

Housing: Nyc

THE STATE OF THE CITY

HOUSING INITIATIVES

January 30, 1985

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Mayor

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~~Koch~~

## INTRODUCTION

The shortage of decent, affordable housing in New York City today affects everyone. Whether looking for a single family house in Queens, an apartment in Brooklyn or Harlem, or a co-op on Park Avenue, the search can be long and hard. For some, finding housing is merely difficult, for others, nearly impossible. Over 175,000 families are on the Housing Authority's waiting list, while citywide an estimated 47,000 families and individuals live with relatives and friends. The most poignant indication of the severity of the housing shortage is the growing number of homeless living in hotels and on the City's streets.

We have made substantial progress in improving the housing market conditions since I became Mayor, just as we have successfully improved overall economic conditions. New York City is entering into a new era of growth. Decent, affordable housing is essential to that growth. Therefore, I am now proposing, a substantial, across the board, innovative program to improve housing conditions and provide new housing in New York City for low income, working poor and middle income persons.

## CONDITIONS OF THE CITY'S HOUSING MARKET

The City's housing stock is overwhelmingly rental. About 70 percent of the City's housing stock consists of rental units (contained primarily in multi-family buildings of 35 units or more), making New York City the only city in the United States to have even half its population living in rental housing.

Today, the overall vacancy rate for rental housing is 2.04 percent and does not vary substantially regardless of location, ranging from a low of 1.73 percent in Queens to 2.52 percent in Staten Island. A healthy market should have at least a 5 percent vacancy rate. Not only are apartments hard to find, but many are in poor condition and impose enormous financial hardships on their occupants. More than 20 percent of the rental units have serious maintenance deficiencies while 50 percent of all renters must pay more than 30 percent of their income for rent. Without question the housing shortage falls most heavily and directly on those with the lowest income levels, but middle-income, moderate-income and working-class households also feel its effects.

The burden of high rents threatens not only City residents seeking decent, affordable housing but the very future of the housing stock itself. The median income of rental households

in New York City is only \$12,800. Even if we assume the household is paying 30 percent of unadjusted income, this would equal only \$320 per month for rent and utilities, an amount which will not support much housing improvement and certainly no new unsubsidized housing. While the median income of homeowners is substantially higher than that for renters (\$25,183 vs \$12,797), homeowners are also faced with difficulty in finding affordable homes, since a family income of nearly \$40,000 is required to buy the average existing home in New York City, which sells for a price approaching \$85,000.

At the same time that the City's housing market indicates such dramatic needs, the Federal government, the traditional source of support for local housing efforts, has reneged on its historical obligations. Total Federal assistance for housing has declined from \$29 billion in 1980 to \$13 billion in 1984. For New York City, the Federal budget cuts have been disastrous. Federal Section 8 new construction and substantial rehabilitation assistance went from 3,000 units in 1980 to zero in 1984. Moderate rehabilitation assistance went from more than 4,000 units in 1980 to virtually nothing in 1984. Additional apartments receiving rental assistance went from more than 3,200 in 1980 to about 1,500 in 1984.

## THE CITY'S CURRENT HOUSING PROGRAMS AND TRENDS

To address the present housing shortage, the City has implemented, during my Administration, a broad panoply of housing programs and initiatives which have successfully reversed the deterioration of the City's housing stock. These efforts have been successful largely because they have been guided by broad principles and goals specifically tuned to the needs of the City's housing market and its inhabitants. We no longer pursue urban renewal programs of wholesale demolition and land clearance. Rather, our housing programs are principally geared to maintaining existing housing for the current tenants and rebuilding neighborhoods for their current residents. For instance, our Code Enforcement effort is now funded at \$33 million annually, and for the first time in more than 10 years, we are doing preventative roof to cellar cyclical inspections.

Our housing development programs now favor rehabilitation over new construction where possible, and where we need new construction, we generally build low rise, low density housing. We are now assisting in the rehabilitation and new construction of over 23,000 units a year. The City's housing efforts have and will continue to contain a major commitment to creating permanent housing for the homeless. From July 1983 to

June 1985, we will have created more than 4,700 permanent housing units for the homeless.

Our housing programs are guided by another major principle and that is the increased opportunity for homeownership, a concept which for decades has formed the backbone of the City's stable working and middle class neighborhoods. We have created thousands of low-income cooperative apartments by selling city-owned units to their tenants at the price of \$250 an apartment. We have also provided home ownership opportunities to thousands of working and middle class families through support of such neighborhood building programs as the Section 235 program, the Nehemiah Plan and the New York City Housing Partnership.

We have embarked on bold new initiatives to increase the supply of available housing. The recent commitment of \$100 million in Municipal Assistance Corporation (MAC) funds will create 4-5,000 new housing units for low and middle income families. The pilot cross subsidy programs proposed for Williamsburg and the Lower East Side will funnel funds from the sale of city-owned land and buildings for market rate units, into a fund to rehabilitate or build housing in the same neighborhoods for low-income tenants.

In addition to these developments and rehabilitation programs, the City now owns more than 45,000 occupied apartments in buildings abandoned by their owners. Many of these would have been lost from the housing stock had the City not taken them over. These units will continue to serve as a low income housing resource. A dramatic example of our accomplishments in this area is that we have already rehabilitated most City-owned buildings on the Grand Concourse. The rehabilitation of the last six vacant available buildings on the Concourse has been funded and will soon begin.

The housing programs and initiatives implemented during my Administration have worked. We have successfully stemmed the tide of abandonment and housing loss which plagued New York City in the late 1960's and throughout most of the 1970's. After losing housing for years, the City actually gained housing units between 1978 and 1984. According to census data, there are 20,000 more housing units available than when my Administration began.

A large portion of this gain is directly related to the fact that, while we are not gaining housing units at an increased pace, the rate of loss because of fire, abandonment and demolition, has been cut in half from from what it was in the mid-1970's. This is primarily because buildings which would

have become derelict have been saved by City ownership and loan programs. During the mid-1970's we were losing an average of 45,000 housing units a year on a gross basis (before additional units are included). The rate of gross loss is now down to about 20,000 units a year. While this is still more than we would like, obviously, it represents a major improvement from the past. Similarly, the statistics show that the number of dilapidated housing units is down 25 percent from where it was just three years ago and is now about half of what it was in 1978 when my Administration took office, again, largely as a result of our in rem and housing rehabilitation programs.

#### A NEW INITIATIVE

While these statistics are encouraging, too many residents of this City still need decent and affordable housing. Therefore, I am proposing a comprehensive program to stimulate housing construction and rehabilitation. Some elements of this program will require the support of the State government and the approval of the State legislature. Other elements will require the participation and cooperation of the banks, builders, contractors and construction unions. All elements of the plan assume a commitment on the part of the City to work with local leaders and community groups to develop housing appropriate for the City's neighborhoods.



As the centerpiece of the effort, I am proposing a five-year \$4.4 billion program to build or rehabilitate around 100,000 housing units for middle class, working poor and low-income families and individuals.

The first part of this program is the use of monies from the World Trade Center to finance approximately \$1 billion in bonds over the next five years. The use of monies from the Trade Center is consistent with the recommendation made last fall by my Development Commitments Study Commission to identify new sources of dedicated revenues for the construction and rehabilitation of housing.

In his recent State of the State address, Governor Cuomo proposed the use of monies from either the Trade Center or the Battery Park City Authority as the vehicle for supporting this bond issue.

We believe that the dedicated use of the real estate taxes from the World Trade Center in the event of a sale or the dedication of an equivalent amount of payments in lieu of taxes if it is not sold, is a much better method to finance housing. The Battery Park City revenue stream does not even begin until 1991 and would not be adequate to support a \$1 billion housing program until the 21st century. All attempts to bridge this 20

year gap are inordinately expensive to the City, requiring the use of as much as \$7 billion in future revenues to provide \$1 billion for housing.

In contrast, the Trade Center proceeds would be available as soon as an agreement is reached with the Port Authority and enabling legislation enacted. Moreover, the credit of the Port Authority is sound and a dedicated increase in revenues received by the City would enjoy the full benefit of that credit. Battery Park does not even have an investment grade rating and numerous credit enhancements would be needed to make the bonds marketable. These enhancements cost money and divert resources from the actual development of housing.

Secondly, I will be submitting legislation in Albany to increase the bonding authority for the City's Housing Development Corporation (HDC) by \$2.2 billion over the next five years. Most of the additional borrowing capacity will be used for projects also receiving assistance from the Trade Center or MAC Programs.

Thirdly, we will build on the initial success of the MAC housing program. The MAC program utilizes \$100 million over a four-year period for the purpose of writing down interest rates on housing built or substantially rehabilitated for people of

middle income (80 percent of the units) and working class people (20 percent of the units). The Request for Proposals recently run by the City generated a tremendous response by developers to this concept. Therefore, I propose an expansion of this program by utilizing an additional \$125 million in new MAC funds.

Homeownership must continue to be a keystone of any comprehensive City housing policy. Accordingly, I will propose State legislation to permit HDC to finance single family housing rehabilitation and new construction and to provide \$1 billion in bonding authority to finance such activities over the five year period. By reducing the financing cost and providing further subsidies, this program will make the American dream come true for thousands of families in New York City.

The final component of my initiative is the use of \$50 million from the Capital Budget funds for two purposes. Primarily, these funds would be used for street repair and other infrastructure improvements to further assist and stimulate the construction of new assisted housing in neighborhoods throughout the City. The requirement that developers repair streets adjoining their project is often cited as one of the reasons that the private sector is reluctant to build in areas

like the South Bronx, East New York or Jamaica. Other Capital Budget funds will be used to supplement World Trade Center monies to rehabilitate City-owned buildings, thereby improving living conditions for tens of thousands of residents.

The plans for the use of these monies have been developed with the objective of providing housing for a broad spectrum of New Yorkers. The lack of affordable living space is devastating to poor, working poor and middle-income people. Therefore, the program I am proposing will provide housing equally for this range of income groups. In addition, we will strive to seek a balance in using these funds by producing new housing, rehabilitating vacant housing and upgrading existing occupied housing.

Some examples of how we intend to use the World Trade Center monies follow.

First, we intend to undertake a major effort to rebuild entire neighborhoods of, perhaps, 15 to 25 square blocks throughout the City, costing around \$250 million over 5 years. It is anticipated that such concentrated revitalization would provide the hub for further development. This program would utilize existing housing and buildings to the maximum extent possible, but would include a new housing component. The new housing

would be of a size and density consistent with the neighborhood, in most cases ranging from one, two, and three-family homes to garden apartments and mid-rise buildings.

Secondly, we plan a major new program to substantially upgrade 9,000 apartments in city-owned buildings over a five year period at a cost of \$75 million dollars. We recognize that some in rem buildings will not be viable for private ownership for many years and that they must be improved while in the City's hands if they are to remain a sound low income housing resource. This upgrading will pay for itself in a few years by decreasing our maintenance and operation costs substantially and by increasing our rent collection rates because of improved service. I consider this effort so vital that I will ask for Capital Budget funding for this program in the upcoming fiscal year should alternative resources not be available quickly enough.

Thirdly, we will allocate funds to expand some existing housing programs. For instance, the City's Alternative Management Programs, which are generally aimed at selling city-owned buildings to community groups and low-income tenant cooperatives at \$250 per apartment, will be expanded to include more buildings. We will also provide funding for our existing loan programs such as the Participation Loan Program and the

Article 8A Loan Program so that additional private dwellings can be rehabilitated.

Fourthly, we will provide about \$250 million to reduce interest costs on projects being financed by tax exempt bonds issued by HDC. As with the current MAC Housing Program, these projects must include at least 20 percent of the units for low-income households.

Finally, we intend to allocate money to undertake programs which current resources do not permit. For example, for the first time we will rehabilitate totally vacant city-owned buildings in such neighborhoods as Morrisania, East Harlem and Brownsville enabling the revitalization of these areas to proceed.

I want to emphasize that this housing proposal does not involve the City's own credit. All the debts to be issued will be backed by either contractual agreements with the Port Authority or Federal mortgage guarantees. It thus differs significantly from previous State and City housing programs.

## FACILITATING PRIVATE DEVELOPMENT

The program I have thus far outlined provides a plan of financial assistance for the City's housing market. However, there is more that we can, and must do, to alleviate the City's housing problems. If any real dent is going to be made in the housing crisis, it will clearly require the partnership of both government and the private sector.

### Zoning Revisions

Where housing development has become overly burdensome and costly as a result of government regulation and bureaucracy, government should eliminate those impediments. For instance, current zoning requirements and procedures have often been cited as a major obstacle to new construction throughout the City.

Therefore, I have asked that the City Planning Commission and the Department of City Planning consider a number of zoning changes to facilitate new residential construction.

First, there are areas in the City now zoned for manufacturing or heavy-duty automotive use, which are not being fully utilized for these purposes. To increase the amount of land

available for residential use, City Planning will be rezoning some of these areas to permit housing development. Such areas include lower Sixth Avenue, Yorkville, Mill Basin, and Queens Boulevard in Elmhurst. Of course, such rezonings would ensure that no existing manufacturing uses and jobs would be lost and would permit expansion of such uses in concert with new residential development.

Secondly, in areas zoned for multi-family development outside the Manhattan core, the present "as-of-right" zoning requires developers of medium-size apartment buildings to build on larger sites than are generally available. Also, zoning favors building high-rise structures, which are often inconsistent with existing neighborhoods and are not economically feasible due to the need to use higher-cost construction techniques. These conditions are created by the provisions of the zoning ordinance which requires developers to construct a high-rise building and leave large portions as open space in order to fully utilize the site.

To remedy this situation, the Department of City Planning will shortly introduce a comprehensive revision of multi-family zoning to encourage development of mid-rise apartment buildings. The new zoning will eliminate the current open space requirements and permit development at the maximum



allowable densities in a mid-rise form reminiscent of the classic Brooklyn, Queens and Bronx apartment buildings of the 1950's and early 1960's.

As an additional development incentive, I have asked the Planning Commission to provide for a 20 percent increase in the number of apartments that can be built if construction is commenced within six years of the approval of the necessary zoning amendments. Such an approach would provide an immediate shot in the arm for new development, while including provisions to ensure that the new housing would be consistent with the existing character of the neighborhood. While these proposals are considered by the Commission, Chairman Herb Sturz has agreed to direct his staff to process as expeditiously as possible applications for special permits and waivers of existing height and setback requirements.

#### Increasing Tax Incentives

An increase in permissible density, alone, is not likely to stimulate development in marginal neighborhoods. Therefore, I will propose a concurrent deepening of Section 421a tax incentive benefits for new residential construction in specified areas outside the Manhattan core.

This enhanced tax incentive program would be based on the three-tiered Industrial and Commercial Incentive Board model. In the central Manhattan core, only government-assisted projects and those providing substantial low income housing would retain the present 12 year declining exemption. In other areas of the City, exemption benefits would extend for 15 years, with no increase in taxes for 10 years, while in areas requiring even greater benefits, exemptions would extend to 25 years (with taxes held constant for 20 years). These changes would, in some cases, triple the tax benefits available for new residential construction.

The combination of zoning bonuses, deepened tax benefits and infrastructure improvements together should provide the kind of stimulus needed to foster new construction in many areas of the City. These changes would also significantly alter the climate, demonstrating to the private sector that the City wants them to build housing here.

#### Reducing Construction Costs

I have thus far described positive climatic changes which the City can effect largely on its own initiative. There are yet other changes to stimulate new housing production, which the City can only implement with the cooperation of other interested actors in the housing arena.

New York City had historically been one of the most expensive places to build in the entire country. Part of the reason is undoubtedly attributable to the inherent difficulty of building in a congested urban environment and to the need for adherence to the City's necessarily strict building and fire safety standards. While we can't eliminate traffic jams or relax life and safety requirements, there are areas where change is possible.

I have renewed my request that the State Legislature repeal the Wicks Law, which requires four separate contracts for most construction projects undertaken by government. A recent study by my Office of Construction concluded that the Wicks law increases construction costs by 10 percent -- and that means we can build less housing with the available dollars.

But government does not have a monopoly on inefficient practices. The construction industry is riddled with outdated and overly restrictive labor rules. For example, the price of concrete is twice as high in Manhattan as in surrounding areas. In most major cities in this country, an elevator in a high-rise building takes about 15 weeks to install. In New York City, that same elevator could take 25 weeks to install. In New York City, you must pay two elevator operators to run one personnel and material hoist -- elsewhere, only one person

is needed. When a builder in New York City wants to pay overtime to a particular trade, he often must also pay workers from other trades who have no work to do.

It has been estimated by experts that while an average construction worker in the City gets paid for seven hours, many work only five hours each day. When you consider that 50 percent of the cost of constructing a new building goes for labor, there is no escaping the conclusion that such labor practices are one of the reasons building costs are so high here.

To help bring these costs down, the City will make land available and seek a qualified private company willing and able to produce concrete at a competitive price. I also call upon the construction industry and unions to join with me in eliminating unproductive rules and practices which retard the development of housing.

#### HOUSING THE HOMELESS

The plight of the homeless cannot and will not be neglected. As part of my housing initiative, I intend to increase the

number of permanent housing units produced for the homeless from 3,000 units a year to 4,000 units a year.

Furthermore, I will propose that we build and install 100 manufactured homes to house the homeless on a temporary basis. This program takes advantage of the vacant land still available in the City to provide immediate shelter. We are presently studying whether it will be quicker for the City to purchase and install these units itself or to request the New York State Urban Development Corporation to assist in this undertaking. If this pilot program is successful, it will be expanded.

Housing the homeless must be combined with an effective plan to prevent homelessness. That is why I have already submitted legislation to impose an 18 month moratorium on the conversion, alteration and demolition of single room occupancy units while a study is undertaken to consider the best ways to house low-income people.

#### CONCLUSION

The plan and program which I am proposing is a comprehensive strategy for maintaining the City's existing housing and producing new housing for a broad range of income groups

throughout the City. It will provide over 20,000 construction jobs annually and significantly enhance the City's tax base.

The program will expand some of the City's existing housing programs which have proven to be productive and cost effective. It also sets forth new housing initiatives on a scale which has not been seen in this City since the demise of the Mitchell-Lama Program in the mid-1970's.

This program is not a cure all. A recent study has identified housing needs in New York City, which exceed even the \$4.4 billion, 100,000 unit program which I am now proposing. But this program is our first major step forward on the housing front in many years. Through our current efforts, we have successfully stemmed the tide of deterioration, arson and abandonment which has swept the City's housing market for years. Now it is time to move forward.

I know that what I have proposed will not be easily accomplished. I know, however, that this program can be accomplished with the support and cooperation of all those involved -- the State government, the City Council, the Board of Estimate, the labor unions, the banks and financial institutions, community leaders, the housing industry, and most important of all, each and every resident of this great City.

I have worked throughout my Administration to forge the public-private partnerships that have thus far accounted for our success, and are now more than ever needed to accomplish our future goals. I call on all those partners to now lend their support to this program.

TABLE 1

HOUSING PROPOSAL SUMMARY

FUNDING SOURCES

World Trade Center Bond Issue	\$ 1.000	billion
HDC Bonding Increase	\$ 2.200	billion
HDC Single Family Program	\$ 1.000	billion
MAC	\$ 0.125	billion
Capital Budget	\$ 0.050	billion
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TOTAL	\$ 4.375	billion
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TABLE 2

FISCAL 1984 REHABILITATION AND NEW CONSTRUCTION STARTS

	UNITS
REHABILITATION	
Section 8 Substantial Rehabilitation	967
Section 8 Moderate Rehabilitation	171
Participation Loan Program	2,793
8A Loan Program	7,613
Division of Alternate Management Program	2,576
Sweat Equity	24
Section 312	150
Home Improvement Program	1,461
Rehabilitation Mortgage Insurance Corporation	207
In Rem - Central Rehab (repairs over \$2,000)	452
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TOTAL REHABILITATION	16,414
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NEW CONSTRUCTION	
Section 8 Program	1,362
Section 421a (Multiple Dwellings)	2,678
Section 421b (1 and 2 Family Homes)	1,565
Public Housing	1,152
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TOTAL NEW CONSTRUCTION	6,757
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TOTAL REHABILITATION AND NEW CONSTRUCTION	23,171