and Staten Island saw an increase during the first quarter of 2002 versus the same period in 2001, up 12.8%.<sup>7</sup>

While looking at the number of permits issued is a good indicator of upcoming housing, examining the number of completed units in the City shows what truly came onto the market in a given year. In 2001, 13,231 new housing units were completed, an 8.2% increase over 2000. This number of new units is the most since 1989. The growth, however, occurred in only three boroughs,

### Growth in Number of Permits Issued for New Construction of Residential Units Continues

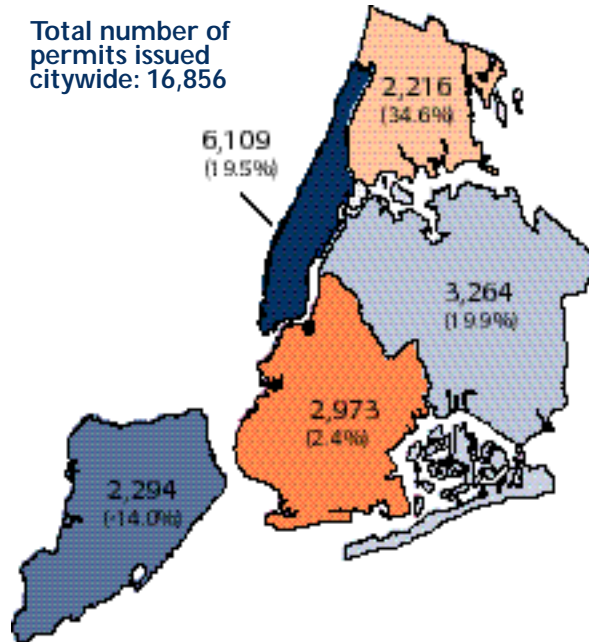
(Units Issued New Housing Permits 1988-2001, in Thousands)



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

## 2001 Saw 12% Increase in Number of Permits Issued for New Housing Units in New York City

(Total Number of Permits Issued in 2001 and Percentage Change From 2000 by Borough)



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

while two saw declines. Brooklyn saw its number of new housing units grow more sharply than any other borough in 2001, up 70.9%, to 2,449. The Bronx saw a more modest increase, 16.8%, to 1,617. Staten Island saw a 14.8% increase, to 2,198 and Manhattan witnessed a 5.5% increase, to 5,693 new units in 2001. Meanwhile, Queens saw a sizeable 39.3% decline, to 1,274.<sup>8</sup> (See Appendix B for a complete historical breakdown.)

The growth in new housing is perhaps most notable in neighborhoods like Williamsburg, Brooklyn, where former residents of Manhattan are flocking to live in apartments that, in comparison to their former residences, have lower rents and more space. At the same time, long-time residents are facing the pressure of not being able to afford the new market-rate apartments being built in their neighborhood.<sup>9</sup> The pressures of gentrification are being resisted by some tenants and area organizations, who fear that families who have lived

in a neighborhood may be forced out when their rents become unaffordable. However, a recent study reports that the phenomenon of gentrification can benefit many of the same long-term tenants of an area by improving the quality of the housing stock. At the same time, many of these tenants are protected from steep rent increases by rent regulation. However, the same report does predict that over the long run, the gradual shrinking of the pool of low-rent housing may have an adverse impact on the poor, who will be unable to afford the newly vacant apartments of a rapidly gentrifying neighborhood.<sup>10</sup>

Another good source of information on new housing development is the annual *Mayor's Management Report*, which reports, among other things, on publicly-sponsored residential construction. The NYC Department of Housing Preservation and Development (HPD), through its Office of Development, sponsors a number of programs that develop affordable housing for low- and moderate-income New Yorkers. Programs include the Cornerstone program, which is HPD's multi-family new construction housing initiative, financed principally through private sources; the ANCHOR program, which is a revitalization program that creates both commercial retail and housing on vacant City-owned land; and the New Foundations program, which assists in the development of one-to-four family owner-occupied homes. As a whole, for all these programs, HPD reported 12,554 total housing starts in FY 2001, up 65% from the 7,620 new starts the prior fiscal year. Of the 12,554 total starts<sup>11</sup> this year, 8,984 were moderate rehabilitation starts, an increase of 126% over the prior year, and 1,582 gut rehabilitation starts (in both city-owned and private housing), up 32% from the prior year. However, new construction starts saw a decline of 12% this year, to 2,515 in FY 2001.<sup>12</sup>

### Tax Incentive Programs

Many new multifamily properties containing three or more rental units receive tax exemptions under the 421-a tax incentive program. The program allows for a reduction in the taxable assessed value

of eligible properties. In other words, owners are exempt from paying additional real estate taxes due to the increased value of the property resulting from the improvements made. According to 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.

There are many factors used to establish the level and period of 421-a benefits. These factors include: geographic location; reservation of units for low- and moderate-income families; construction periods and government commitment. In addition, properties are subject to construction guidelines. Rental properties located beyond 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 that receive governmental assistance or contain 20% low-income units.

Housing developments situated in the Manhattan Exclusionary Zone (located between 14th and 96th Streets) are part of the 421-a Affordable Housing Program, but receive more limited tax benefits. These projects 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 this

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.<sup>13</sup> There were fewer housing starts under this part of the program in 2001 than in 2000. It is estimated that when all the units begun in 2001 are completed, 262 new affordable units will be produced, creating 1,310 certificates to be sold. This is 40% less than in 2000.

Significantly more affordable units were completed under the Affordable Housing program in 2001 than in the previous year. In 2001, 375 new affordable units were completed, which produced 1,875 certificates for market-rate housing, 42% more than in 2000.

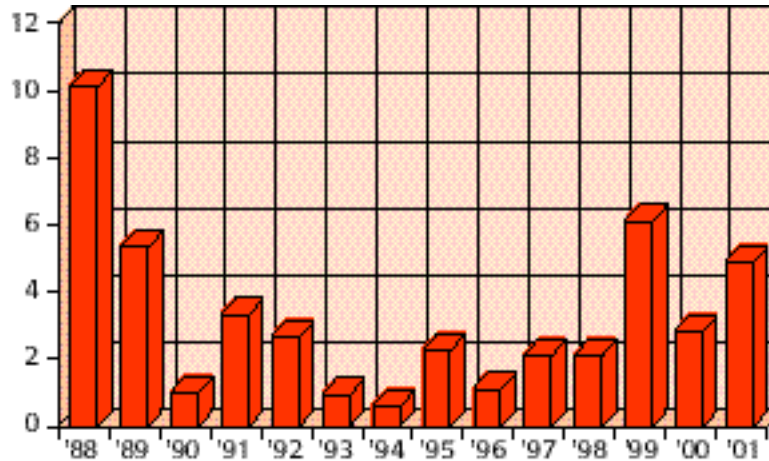
Citywide, both within and outside the Manhattan Exclusionary Zone, the number of housing units newly receiving 421-a exemptions increased sharply in 2001, up 72%, to 4,870 (see chart on next page). In contrast, the prior year saw the number of apartments receiving new 421-a benefits fall by 54%. The lion's share of units receiving benefits last year were in buildings located in Manhattan, which contained 63% of the total number in the City. The remainder of these units were in Brooklyn (16%), Queens (13%), the Bronx (7%) and Staten Island (2%).<sup>14</sup>

Significantly fewer certificates are issued citywide nowadays, compared to the number of units that received exemptions in the late 1980s, when on average, 8,000 new units per year received exemptions. 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 E and F.)

Another subsidy program, the New York State Mitchell-Lama program, is losing residential units as market-rents rise and landlords choose to opt out of the program. The program was created in 1955 as a means of providing affordable rental and

## Number of Units Newly Issued 421-a Certificates Increased 72% in 2001

(Units Receiving Certificates, in Thousands)



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

cooperative housing to moderate- and middle-income families, granted low-cost mortgages and tax breaks to landlords who developed low- and middle-income housing. After twenty years, landlords may leave the program, and in recent years, some have done so by buying out of the program. While landlords feel that their obligation has ended, housing advocates fear the loss of affordable housing and economic diversity in neighborhoods like the Upper West Side, where a number of Mitchell-Lama buildings are leaving the program.<sup>15</sup> Meanwhile, the largest complex that is part of the program, the 15,372-unit Co-op City in the Bronx, is contemplating leaving the program to help pay for mortgage payments and capital improvements.<sup>16</sup>

### Conversions and Subdivisions

Another method of supplying new housing units is through subdivisions and conversions, because new development alone has been unable to meet demand. Subdivisions involve the division of existing residential space into a larger number of units. Non-residential spaces, such as offices or other commercial spaces, can also be converted for

residential use. There have been an increasing number of conversions in neighborhoods such as DUMBO (Down Under the Manhattan Bridge, in Brooklyn) and Long Island City (Queens). Warehouse and manufacturing space is being transformed into loft apartments in these areas, attracting those individuals who are looking for less conventional residences.

There has also been a rising number of conversions taking place among single room occupancy (SRO) buildings in recent years. SRO owners may convert SRO housing to other uses after obtaining a "Certificate of No Harassment" from HPD. The most recent five-year period has seen many more Certificates issued than over preceding years 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 2001, an average of 114 applications for "Certificates of No Harassment" were filed, with 112 filings in 2001.<sup>17</sup>

Illegal conversions are another source of additions to the housing supply. Frequently, illegal conversions involve the alteration of an existing one- or two-family home by adding an apartment in the basement or attic or creating a rooming house.

This housing is generally illegal because the owner has not obtained the necessary permits and variances and violates zoning regulations. In other circumstances, the house itself was not constructed for the current use, and cannot safely accommodate all the people in residence.<sup>18</sup> Conversion has been a divisive issue in some Queens neighborhoods and other parts of the City, where some owners of one-to-three family wood-frame homes have divided basements and attics without sufficient exits. Some defend the conversions as necessary to accommodate extended families, and the complaints are harassment against immigrants. Critics are concerned with the safety of these conversions—fire hazards, unhealthy overcrowding—plus the increase burden they place on city services, without bringing in additional property tax revenue.

The Department of Buildings Quality of Life Task Force, created in 1997, investigates complaints of illegal housing. The numbers of complaints, field visits and violations issued have continued to increase since the creation in 1997 and expansion since its inception. During the first four months of FY 2002, the Department of Buildings received 4,489 illegal conversion complaints, compared to 4,939 complaints during the same period of FY 2001, a 9% drop. During the same period, 5,853 field visits were made, up 6% from the same period in the prior year, and 2,033 violations were issued, down 9% from the same period in FY 2001.<sup>19</sup>

### Cooperative and Condominium Activity

An additional source of new housing is produced in the City is through the construction of cooperatives (co-ops) and condominiums (condos). While most New Yorkers still rent their homes, the rate of homeownership has been rising. Most of the newly created units for sale have been designed for the high-end market, with few units coming on to the market for entry-level and middle-level buyers in the past few years, particularly in Manhattan. After initial fears of a real estate recession after 9/11, co-op and condo sales have rebounded in recent months.<sup>20</sup> Looking at 2001 as a whole, the strength

of the co-op and condo market in most of Manhattan is demonstrated by the 5.2% increase in the average selling price, to a median of \$505,000.<sup>21</sup>

Owners wishing to convert their buildings to co-ops or condos, and developers wanting to build new co-op or condo buildings, must file plans with, and receive approval from, the New York State Attorney General's Office. In 2001, the Attorney General approved 172 plans, a 43% increase over the number approved in 2000. These 172 plans affected 5,032 housing units, 64% more than in 2000. The majority of plans (102) were accepted for buildings located in Brooklyn; while 59 were located in Manhattan; Queens had 9 buildings; Staten Island had 2 and there were none in the Bronx. However, while more buildings were in Brooklyn, the average building in Manhattan is larger, so slightly more units were affected in Manhattan (2,471) than in Brooklyn (2,313).<sup>22</sup>

The majority of the plans accepted citywide were for new construction, 145 plans, covering a total of 3,833 units. This is a considerable increase from last year, when new construction accounted for 87 of the 120 accepted plans (1,911 units). Rehabilitation accounted for 13 plans and 124 units, and the remainder, 14 plans and 1,075 units, were conversions. Compared to 2000, while the number of new construction and conversion plans increased, the number of rehabilitation plans accepted decreased. (See Appendices C and D for more details.)

Although the conversion of rental housing into co-op and condo units increases the housing inventory for sale, it simultaneously reduces the total number of housing units for rent. Conversions represent 21% of the total number of units in plans accepted by the Attorney General's Office in 2001, down from 30% in 2000. At the same time, the proportion of units that are part of newly approved plans resulting from new construction has increased from 62% in 2000 to 76% in 2001. While the share of units becoming co-op or condo that are converted has dropped this year, lingering effects remain because of the time lag in the impact of conversions on the housing market. Because 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.

### Rehabilitation

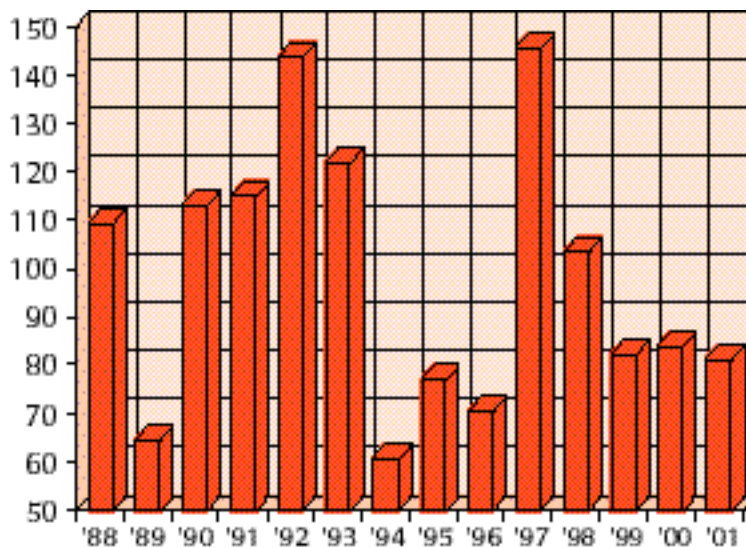
Rehabilitation is another method by which units are readmitted to the City’s housing stock. As buildings get older, they must undergo renovation and rehabilitation to remain in habitable condition. This is particularly applicable to NYC’s housing stock, of which more than 60% of the units are in buildings greater than 50 years old.<sup>23</sup> Substantial rehabilitation, subsidized through tax abatement and exemption programs, is one method by which units remain or are readmitted to the City’s housing stock. The J-51 tax abatement and exemption program is intended to encourage the periodic renovation of New York City’s stock of rental housing. In the late 1980s and early 1990’s, the number of units approved for initial J-51 tax abatements and exemptions each year was

frequently above 100,000 dwellings. In the mid-1990’s, rehabilitation activity declined to just under 70,000 units per year. But in 1997, coinciding with the improving NYC economy, the number of units receiving J-51 benefits increased sharply, with over 145,000 additional units receiving this tax incentive. However, in three of the last four years, the number of units newly receiving benefits declined, falling 29% in 1998, 21% in 1999, and 3% in 2001. (In 2000, the number of units increased 2%.) In 2001, 81,321 units in 3,106 buildings newly received J-51 benefits. (See graph below.) The location of the units newly receiving benefits in 2001 was quite varied, with 33% located in Queens; 29% in Manhattan; 24% in Brooklyn; 11% in the Bronx; and 3% in Staten Island.<sup>24</sup>

Similar to the 421-a program, the J-51 tax relief program requires that rental units be subject to rent regulation for the extent of the benefits. Apartment units in many high-rent neighborhoods are not allowed to enter the program because the apartment unit tax assessment generally cannot exceed \$38,000 after completion. Rehabilitation activities that are eligible for tax abatements and exemptions include Major Capital Improvements (MCI’s),

### Slight Decrease in Number of Units Receiving J-51 Certificates in 2001

(Units Receiving Initial Benefits, in Thousands)



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

substantial rehabilitation, 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.<sup>25</sup>

The majority of these units will remain stabilized after the benefit period, because most units receiving J-51 benefits would ordinarily be under the jurisdiction of rent stabilization laws even without tax abatements. Conversely, rental apartments not stabilized prior to receiving tax benefits will not be subject to the City's rent regulations once their benefits end. (See Appendices E and F.)

## Tax-Delinquent Property

### *In Rem* Housing

During the 1970s and 1980s, the City foreclosed on thousands of tax-delinquent residential properties, becoming the owner and manager of these buildings. By its nadir in 1986, the city then owned and managed occupied buildings containing 40,000 units. Most of these buildings were dilapidated multi-families occupied by a predominantly low-income population. To counteract this trend, HPD has developed multiple disposition programs over time to manage, rehabilitate and sell many of these *in rem* buildings. HPD's Building Blocks Initiative began in 1994, with the goal of returning city-owned properties to private owners and stimulating neighborhood development. The Initiative's programs—Neighborhood Entrepreneurs Program (NEP), Neighborhood Redevelopment Program (NRP), Tenant Interim Lease I and II Programs (TIL), Tenant Ownership Program, Asset Sales and Neighborhood Homes Programs—enable local entrepreneurs, community not-for-profit housing organizations and groups of tenants to own and manage these buildings. Many of these programs include funds for rehabilitation and use the proceeds of federal tax credits to keep rents affordable.

HPD has successfully reduced the number of occupied *in rem* units in central management to 7,293 through October 2001, a 67% decline since FY 1997.<sup>26</sup> Units that have passed into private ownership during this period now provide over \$8 million annually to the City in tax revenue. The number of vacant city-owned buildings also fell significantly (41%) over the same period, to 6,241 units remaining in October 2001. During FY 2001, the total number of buildings operated by HPD, including both occupied and vacant, fell 27.6%, and the number of units in these buildings fell 33.3% during the same period. (See graph on next page.)

Through the aforementioned Building Blocks Initiative, HPD has transferred buildings into alternative management programs before returning them to private ownership. During the first four months of FY 2002, 12 buildings with 78 units were sold through this program, and HPD expects to sell a total of 2,689 units during the entire 2002 FY. HPD also transferred 70 buildings with 896 units from Central Management into the Building Blocks programs during the first four months of FY 2002, compared to 38 buildings (and 548 units) during the same period in FY 2001.<sup>27</sup> (See Appendix G.)

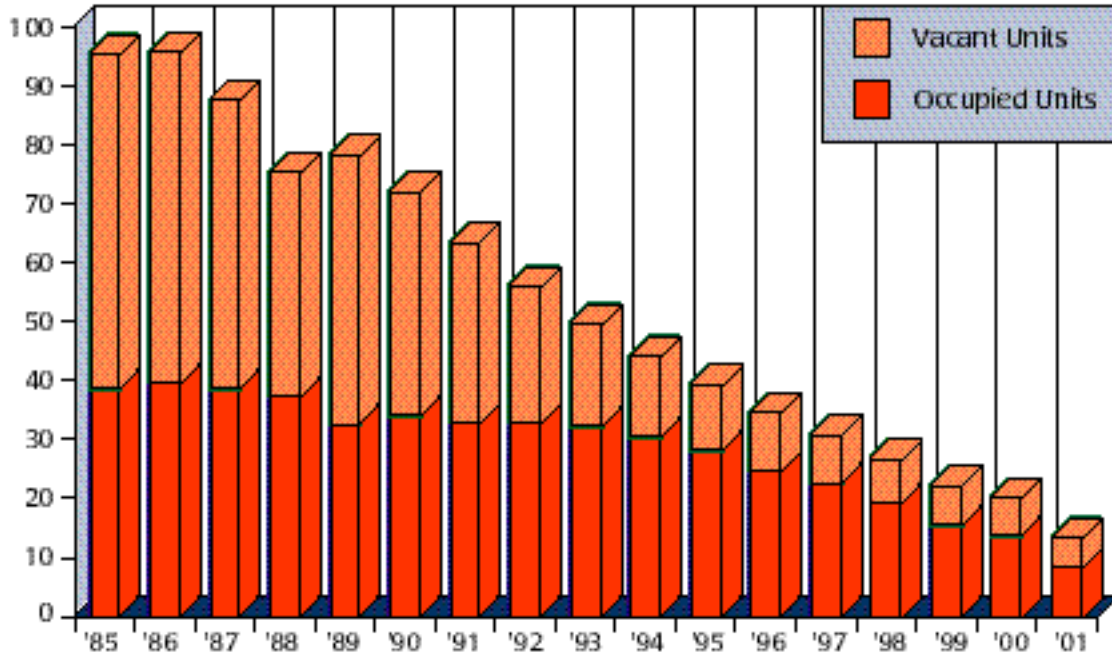
### Anti-Abandonment Strategies

The City is continuing its effort to prevent abandonment of apartment buildings by identifying buildings at risk and help owners. Key initiatives to prevent abandonment include the Third Party Transfer Program, which targets distressed and other buildings with tax arrears, and a Housing Education Program, which teaches owners and supers basic management, maintenance and finance skills to improve their properties.

Since 1994, the City has not vested properties that were tax delinquent (taking title through tax foreclosure). As an alternative, the City has developed a multi-faceted anti-abandonment strategy. First, tax liens for properties that are not distressed are sold in bulk to private investors. After the lien is sold, the lien holder is entitled to collect the entire lien amount, plus other interest and charges, from the property owner. In addition, the

### Continued Decline in City *In Rem* Housing Stock in FY 2001

(Units in HPD Central Management Stock FY 1985-FY 2001, in Thousands)



Source: Mayor's Management Report, Office of Operations, FY 1985-FY 2001.

property owner must continue to pay current taxes to the City. If the owner has not paid the lien or entered into a payment plan, the lien holder can file for foreclosure on the property.<sup>28</sup>

Another aspect of the City's recent anti-abandonment strategy is third party transfer. For buildings that are distressed and in tax arrears, the City can initiate an *in rem* tax foreclosure action against property owners. The policy, under Local Law 37, transfers the title of *in rem* properties directly to new owners—qualified third parties—without the City ever taking title itself. The properties are temporarily transferred to Neighborhood Restore, a nonprofit corporation, and upon the judgment of the court, are transferred to a qualified third party.

An additional anti-abandonment strategy involves the identification of buildings that are at risk of abandonment and helping these owners achieve fiscal and structural soundness for their properties through housing education, counseling, subsidized loans and voluntary repair agreements, to preserve housing and avoid *in rem* actions entirely.

### Demolitions

After more than doubling in 2000, the number of buildings demolished in NYC remained virtually the same in 2001. The NYC Department of Buildings reports that 1,487 buildings were demolished, a one percent decline over the 2000 count of 1,500. This was the second highest total since 1985, when the RGB began collecting this data. Queens accounted for over a third (35%) of all the buildings demolished in 2001, Brooklyn held 28%, Staten Island 20%, Manhattan had 11% and the Bronx held 6%. While the overall number of buildings demolished citywide remained almost the same between 2000 and 2001, two boroughs saw large increases while the other three saw smaller declines. Manhattan saw a 58% increase in the count of demolitions and the Bronx saw a 50% increase in 2001. Meanwhile, Brooklyn saw a 16% decline, Staten Island has 5% fewer demolitions, and Queens saw a small 2% decline.<sup>29</sup> (See Appendix H)

While in the early 1990's 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. According to the NYC Department of Buildings, the high number of demolitions over the last few years is primarily due to the increased size of current and future developments.

## Prospects for Housing Programs

In addition to the \$700 million recovery plan the US Department of Housing and Urban Development (HUD) announced in February 2002<sup>30</sup>, the Federal Emergency Management Agency (FEMA) is reconsidering over 7,000 rejected applications for housing assistance that the agency denied after the 9/11 terrorist attacks. The FEMA plan, for those applicants deemed acceptable, will cover up to 18 months of rent or mortgage payments.<sup>31</sup>

Overall, the FY 2003 budget is requested to be \$31.5 billion for programs nationwide, an increase of \$2.1 billion, or 7%, over HUD's initial FY 2002 budget. The proposed budget includes funding for almost 34,000 additional incremental housing vouchers nationwide, almost double the amount provided the prior year, and a slight increase in the budget for the Public Housing Operating Fund.

However, the President's proposed HUD budget also may reduce funding for public housing repairs and community development-related housing programs.<sup>32</sup> One aspect of proposed HUD funding eliminates Economic Development Initiative Grants, which are part of the Community Development Block Grant program. The budget, if approved, would also cut \$417 million, or 15% of its budget nationwide, from the Capital Fund, which funds repairs of public housing.

Recipients of Section 8 vouchers have also faced increasingly difficult circumstances in which to use them, since some landlords, sensing the increase in market rents, have been dropping out of the voucher program when their contracts expire.<sup>33</sup> Even after waiting years to first receive them, about 10% of the City's voucher-holders now return them unused because they are unable to find an apartment by the end of the four-month deadline.<sup>34</sup>

## Conclusion

The year 2001, for the most part, represented a strong year for New York City's residential housing market, despite the emergence of a recession and the tragedy of 9/11. Permits were issued for almost 17,000 new units, the most in 16 years. Likewise, the number of housing units completed grew by 8.2%. The City also continued to reduce its share of city-owned vacant and occupied buildings, seeing a 28% decline during the most recent year. However, there were fewer housing starts under the 421-a Affordable Housing Program. But while most indicators were positive in 2001, concerns about the possibility of a lingering recession and growing city, state and federal budget deficits may put a damper on housing prospects in the near future.

## Endnotes

- 1999 American Housing Survey conducted by the U.S. Census Bureau.
- Other units include public housing, Mitchell-Lama, *in rem*, HUD regulated, Article 4 and Loft Board units.
- Percentages do not add up to 100% due to rounding.
- Includes owner-occupied and owner-vacant and available-for-sale.
- Conventional homes include privately owned units, houses and buildings that are not co-ops or condos.
- Other units include public housing, Mitchell-Lama, *in rem*, HUD regulated, Article 4 and Loft Board units.
- U.S. Census Bureau World Wide Web page <<http://www.census.gov/const/www/permitsindex.html>>.
- NYC Department of City Planning data. Figures for 2000 and prior years were revised this year by the Department.
- "Williamsburg: More Housing, Higher Prices," by Alan S. Oser, *New York Times*, April 28, 2002.
- "Gentrification and Displacement," *The Urban Prospect*, January/February 2002, Citizens Housing and Planning Council.
- Starts refer to the number of units beginning construction or rehabilitation in a given period.
- Mayor's Management Report*, Preliminary Fiscal 2002.
- Landlord Information/Tax Incentives: 421-A, NYC Department of Housing Preservation and Development web site. World Wide Web page <<http://nyc.gov/html/hpd/html/assistance/private-owner-tax-inc.html>>.
- NYC Department of Housing Preservation and Development, Tax Incentives Program data.
- "Another Mitchell-Lama Building Hits the Market," by Jesse J. Smith, *Chelsea Clinton News*, February 21-27, 2002.
- "Scratching Its Head, Co-op City Debates Ways to Erase Its Deep Debt," by Seth Kugel, *New York Times*, February 3, 2002.

17. West Side SRO Law Project, reporting NYC Department of Housing Preservation and Development data.
18. "Resolving an Illegal Conversion Violation," NYC Dept. of Buildings. World Wide Web page <<http://nyc.gov/html/dob/html/illegal-conversion.html>>.
19. *Mayor's Management Report*, Preliminary Fiscal 2002.
20. "Real Estate In Manhattan Is Rebounding," by Tracie Rozhon, *New York Times*, March 13, 2002.
21. "Not Even Terror Attack Dims Manhattan Market," by Dennis Hevesi, *New York Times*, February 1, 2002.
22. NYS Attorney General's Office, Real Estate Financing Bureau data.
23. 1999 NYC *Housing and Vacancy Survey*.
24. NYC Department of Housing Preservation and Development, Tax Incentives Program data.
25. Landlord Information/Tax Incentives: J-51, NYC Department of Housing Preservation and Development web site. World Wide Web page <<http://nyc.gov/html/hpd/html/assistance/private-owner-tax-inc.html>>.
26. Source: *Mayor's Management Report*, Preliminary Fiscal 2002. Note: Data reported here on occupied *in rem* units in Central Management is for the most recent calendar year. Data reported on *in rem* units in Appendix G differs slightly as it reflects the most recent fiscal year.
27. *Mayor's Management Report*, Preliminary Fiscal 2002.
28. NYC Dept. of Finance, Common Questions and Answers about New York City's Tax Lien Sale Process.
29. NYC Department of Buildings data.
30. "Bush Administration Approves \$700 Million Grant to Help Rebuild Lower Manhattan," by Robert Pear, *New York Times*, February 3, 2002.
31. "U.S. to Reconsider Applicants Rejected for Aid After Attack," by Diana B. Henriques, *New York Times*, May 2, 2002.
32. City Limits Weekly, February 18, 2002.
33. "Cracks in a Pillar of Affordable Housing," by Dennis Hevesi, *New York Times*, November 18, 2001.
34. "Section 8 Is Not Enough," by Erin Drasler, City Limits, July/August 2001, reporting NYC Housing Authority data.

# Appendix

## A. Permits Issued For Housing Units in New York City, 1960-2001

<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	1,646	2,904	5,110	2,723	2,667	15,050
2001	2,216	2,973	6,109	3,264	2,294	16,856
2002	493 (392)	613 (844)	430 (2,035)	754 (664)	548 (486)	2,838 (4,421)

First three months of 2002. The number of permits issued in the first three months of 2001 is in parenthesis.

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

B. New Dwelling Units Completed in New York City, 1960-2001

<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	7,260	2,327	1,384	12,772
1991	656	764	2,608	1,956	1,627	7,611
1992	802	1,337	3,750	1,498	1,136	8,523
1993	886	616	1,810	801	1,466	5,579
1994	891	1,035	1,927	1,527	1,573	6,953
1995	1,166	1,647	2,798	1,013	1,268	7,892
1996	1,075	1,583	1,582	1,152	1,726	7,118
1997	1,391	1,369	816	1,578	1,791	6,945
1998	575	1,333	5,175	1,263	1,751	10,097
1999	1,228	1,025	2,341	2,119	2,264	8,977
2000	1,385	1,433	5,394	2,100	1,914	12,226
2001	1,617	2,449	5,693	1,274	2,198	13,231

**Note:** 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 several borough figures from 1994 through 2000, which are reflected above.

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

C. Number of Residential Cooperative and Condominium Plans Accepted for Filing By the Attorney General's Office, 1998-2001

	1998	1999	2000	2001
	<u>Plans (Units)</u>	<u>Plans (Units)</u>	<u>Plans (Units)</u>	<u>Plans (Units)</u>
<b>Private Plans</b>				
New Construction	69 (3,225)	50 (1,123)	87 (1,911)	145 (3,833)
Rehabilitation	45 (812)	30 (1,029)	15 (220)	13 (124)
Conversion (Non-Eviction)	19 (210)	12 (359)	9 (738)	12 (1,053)
Conversion (Eviction)	0	1 (48)	1 (24)	0
<b>Private Total</b>	<b>133 (4,247)</b>	<b>93 (2,559)</b>	<b>112 (2,893)</b>	<b>170 (5,010)</b>
<b>HPD Sponsored Plans</b>				
New Construction	0	0	0	0
Rehabilitation	3 (14)	0	0	0
Conversion (Non-Eviction)	21 (176)	0	0	0
Conversion (Eviction)	0	0	8(179)	2 (22)
<b>HPD Total</b>	<b>24 (190)</b>	<b>0</b>	<b>8(179)</b>	<b>2 (22)</b>
<b>Grand Total</b>	<b>157 (4,437)</b>	<b>93 (2,559)</b>	<b>120 (3,072)</b>	<b>172 (5,032)</b>

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

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

D. Number of Units in Cooperative and Condominium Plans Accepted for Filing By the New York State Attorney General's Office, 1981-2001

Year	<u>New Construction</u>	<u>Conversion Eviction</u>	<u>Conversion Non-Eviction</u>	<u>Total New Construction &amp; Conversion</u>	<u>Units in HPD Sponsored Plans</u>
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 <sup>β</sup>	NA
1997	NA	NA	NA	900-1,300 <sup>β</sup>	NA
1998	3,225	0	386	3,611	190
1999	1,123	343*	359	1,825*	295
2000	1,911	203	738	2,852	179
2001	3,833	22	1,053	4,908	22

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.

\* These numbers were revised from the previous year's report.

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



## E. Tax Incentive Programs

### Buildings Receiving Certificates for 421-a Exemptions, 1999-2001

	1999		2000		2001	
	<u>Certificates</u>	<u>Units</u>	<u>Certificates</u>	<u>Units</u>	<u>Certificates</u>	<u>Units</u>
Bronx	14	322	5	316	7	350
Brooklyn	37	457	30	448	42	779
Manhattan	21	4,591	9	1,106	12	3,053
Queens	37	637	39	958	42	614
Staten Island	2	116	0	0	2	74
<b>Total</b>	<b>111</b>	<b>6,123</b>	<b>83</b>	<b>2,828</b>	<b>105</b>	<b>4,870</b>

### Buildings Receiving J-51 Tax Abatements and Exemptions, 1999-2001

	1999			2000			2001		
	<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	285	9,344	\$22,444	308	17,215	\$24,258	380	12,659	25,674
Brooklyn	2,968	19,819	\$25,787	320	16,090	\$25,185	877	23,654	35,632
Manhattan	879	23,763	\$45,173	439	25,377	\$42,124	1,438	20,944	45,888
Queens	639	27,129	\$18,729	225	23,510	\$11,779	402	23,175	14,231
Staten Island	24	2,066	\$7,351	15	1,733	\$6,197	9	889	674
<b>Total</b>	<b>4,795</b>	<b>82,121</b>	<b>\$119,484</b>	<b>1,307</b>	<b>83,925</b>	<b>\$109,543</b>	<b>3,106</b>	<b>81,321</b>	<b>122,099</b>

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

## F. Tax Incentive Programs - Units Receiving Initial Benefits, 1981-2001

<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
2000	2,828	83,925
2001	4,870	81,321

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

G. City-Owned Properties, Fiscal Years 1985-2001

Fiscal 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	13,613	1,730	6,295	805	6,282	382	0	0	136
2001	8,299	1,203	4,979	633	7,973	504	0	0	321

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

Source: N.Y.C. Office of Operations, Preliminary Fiscal 2001 Mayor's Management Report; N.Y.C. Department of Housing Preservation and Development.

H. Building Demolitions in New York City, 1985-2001

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
2000	--	64	--	499	--	101	--	529	--	307	--	1,500
2001	-	96	-	421	-	160	-	519	-	291	-	1,487

Note: The Census Bureau discontinued collecting demolition statistics in December, 1995. The New York City Department of Buildings began supplying the total number of buildings demolished from 1996 forward, and cannot specify whether buildings are residential, nor if they have 5+ units.

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