CITIZENS HOUSING AND PLANNING COUNCIL

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No Tax Relief for Housing in Sight

Cutbacks in Section 8 rent subsidies, new welfare restrictions, and other government austerity measures threaten to erode the income base of low-income housing. At the same time, momentum for tax relief for that housing appears to have dissipated.

When the Giuliani Administration announced its new approach to tax-delinquent housing in October 1995, it stimulated hope in the housing industry that a wider set of policy issues affecting low-income housing would be addressed. In the past year, however, senior staff turnover at key city agencies, including the departments of Housing Preservation and Development, Finance, and Environmental Protection have slowed progress, while the city's budget problems have not encouraged priority attention to tax relief.

At stake are the prospects for preserving and revitalizing the city's low-income neighborhoods and the housing that is their backbone. Already during the 1990s there are indications that the financial condition of the private, low-income housing stock is deteriorating. Many housing professionals fear that the deterioration will quicken in coming years, as income support for poor tenants, and indirectly for the housing they live in, is curtailed.

Anomalous Assessments

In addition to implementing a new approach for dealing with tax-delinquent housing, the Giuliani Administration promised that a comprehensive program for addressing the economic problems of low-income housing and for staving off further housing abandonment would be designed. In the year since, the Administration has moved aggressively to market tax liens and to divert delinquent buildings from *in rem* ownership, but the broader anti-abandonment program has been slow to take shape.

Increasing the urgency of designing such a program has been an escalating property tax burden on low-income housing. Since 1990, the tax burden on rent-regulated housing in the city's 15 poorest neighborhoods has increased by over 76 percent—more than double the increase for the city as a whole. According to the Rent Guidelines Board's annual income and expense audit of 32,000 rent-regulated apartment buildings, tax burdens have been increasing fastest in the South and West Bronx and in Central Brooklyn. Between 1990 and 1996, of the ten community board districts experiencing the largest property tax increases, all ranked among the poorest neighborhoods in the city. Property taxes on rental housing in those communities soared by 93 percent, compared to a city-wide average of 32 percent.

Tax increases can come about because of increases in assessed valuation, increases in rates, or through expiring abatements and exemptions. Although the city has held the overall tax rate constant over the past several years, the rates on each of the four classes of real property can fluctuate. Since 1990, the tax rate per $100 of assessed value for multi-family residential property (Class II) has increased by about 20 percent. Therefore, it is apparent that the large increases in taxes on low-income rental properties are due primarily to soaring assessments.

Change in Property Taxes, 1990-96

CBD	Neighborhood	% Change
Bx3	Morrisania/Crotona	124.8
Bx6	East Tremont	118.8
Bx1	Mott Haven/Melrose	116.9
Bkn8	Crown Heights	100.3
Bx2	Hunts Point	92.1
Bkn3	Bedford Stuyvesant	83.9
Bx5	Univ Heights/Fordham	81.8
Bkn4	Bushwick	75.0
Bkn16	Brownsville	70.3
Bx4	Highbridge/Concourse	69.0
	Average of Above CBDs	93.3
	New York City	31.9

Source: Rent Guidelines Board; Tabulations by CHPC

Because New York State law requires that increases in assessed values of multi-family housing in the city be phased in over five years, it is possible that the value taxes are actually based on can continue to increase well after market values have "topped out." Indeed, this effect was evident in recent years. For Class II properties as a whole, actual assessed values reached a peak in 1991, but billable assessed values continued to rise through 1993. Since that time, however, assessments have caught up to the rise in property values; the ratio of billable to assessed value for Class II

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Jobs Watch

Teenage Wasteland

Lost in the bitter political debate over the Giuliani Administration's "Big Box" zoning proposals has been recognition of the city's general retailing weakness and its implications for minority youth employment.

Measured in terms of retail employment per billion dollars of income, New York City has a vastly underdeveloped retail sector. While retail employment in Manhattan is supported by tourist and commuter spending and so is close to the national average, in the other boroughs it is less than half the national average and 40 percent less than in surrounding suburban counties. Aside from the lost tax revenue this shortfall represents, it has profound implications for the city's young people, contributing to the persistence of inner-city poverty.

Labor economists have documented how individuals who are not afforded the opportunity to develop skills, work attitudes and a track record of job experience when young are more likely to suffer unemployment and low wages when they grow older. They have termed this long-term, adverse effect of teenage unemployment "scarring."

Nationwide, 51 percent of all employed youths aged 16 to 19 work in the retail or food service industries. The underdevelopment of New York City's retail sector thus has a disproportionate economic impact on the city's young people. Teenagers living in the city are half as likely as their counterparts elsewhere in New York state to hold a job, and the unemployment rate among the city's 16 to 19 year-olds is more than four times that of other New Yorkers.

The 1990 Census measured unemployment among the city's teenagers at 28 percent. That rate, however, differed dramatically by borough and community. In Staten Island, the unemployment rate was only 17 percent and in Queens 22 percent. In the Bronx, meanwhile, it was 33 percent. Unemployment rates among teenagers are highest, not surprisingly, in inner-city, minority neighborhoods. The youth unemployment rate in Harlem and East Harlem was over 45 percent, while in eastern Queens, a predominantly middle-income area of the city, it was only 16 percent.

Perhaps most disturbing is the number of teenagers who have dropped out of high school and are not employed. In 1990, there were 28,000 such young people citywide (data in this detail are only available for Census years). The proportion of 16 to 19 year-olds who were neither in school nor employed ranges from less than 2 percent in some communities to over 15 percent in parts of the Bronx and Brooklyn. Since most teenagers who hold jobs work part-time, school and work are not mutually exclusive. Several recent econometric studies indicate that better access to jobs does not increase teenagers' probability of dropping out of high school and may even result in higher school enrollment rates.

Situations Wanted

In New York City as a whole there is roughly one retail job for every 21 residents, compared to one for every 14 residents in the rest of the state. The retail job picture outside of Manhattan is considerably worse, however. In Queens, there is one retail job for every 30 residents, and in the Bronx, one for every 46 residents.

Teenager Employment in Two Communities

	Northern Manhattan	Northeast Queens
Population 16-19 years old	29,267	20,053
Teens in Labor Force	8,679	7,351
Teens Employed	5,637	6,086
Teens Unemployed	3,042	1,265
Teen Unemployment Rate	35.1	17.2
Total Retail Jobs	7,403	15,475

Source: 1990 Census of Population; 1992 Census of Business

The job prospects available to the city's young people differ even more markedly when sub-borough areas are considered. In Manhattan community board districts 9 through 12, comprising most of the borough north of 96th Street, there are approximately 30,000 residents aged 16 through 19. In those neighborhoods there are some 1,600 retail businesses employing about 7,500 workers. Less than 20 percent of the working-age teenagers are employed, and the unemployment rate among them is about 35 percent.

In northeastern Queens, by contrast, there are about 20,000 working-age teenagers (community boards 7, 8 and 11). The retail job base in the area, however, is more than twice as large. In this area of the city, about 30 percent of teenagers hold jobs and the unemployment rate among them is about 17 percent.

At present, the age distribution of New York City contains an unusually low proportion of teenagers. Because of the increasing birth rate since 1985, demographers predict that the city's teen population will increase significantly after the year 2005. By that time, welfare reform may have forced thousands of poorly-educated young women into the labor market, further exacerbating the shortage of low-skill job openings in many neighborhoods of the city.

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Selling Short

New York City's retail job base has been flat for the past decade or more, while retail employment in the rest of the state has increased by almost one-fifth. Interestingly enough, the number of retail establishments in the city grew between 1983 and 1993, though not by as much as in the rest of the state. In the city, however, retail outlets tend to be smaller and do not generate as many jobs.

Food stores provide a case in point. While 46 percent of all retail food stores in New York State are located within the city, they generate only 27 percent of state-wide food store employment. More than half of all food stores with four or fewer employees are within the city, but only 32 percent of those with five or more employees are in the five boroughs. Supermarkets are traditionally an important part of the labor market for youths, employing them as check-out and stock clerks, and even generating free-lance concierge opportunities.

Another significant provider of job opportunities for young people are clothing stores, especially national chain outlets that rely heavily on part-time sales floor and stock help. Apparel has been one of the bright spots in the city's retailing picture. Between 1983 and 1993 employment in clothing, accessory and shoe stores grew by over 20 percent. Yet, there was consolidation in this retailing segment, with the number of such stores in the city falling by 400. Ironically, the consolidation in the city's apparel retailing occurred despite the fact that apparel stores are subject to "Big Box" restrictions. Meanwhile the number of lumber and building supply, hardware, toy, office supply and drug stores grew, even though those types of outlets are not subject to the contested zoning restrictions.

Opponents of the Administration's proposed zoning liberalization often argue that current restrictions are crucial for protecting local "mom and pop" retail businesses and for preserving the diverse urban character of neighborhood shopping districts. Despite those fears, however, there is little indication of a fundamental weakness in the small business retail sector that gives communities their flavor. The number of stationary, variety, gift, news, jewelry and florists shops operating in the city have all increased during the past decade.

Jump Starts

In the wake of the city's massive housing creation effort of the late 1980s, there was a widespread assumption that retail support for that housing would be generated in response to the new business opportunities. That did not happen, however, and recently a number of organizations involved in housing and community development have initiated programs aimed at stimulating commercial revitalization in low-income neighborhoods.

Perhaps the most visible project is the new Pathmark supermarket at 125th Street and Lexington Avenue being developed by the Abyssinian Development Corporation and the Community Association of the East Harlem Triangle. The project, which is expected to generate 200 permanent jobs, has been financed by Chase Community Development, LISC, and other public and private agencies. Also on 125th Street, the New York Empowerment Zone Corporation has taken the lead in developing a proposed 275,000 square-foot retail and entertainment center to be named Harlem U.S.A.

Other efforts are aimed at redeveloping less well-known shopping strips serving a local consumer base. In 1995 the city received a $4.6 million grant from HUD, which it used to launch the ANCHOR/Partnership program, to develop 445,000 square feet of new commercial space in six clusters. At 116th Street in Harlem, J.E. Levine Builders and the Malcolm Shabazz Mosque are developing up to 100,000 square feet of retail space, which they hope to be home to a mix of regional and mom and pop retailers. Levine is also developing, in partnership with the non-profit Astella Development Corporation and the PMA Profit Sharing Trust, a smaller retail center on Mermaid Avenue in Coney Island.

Retail Employment in New York City (000s)

	New York City		Rest of NY State	
Type of Outlet	1983	1993	1983	1993
Bldg & Lumber	8.0	5.9	18.6	31.1
General Merchandise	41.9	29.5	78.0	84.5
Food Stores	59.5	54.4	124.8	144.8
Auto & Home	13.4	12.7	63.3	72.3
Apparel	33.4	40.1	46.0	53.4
Furnishings	14.5	16.2	24.6	29.3
Eating & Drinking	106.3	117.7	183.0	231.6
Miscellaneous	51.5	53.9	94.9	109.4
Total Retail	358.9	350.6	656.3	782.8

Source: County Business Patterns

Also through the ANCHOR program, the Briarwood Organization is developing a vacant urban renewal site at Liberty Avenue and Guy Brewer Boulevard in Jamaica, Queens. The $35 million project will create an 89,000 square foot shopping plaza as well as a new, 50,000 square foot student union building for York College. In various combinations, financing for the ANCHOR projects is provided through HPD, LISC, Chase, the New York City Investment Fund and an assortment of public agencies. Federal Section 108 loan guarantees and city Industrial and Commercial Incentive Program tax benefits are also accessed.

Another retail development effort is being undertaken by the Community Preservation Corporation. This private non-profit bank is seeking to assemble a $100 million credit facility for commercial development lending in low-income neighborhoods, through which mortgages it extends would be repurchased by various financial institutions. One obstacle to this type of lending is legal limitations on public agency credit enhancement. REMIC, the city's mortgage insurance agency, is not authorized to insure commercial real estate loans, while SONYMA is subject to a $5 million per project statutory cap on commercial mortgage insurance. A bill that would raise the cap to $10 million has not yet been acted upon by the state legislature. ■

Taxes

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properties rose from 79 percent in 1990 to 99 percent by 1994. The effect of assessment phase-ins cannot explain the continued increase in assessments in low-income areas.

In order to get a better picture of the tax burden on low-income housing, CHPC recently analyzed a sample of 254 apartment buildings in a 25-block area of Harlem, between 137th and 152nd Streets. About 70 of the sampled buildings turned out to be city-owned (mostly by HPD), leaving 183 private buildings in the sample. As of 1990, the average annual income of residents of those tracts was $10,963. Nearly 30 percent of the residents received some type of public assistance and 48 percent had incomes below the federal poverty level. Average monthly registered rents in the zip codes containing the tracts are about $433 per month.

Buildings in the CHPC sample had an average estimated market value per unit of $12,345 and an actual assessed value per unit of $5,460. They paid, on average, $485 per unit in city property taxes in the current fiscal year. Based on the average rents in the area and making appropriate adjustments for collection losses, we estimate that the buildings pay about 11 percent of their annual rental income in property taxes.

CHPC Tax Sample

Tax Bill Per Unit	Bldgs	Avg Per Unit
Less than $434	125	$262.87
$435-$868	34	$818.46
$869-$1,302	11	$1,136.60
More than $1,302	13	$1,827.23
Total	183	$485.01

Source: CHPC from Finance Department records

About two-thirds of buildings (125) paid less than $434 per unit in taxes—the equivalent of one month of the average registered rent roll. Another 24 buildings paid between one and two months rent equivalent. Twenty-four of the buildings paid more than the equivalent of two months rent in property taxes—an average of $1,510 per unit. Further statistical analysis indicated that the two dozen buildings with the highest tax burdens did not differ materially from the others in terms of their typical size (21 units) or age (77 years).

The wide variation in assessments and tax bills did not diminish significantly when individual blocks were analyzed. For example, of twenty residential buildings on one particular block, eleven were assessed property taxes of less than $286 per unit while three were billed over $1,490 per unit. There was no statistical correlation between the age and size of the buildings and their tax bills. Of eleven buildings on another block, nine had tax bills of under $532 per unit while two others were billed over $1700 per unit.

There is a two-step process for property owners in New York City to appeal their tax assessments. Owners can appeal their assessments to the NYC Tax Commission. If the initial assessment is confirmed or the owner chooses not to accept its assessment reduction offer, it can seek remedy in the state Supreme Court. In fiscal 1996, the assessments of nearly half of all larger rental buildings were appealed to the Tax Commission, but less than one in ten owners of rental buildings containing ten or fewer units did so. Of those, the Commission offered assessment reductions averaging $21,000 to about 800 owners.

Income Drain

In recent years water and sewer charges have become a major concern of low-income housing providers. After it became apparent that the city's transition to a metered water billing system was causing the expenses of low-income buildings to soar, potentially resulting in a massive loss of housing, the New York City Water Board instituted a voluntary transition program. That program, which enables most owners to opt to continue to pay according to the "frontage" billing system, is now in its fourth year. After a rate freeze that prevailed during 1994 and 1995, however, the Water Board has approved rate increases of 5 and 6.5 percent for the past two fiscal years, respectively.

Affordable housing professionals have argued that the metered billing for water and sewer service is regressive, since high-occupancy, low-income buildings often have high water consumption, which does not significantly raise the fixed costs of the system's infrastructure. They have advocated a "bifurcated" billing system which would incorporate a uniform fixed charge to account for the cost of basic system infrastructure and a metered charge to reflect the variable costs attributable to higher use. Such fee systems are already common in other U. S. cities. During the tenure of Marilyn Gelber as Commissioner of the city's Department of Environmental Protection, planning for a bifurcated fee system was underway. This work is apparently continuing under the new Commissioner, Joel Miele, but experts say that computer programming problems may prevent a split billing system from being implemented within the coming year.

The average rental building in the city now pays approximately $330 per unit per year for water and sewer service. When those costs are added to the property taxes levied on the sample of low-income buildings discussed above, the total exceeds $800 per unit annually and absorbs about 18 percent of the buildings' estimated rental income.

If the income support that keeps low-income housing economically viable is to be reduced, it stands to reason that the taxes extracted from the housing should also be reduced. Thus far, unfortunately, the momentum is in the opposite direction. ■

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