

# 2003 Housing Supply Report

June 3, 2003

## board members

***Chair:***

Marvin Markus

***Public Members:***

Betty Phillips Adams  
Gale D. Kaufman  
Elizabeth Lusskin, Esq.  
Martin A. Zelnik, RA

***Owner Members:***

Harold A. Lubell, Esq.  
Steven J. Schleider

***Tenant Members:***

Adriene L. Holder, Esq.  
David D. Pagan

## staff members

***Executive Director:***

Anita Visser

***Research Associates:***

Andrew McLaughlin  
Brian Hoberman

***Office Manager:***

Leon Klein

***Public Information:***

Charmaine Frank

***PIOC Temp Manager:***

Shirley Alexander

# 2003 Housing Supply Report

## what's new

- ✓ 18,500 permits were issued for new dwelling units in NYC in 2002, the most since 1985 and a 10% increase over the prior year.
- ✓ The number of new housing units completed in 2002 increased 7.5% over the prior year, to 14,228, the most since 1989.
- ✓ The citywide vacancy rate was 2.94% in 2002.
- ✓ 11.1% of rental housing is overcrowded.
- ✓ City-sponsored residential construction decreased 6% during FY 2002, to a total of 11,830 new housing starts.
- ✓ The city-owned *in rem* housing stock continued to decline, falling 21% during FY 2002.
- ✓ The number of housing units newly receiving 421-a exemptions increased slightly (2%) in 2002, to almost 5,000.
- ✓ The Attorney General's office reported an 8% increase in the number of co-op or condo conversion plans approved in 2002, to 185 plans containing 5,158 units.

## Introduction

The housing market remained strong in New York City, notwithstanding a second straight year of recession. The year 2002 saw a 10% increase in the number of permits issued for new dwelling units, rising to 18,500, the most since 1985. The number of completed housing units grew as well, rising 7.5%. The growth in development has been prompted by the tight housing market, with a citywide rental vacancy rate of 2.94%. Overcrowding remains a problem, with 11.1% of all rental housing considered overcrowded. There was an 8% increase in the number of cooperative and condominium plans approved for conversion or new construction. The number of city-owned vacant and occupied buildings continued to fall through various disposition programs, declining 21% during the 2002 fiscal year. Furthermore, 2002 saw more housing starts under the 421-a Affordable Housing Program, though fewer units were completed this year. The City also saw a slight decrease in publicly-sponsored residential construction in FY 2002, falling 6%. In addition, rehabilitation of residential units under the J-51 tax abatement and exemption program during 2002 decreased by 14%.

## New York City's Housing Inventory

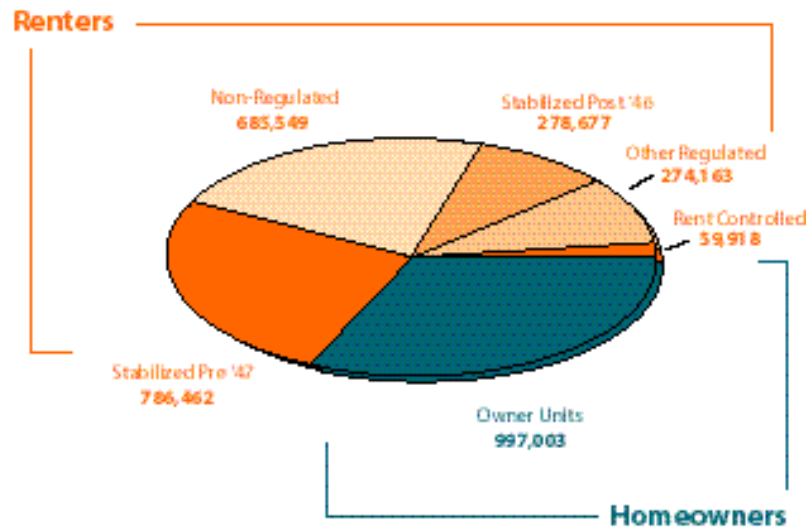
New York City differs from most of the nation in many respects, including the fact that most New Yorkers do not own the homes in which they live. According to preliminary results from the 2002 *Housing and Vacancy Survey (HVS)*<sup>1</sup>, the percent of rental units relative to all dwellings in New York City stood at 65% in 2002, twice as many rental units as the nation as a whole.<sup>2</sup> New York City in 2002 had a total of 3,208,587 housing units, the largest housing stock since the first *HVS* was conducted in 1965.<sup>3</sup>

New York City's housing is 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 2,084,769 occupied and vacant available rental units reported in the most recent *HVS*, a third (33%) were unregulated, or "free market." The majority are either pre-war (pre-47) rent stabilized (38%) or post-war (post-46) rent stabilized (13%), and the rest are rent controlled (3%) or part of various other<sup>4</sup> types of regulated apartment units (13%). (See chart on next page.)

The *HVS* also indicated that the New York City housing market remains tight, finding a citywide vacancy rate of 2.94% in 2002, well below the 5% threshold required for rent regulation to continue under state law. Queens had the lowest vacancy rate in the city, at 1.78%, while Manhattan, by contrast, had the highest, at 3.86%. Of the other boroughs, Staten Island's rate stood at 2.43%, the Bronx's at 3.29%, and Brooklyn's at 2.73%.<sup>5</sup>

## Number of Renter and Owner Units

### New York City's Housing Stock Is Predominantly Renter-Occupied



Source: U.S. Bureau of the Census, 2002 *New York City Housing and Vacancy Survey*.  
Note: Above figures exclude vacant units that are not available for sale or rent.

Vacancy rates also vary by rent regulation status. The tightest market was found among post-war stabilized units, with a vacancy rate of just 1.84% in 2002. Pre-war stabilized units also maintained a low vacancy rate, at 2.79%, while private, non-regulated units were vacant at a 4.11% rate.

The frequency of crowding also varies by rent regulation status. Overall, 11.1% of all rental housing in NYC is overcrowded (that is, there is more than one person per room, on average) and 3.9% is severely overcrowded (that is, there is an average of over 1.5 persons per room). Pre-war stabilized housing is most crowded, with 14.0% overcrowded and 5.4% severely overcrowded, while post-war overcrowding is at 10.6%, and severe overcrowding is at a 4.8% rate. Private, non-regulated housing is slightly less overcrowded, at 10.1%, and 3.1% are severely overcrowded.

## Changes in the Housing Inventory

### New Additions

The housing supply grows in a variety of ways: new construction, substantial rehabilitation of deteriorated buildings and conversions from non-residential

buildings into 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, typically within three years, depending on the type of housing structure.

Continuing the strongest multi-year upward trend since the early 1970's, the City saw an increase in 2002 in the number of permits issued for new residential units in single and multi-family buildings.<sup>6</sup> In 2002, permits were issued for 18,500 units of new construction, an increase of 10% over the 16,856 units in 2001 (see graph on next page). While still well below the 1960's average of 37,000 new units per year, more permits were issued for residential units in 2002 than in any year since 1985, when 20,000 were issued, and the second highest since 1973, when over 22,000 permits were issued. The number of permits issued in 2002 increased in three boroughs, while declining in the other two. Brooklyn increased the most, up 76%, to 5,247; the Bronx increased by 19%, to 2,626; and Queens increased 6%, to 3,464. Meanwhile, Manhattan saw a 11% decline, to 5,407, and Staten Island saw a 23% decline, to 1,756 permits. (See Appendix 1 and the map on page four.)

The number of permits issued in early 2003 has continued to increase, as well. The first quarter of 2003, January through March, reveals a much more significant increase in permits issued than that found during the entire 2002 calendar year. Compared to the first quarter of 2002, the number of permits issued in New York City in the first quarter of 2003 has increased by 50%, up from 2,838 in the first three months of 2002 to 4,253 in the same period in 2003. Manhattan saw its number of permits issued more than triple, up 210%; Brooklyn increased 78%; the Bronx increased 15% and Queens increased 2%. Only Staten Island saw a decline, down 11% in the first three months of 2003.<sup>7</sup>

This report also examines the number of units completed in the City each year, for this shows what actually came onto the market in a particular year. In 2002, 14,228 new housing units were completed, a 7.5% increase over 2001. This number of new units is the most since 1989. The growth, however, occurred in only three boroughs, while two saw declines. Queens saw its number of new housing units grow more sharply than any other borough in 2002, up 40%, to 1,779. Staten Island saw a 12% increase, to 2,454, and the

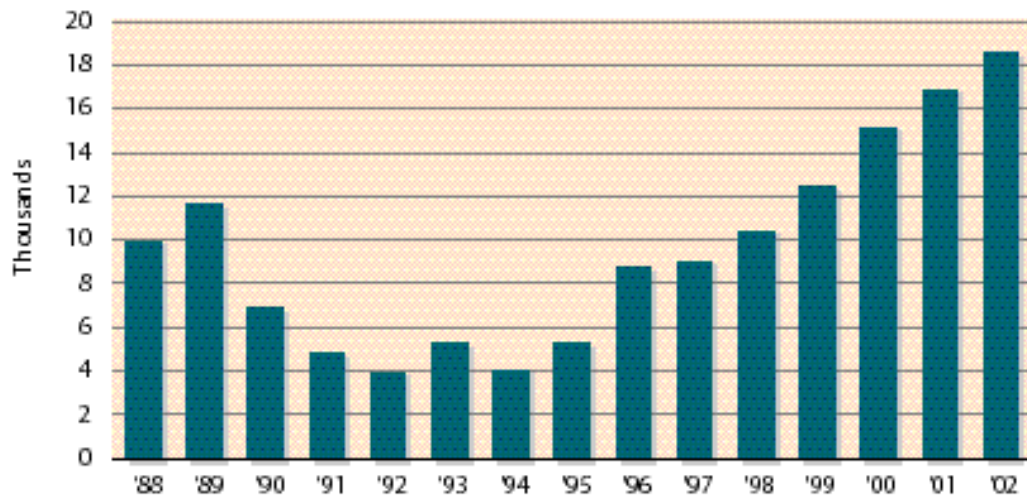
number of new units in Manhattan increased 11% in 2002, to 6,346. Meanwhile, the Bronx saw a sizeable 24% decline, to 1,222 new units, and Brooklyn saw a small 1% decline in new units, to 2,427 in 2002.<sup>8</sup> (See Appendix 2 for historical breakdown.)

The growth in housing in recent years is impacting on neighborhoods throughout the City that were previously neglected in the phenomenon of gentrification. One of the more recent recipients of this trend are neighborhoods like East Harlem, where former residents who left for the suburbs many years ago are returning to their neighborhood, renovating brownstones, creating trendy restaurants and opening art galleries.<sup>9</sup>

Neighborhoods such as East Harlem are among the beneficiaries of programs sponsored by the NYC Department of Housing Preservation and Development (HPD). HPD's Office of Development operates eight 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

Units Issued New Housing Permits, 1988-2002, in Thousands

*Continued Growth in Number of Permits Issued for New Construction of Residential Units*



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

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 11,830 total housing starts<sup>10</sup> in FY 2002, down 6% from the prior fiscal year. Of the 11,830 total starts this year, 7,014 were moderate rehabilitation starts, a decrease of 22% over the prior year, and 1,088 were gut rehabilitation starts (in both city-owned and private housing), up 3% from the prior year. However, new construction starts saw an increase of 48% this year, to 3,728 in FY 2002. The first four months of FY 2003 saw the trend of increased new construction housing starts under these programs continue, with a quadrupling of projects, compared to the same period in FY 2002. However, both gut and moderate rehabs declined over the same four-month period comparison, with gut rehabs declining 49% and moderate rehabs declining a more modest 9%.<sup>11</sup>

## Tax Incentive Programs

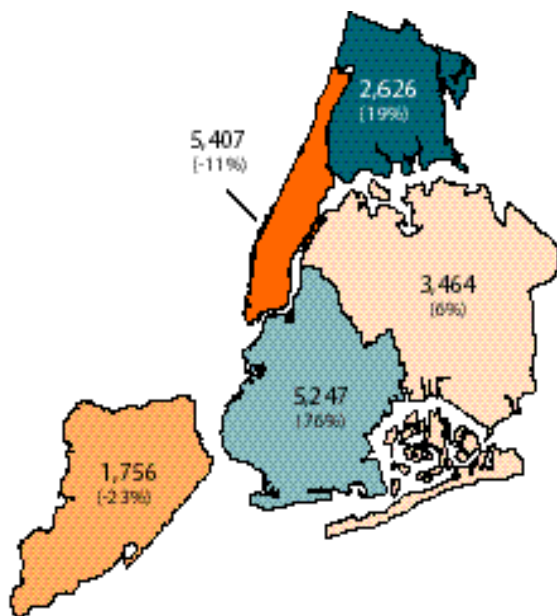
The City helps promote development of new housing by offering various tax incentive programs. One such program for new renter- and owner-occupied multifamily properties containing three or more rental units is the 421-a tax incentive program. The program allows for a reduction in the taxable assessed 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. 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). Rental 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.

A variety of factors are used to establish the level and period of 421-a benefits, including geographic location; reservation of units for low- and moderate-income families; construction periods and government commitment. Moreover, 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 located 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%

### Total Number of Permits Issued in 2002 and Percentage Change From 2001 by Borough

*Ten Percent Increase in Number of Permits Issued for New Housing Units in New York City in 2002*



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

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>12</sup> There were 11% more housing starts under this part of the program in the 2002 calendar year than in the previous year. It is estimated that when all the units begun in 2002 are completed, 291 new affordable units will be produced, creating 1,455 certificates to be sold.

However, fewer affordable units were completed under the Affordable Housing program in 2002 than in the previous year. In 2002, 351 new affordable units were completed, which produced 1,755 certificates for market-rate housing, 6% fewer than in 2001.

Throughout the City, both inside and outside the Manhattan Exclusionary Zone, the number of housing units newly receiving 421-a exemptions increased slightly in 2002, up 2%, to 4,953 (see graph below). In contrast, the prior year saw the number of apartments receiving new 421-a benefits increase by 72%. Slightly

more than half of all units receiving benefits last year were in buildings located in Manhattan, which contained 53% of the total number in the City, compared to 63% in the previous year. The remainder of these units in 2002 were in Brooklyn (27%), Queens (12%), the Bronx (8%) and Staten Island (less than one percent).<sup>13</sup>

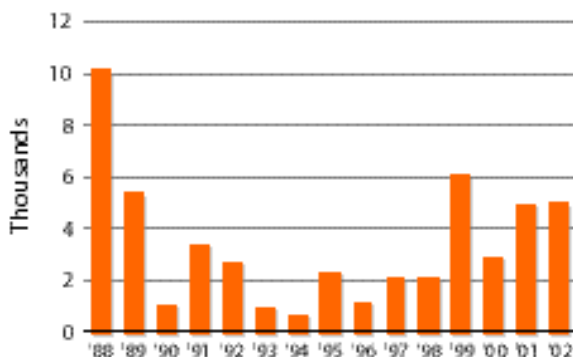
Compared to the number of units that received exemptions in the late 1980s, when on average, 8,000 new units per year received exemptions, significantly fewer certificates are issued citywide these days. These rental units, though, do not remain permanent members of the stabilized stock. As exemptions expire, rental apartments are no longer governed by rent regulation rules.<sup>14</sup> (See Appendices 5 and 6)

Another program that has offered affordable housing, 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, which was created in 1955 as a means of providing affordable rental and cooperative housing to moderate- and middle-income families, granted low-cost mortgages and tax breaks to landlords who developed low- and middle-income housing. There are about 120,000 Mitchell-Lama units in the City today (and about 23,000 elsewhere in the state), and the last Mitchell-Lama project opened in 1978.

After twenty years, landlords may leave the program, and in recent years, some have done so by buying out of the program. Since 1989, 6,800 units in Mitchell-Lama buildings have left the program, and another 1,800 more are prepared to do so as well.<sup>15</sup> While landlords feel that their obligation has ended, housing advocates fear the loss of affordable housing. Tenant advocates this year are pushing for passage in Albany of a bill that would extend rent stabilization laws to all properties that have been converted from Mitchell-Lama status.<sup>16</sup> Under current law, only buildings constructed prior to 1974 become stabilized following a Mitchell-Lama buyout.

### Units Receiving Certificates, in Thousands

*Slight Increase in Number of Units Newly Issued 421-a Certificates in 2002*



Source: NYC Department of Housing Preservation and Development.

### Conversions and Subdivisions

New housing units are also brought onto the market through subdivisions and conversions. 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 Red Hook in Brooklyn and the financial district in lower Manhattan. Warehouse, manufacturing and office space is being transformed into apartments in these areas, attracting those individuals who are looking for residences in less traditional residential areas or that offer more room for comparatively less money.<sup>17</sup>

As in recent years, the trend of conversion of single room occupancy (SRO) buildings continued to increase over the past year. SRO owners may convert SRO housing to other uses after obtaining a “Certificate of No Harassment” from HPD. The last several years have seen significantly more Certificates issued than over previous 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 were filed, and in 2002, 199 applications were filed, indicating that SRO owners continue to convert their buildings for non-SRO uses.<sup>18</sup>

Another source of additions to the housing supply are illegal conversions, which typically 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. However, in a reversal of this trend, landlords in neighborhoods such as Chinatown have sought to take advantage of rising rents by evicting tenants living in illegally converted living quarters and converting them into larger legal apartments that can command significantly higher rents.<sup>19</sup>

### Cooperative and Condominium Activity

Construction of cooperatives and condominiums is another source of new housing. Developers wanting to build new co-op or condo buildings, and owners wishing to convert their buildings to co-ops or condos, must file plans with, and receive approval from, the New

York State Attorney General’s Office. In 2002, the Attorney General approved 185 plans, an 8% increase over the number approved in 2001. These 185 plans affected 5,158 housing units, 3% more than in 2001. The majority of plans (102) were accepted for buildings located in Brooklyn; while 69 were located in Manhattan; Queens had 9 buildings; the Bronx had 5 and there were none in Staten Island. However, while more buildings were in Brooklyn, the average building in Manhattan is larger, so more units were affected in Manhattan (2,988) than in Brooklyn (1,719).<sup>20</sup>

The majority of the plans accepted citywide in 2002 were for new construction, consisting of 136 plans, covering a total of 2,576 units. This is similar to the prior year, when new construction accounted for 145 of the 172 accepted plans. Rehabilitation accounted for 20 plans and 348 units in 2002, and the remainder, 29 plans and 2,234 units, were conversions. Compared to 2001, while the number of rehabilitation and conversion plans increased, the number of new construction plans accepted decreased in 2002. (See Appendices 3 and 4.)

While 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 represented 43% of the total number of units in plans accepted by the Attorney General’s Office in 2002, up from 21% in 2001. At the same time, the proportion of units that are part of newly approved plans resulting from new construction has decreased from 76% in 2001 to 50% in 2002. 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

Another method for adding housing units to the City’s housing stock is through rehabilitation of old buildings. As buildings age, they must undergo renovation and rehabilitation to remain in habitable condition. This is particularly relevant to NYC’s housing stock, of which more than 60% of the units are in buildings greater than

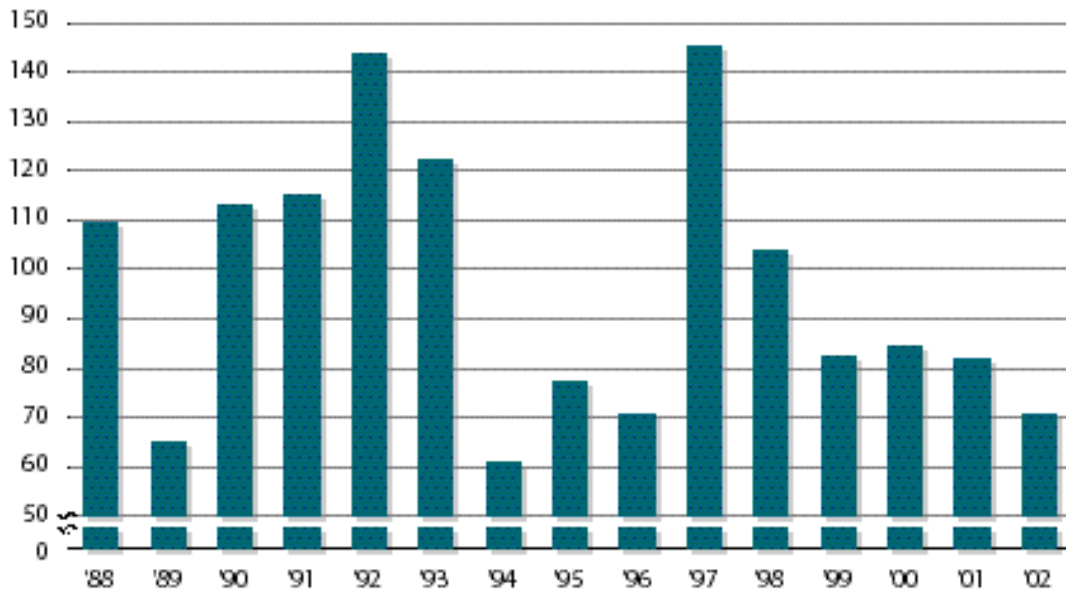
50 years old.<sup>21</sup> Through tax abatement and exemption subsidy programs offered by the City, units are able to remain or be readmitted to the City's housing stock. The J-51 tax abatement and exemption program is intended to encourage the periodic renovation of New York City's stock of both renter- and owner-occupied 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 NYC economy, the number of units receiving J-51 benefits increased sharply, with over 145,000 additional units receiving this tax incentive. However, in four of the last five years, the number of units newly receiving benefits declined, including last year, falling 14% in 2002. A total of 70,145 units in 1,410 buildings newly received J-51 benefits in 2002. (See graph below.) The location of the units newly receiving benefits in 2002 was quite varied, with 35% located in Manhattan; 29% in Queens; 24% in Brooklyn; 12% in the Bronx; and 1% in Staten Island.<sup>22</sup>

The J-51 tax relief program is similar to the 421-a program in that it 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), 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>23</sup>

Most 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. On the other hand, rental apartments not stabilized prior to receiving tax benefits will not be subject to

### Units Receiving Initial Benefits, in Thousands

*2002 Saw 14% Decline in Number of Units Receiving J-51 Certificates*



Source: NYC Department of Housing Preservation and Development.



the City's rent regulations once their benefits end. (See Appendices 5 and 6.)

## Tax-Delinquent Property

### In Rem Housing

For two decades, the City foreclosed on thousands of tax-delinquent residential properties, becoming the owner and manager of these buildings. By its peak in 1986, the city then owned and managed 4,000 occupied buildings containing 40,000 units. Most of these buildings were dilapidated multi-families occupied by a predominantly low-income population. To counter this trend, HPD has developed multiple disposition programs over time to manage, rehabilitate and sell many of these *in rem* buildings. HPD's Alternate Management Programs began in 1994 with the goal of returning city-owned properties to private owners and stimulating neighborhood development. The programs enable local entrepreneurs, community not-for-profit

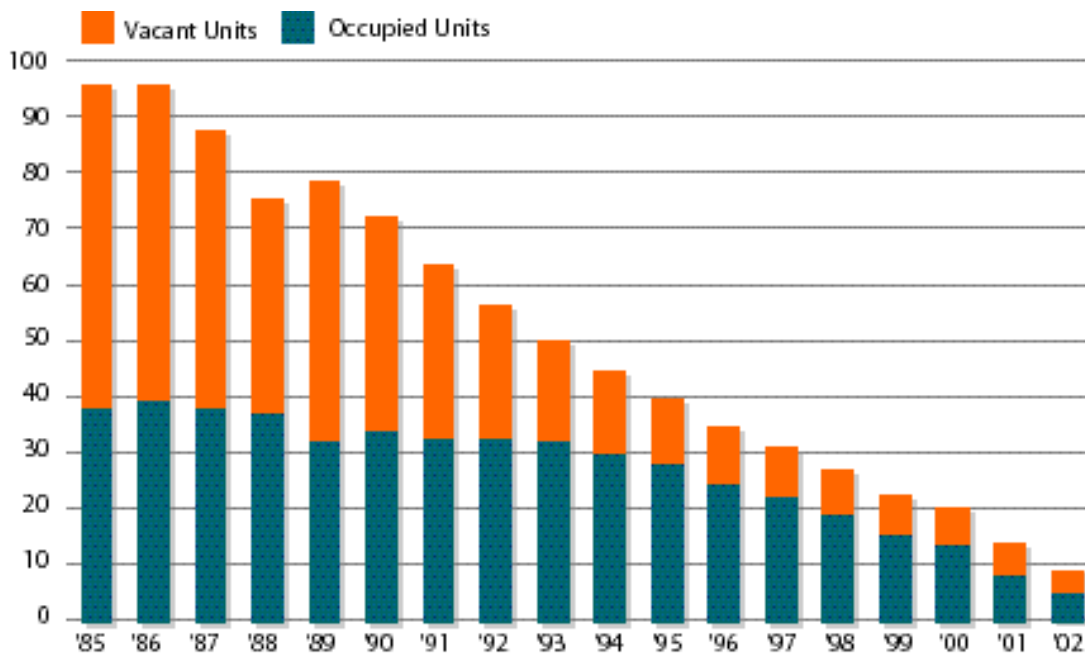
housing organizations and groups of tenants to own and manage these buildings. Many of these programs include funds for rehabilitation and use the proceeds of federal tax credits to keep rents affordable.

HPD has successfully reduced the number of occupied *in rem* units in central management to 5,203 through October 2002, a 77% decline since FY 1997.<sup>24</sup> Units that have passed into private ownership since 1997 provide over \$8 million annually to the City in tax revenue. HPD transfers buildings into alternative management programs before returning them to private ownership. During FY 2002, 302 buildings with 2,941 units were sold through these programs.

The number of vacant city-owned buildings also fell significantly over the same period, to 3,506 units by the end of October 2002, a 57% decline since FY 1997. (See graph below.) During FY 2002, the total number of buildings operated by HPD, including both occupied and vacant, fell 21.4%, and the number of units in these buildings fell 28.6% during the same period.<sup>25</sup> (See Appendix 7.)

Units in HPD Central Management Stock, FY 1985-FY 2002, in Thousands

*Continued Decline in City In Rem Housing Stock in FY 2002*



Source: Mayor's Management Report, Office of Operations, FY 1985-FY 2002.

---

## Anti-Abandonment Strategies

The City has been able to significantly reduce its share of *in rem* buildings by also identifying buildings at risk and helping 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 superintendents basic management, maintenance and finance skills to improve their properties.<sup>26</sup>

Since the mid-1990's, the City has not taken title (i.e., vesting) of properties that were tax delinquent. Instead, the City has developed a comprehensive alternate 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 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>27</sup>

An additional facet 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. Since the program began over \$6.4 million in back taxes have been collected, and 46 buildings have been transferred to responsible for-profit and non-profit owners.<sup>28</sup>

Another 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

While in the early 1990's relatively few residential buildings in New York City were demolished, this began

to change in 1996, the same year than the number of building permits issued began to increase significantly. In fact, the number of buildings demolished in 2002 alone was greater than the number demolished in all the years from 1990 to 1996 combined.

A total of 1,771 buildings were demolished in 2002, a 19% increase over the prior year. This was the highest total since 1985, when the RGB began collecting this data. Queens accounted for over a third (34%) of all the buildings demolished in 2002, Brooklyn held 28%, Staten Island had 26%, the Bronx held 7%, and Manhattan had the fewest, at 5%. The change in the number of demolitions in each borough varied as well, with all boroughs except Manhattan seeing an increase in demolitions. Staten Island saw the largest increase in demolitions, up 57%, the Bronx increased 31%, Brooklyn was up 19% and Queens increased 16%. Meanwhile, Manhattan saw a 44% decline in the number of demolitions.<sup>29</sup> (See Appendix 8.)

## Prospects for Housing Programs

In December 2002, Mayor Michael Bloomberg announced a \$3 billion, five-year plan for constructing and rehabilitating 65,000 apartments throughout the City.<sup>30</sup> Approximately two-thirds (\$2 billion) of the funding will come out of previously planned housing budget expenditures and \$555 million will come from City and federal funding redirected towards this plan. The remaining \$500 million will come from the NYC Housing Development Corporation (HDC).<sup>31</sup> The HDC in turn will leverage over \$2.5 billion of private financing. The total projected spending over the five-year period is double what has been spent on housing development in the City over the previous five years. Since the plan was announced, approximately 8,000 of the 65,000 future new units have already entered the project development stage.<sup>32</sup>

## Conclusion

New York City's residential housing market remained strong in 2002, despite the continuation of a recession and budget difficulties facing the city, state and federal governments. Permits were issued for more new units than in any year since 1985 and the number of completed housing units increased by 7.5%. The City

also continued to reduce its share of city-owned vacant and occupied buildings, seeing a 21% decline during the most recent fiscal year. However, rental housing availability remains extremely tight, with a citywide vacancy rate of just 2.94% in 2002, and overcrowding remains a problem. Mayor Bloomberg's recently proposed five-year housing initiative seeks to put a dent in the housing shortage, though how significant an impact it has on the overall housing marketplace remains to be seen.

## Endnotes

1. The New York City Housing and Vacancy survey (HVS) is done triennially, sponsored by the NYC Department of Housing Preservation and Development (HPD) and conducted by the U.S. Census Bureau.
2. The U.S. housing stock was comprised of 32% renter-occupied units, according to the 2001 American Housing Survey, conducted by the U.S. Census Bureau.
3. Data from the 2002 HVS cannot be compared in a reliable manner with data from previous HVS's, principally because the HVS is a sample survey and the samples for the 2002 and previous HVS's were drawn from different sample frames. To make the data from previous HVS's comparable with the data from the 2002 HVS, data from previous HVS's should be reweighted applying the weight that was used for the 2002 HVS. Reweighted data from previous HVS's is not available at this time.
4. Other units include public housing, Mitchell-Lama, *In Rem*, HUD-regulated, Article 4 and Loft Board units.
5. Since the number of vacant units available for rent in Staten Island is small, and the HVS is a sample survey, the sampling error of the vacancy rate of Staten Island is likely to be large, and thus, interpretation of this rate should be done with caution.
6. "City's Housing Market is Strong, Study Finds," by Dennis Hevesi, *New York Times*, March 7, 2003.
7. U.S. Census Bureau web site. World Wide Web page <<http://www.census.gov/const/www/permitsindex.html>>.
8. NYC Department of City Planning data. Note that the data is preliminary.
9. "After Exodus, Gentrification Changes Face of East Harlem," by Joseph Berger, *New York Times*, December 10, 2002.
10. Starts refer to the number of units beginning construction or rehabilitation in a given period.
11. *Mayor's Management Report*, Preliminary Fiscal 2003.
12. 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>>.
13. NYC Department of Housing Preservation and Development, Tax Incentives Program data. Note that the 421-a program provides tax incentives to newly built renter- and owner-occupied units, which are included in the figures given in this report. HPD is unable to provide a breakdown of the number of 421-a units that are only rentals.
14. For further background on the 421-a program, see "Worth the Cost? Evaluating the 421-a Property Tax Exemption," by Preston Niblack and Molly Wasow Park, NYC Independent Budget Office publication, *Fiscal Brief*, January 2003.
15. "The Cost of Keeping Mitchell-Lama Housing Affordable," by Molly Wasow Park, NYC Independent Budget Office publication, *Inside The Budget*, April 7, 2003.
16. "Legislating Stability: Rent Laws Could Be Mitchell-Lama's Last Hope," by Matt Pacenza and Priya Khatkhate, *City Limits Monthly*, May 2003.
17. "Real Estate Guide 2003," *New York Magazine*, March 10, 2003.
18. West Side SRO Law Project testimony to RGB, May 1, 2003, reporting NYC Department of Housing Preservation and Development data.
19. "Chinatown Gentrifies, and Evicts: Complaints of Safety Violations Now Coming From Landlords," by Yilu Zhao, *New York Times*, August 23, 2002.
20. NYS Attorney General's Office, Real Estate Financing Bureau data.
21. 1999 NYC *Housing and Vacancy Survey*.
22. NYC Department of Housing Preservation and Development, Tax Incentives Program data. Note that, similar to the 421-a program, J-51 provides tax abatements and incentives to newly built renter- and owner-occupied units, which are included in the figures given in this report. HPD is unable to provide a breakdown of the number of J-51 units that are only rentals.
23. 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/for-owners/private-owner-tax-inc.html>>.
24. *Mayor's Management Report*, Preliminary Fiscal 2003.
25. For further background on *in rem* housing, see "Saving Homes: City Spending on Housing Preservation Grows," by Molly Wasow Park, NYC Independent Budget Office publication, *Background Paper*, February 2003.
26. NYC Department of Housing Preservation and Development. World Wide Web page <<http://home.nyc.gov/html/hpd/html/for-owners/housing-education-program.html>>.
27. NYC Department of Finance, Common Questions and Answers about New York City's Tax Lien Sale Process. World Wide Web page <<http://www.nyc.gov/html/dof/html/liensale2.html>>.
28. "New York City Case Study: Third Party Transfer Initiative: A Solution To Property Abandonment," by Lisa Mueller, Local Initiative Support Corporation report, January 14, 2003. World Wide Web page <[http://www.liscnet.org/resources/2003/01/initiative\\_1064.shtml?Planning+&+Land+Use](http://www.liscnet.org/resources/2003/01/initiative_1064.shtml?Planning+&+Land+Use)>.
29. NYC Department of Buildings (DOB) data. Note that demolition statistics include both residential as well as commercial buildings, as the DOB does not specify the type of building in its data.
30. "The New Housing Marketplace: Creating Housing for the Next Generation," NYC Department of Housing Preservation and Development report, December 10, 2002.
31. "Mayor Bloomberg's Housing Plan: Down Payment on the Future," by Molly Wasow Park, NYC Independent Budget Office publication, *Fiscal Brief*, February 2003.
32. "Mayor Michael R. Bloomberg Gives Progress Report on Administration's New Housing Marketplace Plan," Press Release, May 1, 2003.

# Appendix: Housing Supply Report

## 1. Permits Issued For Housing Units in New York City, 1960-2003

Year	Bronx	Brooklyn	Manhattan	Queens	Staten Island	Total
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	2,626	5,247	5,407	3,464	1,756	18,500
2003 (1 <sup>st</sup> Qtr)	567 (493)	1,094 (613)	1,335 (430)	770 (754)	487 (548)	4,253 (2,838)

First three months of 2003. The number of permits issued in the first three months of 2002 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, 1960-2002

<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
2002	1,222	2,427	6,346	1,779	2,454	14,228

Note: Dwelling unit count is based on the number of Final Certificates of Occupancy issued by NYC Department of Buildings, or equivalent action by the Empire State Development Corporation or NYS Dormitory Authority. In addition, housing completions in Manhattan are also compiled from the Yale Robins, Inc. Residential Construction in Manhattan newsletter.

2002 data is preliminary.

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 NYS Attorney General's Office, 1998-2002

	1998	1999	2000	2001	2002
	Plans (Units)	Plans (Units)	Plans (Units)	Plans (Units)	Plans (Units)
<b>Private Plans</b>					
New Construction	69 (3,225)	50 (1,123)	87 (1,911)	145 (3,833)	136 (2,576)
Rehabilitation	45 (812)	30 (1,029)	15 (220)	13 (124)	20 (348)
Conversion (Non-Eviction)	19 (210)	12 (359)	9 (738)	12 (1,053)	14 (1,974)
Conversion (Eviction)	0	1 (48)	1 (24)	0	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>170 (4,898)</b>
<b>HPD Sponsored Plans</b>					
New Construction	0	0	0	0	0
Rehabilitation	3 (14)	0	0	0	0
Conversion (Non-Eviction)	21 (176)	0	0	0	0
Conversion (Eviction)	0	26 (295)	8 (179)	2 (22)	15 (260)
<b>HPD Total</b>	<b>24 (190)</b>	<b>26 (295)</b>	<b>8 (179)</b>	<b>2 (22)</b>	<b>15 (260)</b>
<b>Grand Total</b>	<b>157 (4,437)</b>	<b>119 (2,854)</b>	<b>120 (3,072)</b>	<b>172 (5,032)</b>	<b>185 (5,158)</b>

Note: Figures exclude "Homeowner" and "Commercial" plans/units.  
Source: New York State Attorney General's Office, Real Estate Financing Bureau.

### 4. Number of Units in Cooperative and Condominium Plans Accepted for Filing By the NYS Attorney General's Office, 1981-2002

Year	New Construction	Conversion Eviction	Conversion Non-Eviction	Rehabilitation	Total New Construction Conversion & Rehab	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	807	1,659	901
1995	614	426	201	1,258	2,499	935
1996	21	0	149	271	441	0
1997	1,417	26	131	852	2,426	533
1998	3,225	0	386	826	4,437	190
1999	1,123	343	359	1,029	2,854	295
2000	1,911	203	738	220	3,072	179
2001	3,833	22	1,053	124	5,032	22
2002	2,576	260	1,974	348	5,158	260

Note: Rehabilitated units were tabulated separately beginning in 1994. HPD Plans are a subset of all plans. Numbers were revised from prior years.  
Source: New York State Attorney General's Office, Real Estate Financing Bureau.

## 5. Tax Incentive Programs

### Buildings Receiving Certificates for 421-a Exemptions, 2000-02

	2000		2001		2002	
	Certificates	Units	Certificates	Units	Certificates	Units
Bronx	5	316	7	350	9	405
Brooklyn	30	448	42	779	54	1,325
Manhattan	9	1,106	12	3,053	27	2,614
Queens	39	958	42	614	46	603
Staten Island	0	0	2	74	1	6
<b>Total</b>	<b>83</b>	<b>2,828</b>	<b>105</b>	<b>4,870</b>	<b>137</b>	<b>4,953</b>

### Buildings Receiving J-51 Tax Abatements and Exemptions, 2000-02

	2000			2001			2002		
	Buildings	Units	Certified Cost (\$1,000s)	Buildings	Units	Certified Cost (\$1,000s)	Buildings	Units	Certified Cost (\$1,000s)
Bronx	308	17,215	\$24,258	380	12,659	25,674	169	8,228	16,162
Brooklyn	320	16,090	\$25,185	877	23,654	35,632	345	16,517	28,792
Manhattan	439	25,377	\$42,124	1,438	20,944	45,888	580	24,855	43,070
Queens	225	23,510	\$11,779	402	23,175	14,231	311	20,028	11,169
Staten Island	15	1,733	\$6,197	9	889	674	5	517	1,954
<b>Total</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>	<b>1,410</b>	<b>70,145</b>	<b>\$101,146</b>

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

## 6. Tax Incentive Programs - Units Receiving Initial Benefits, 1981-2002

Year	421-a	J-51
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
<b>2002</b>	<b>4,953</b>	<b>70,145</b>

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

## 7. City-Owned Properties, Fiscal Years 1985-2002

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
<b>2002</b>	<b>5,715</b>	<b>919</b>	<b>3,762</b>	<b>524</b>	<b>7,756</b>	<b>477</b>	<b>0</b>	<b>0</b>	<b>302</b>

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

Source: NYC Office of Operations, Fiscal 2002 Mayor's Management Report; NYC Department of Housing Preservation and Development.

## 8. Building Demolitions in New York City, 1985-2002

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
2002	--	126	--	500	--	89	--	600	--	456	--	1,771

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. Demolition statistics from 1985 through 1995 are solely residential buildings.

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