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How Much Housing Do We Need?

There is a general consensus among both experts and the public at large that New York City suffers from a chronic shortage of affordable housing. For policy planning purposes it would be useful to know just how much of a shortage there is. Once the question is addressed directly, however, it quickly becomes apparent that it defies a simple answer and that underlying it are a host of value judgements about how families should live, what policies should be pursued, and how the market will respond to them.

The difficulties associated with defining housing need and anticipating market adjustments are compounded by the paucity of reliable data on marginally housed families. Standard data sources are fairly reliable when detailing characteristics of stable working families but falter when information on marginal populations is considered. The more precarious a family's housing circumstances, the more likely they will be missed by standard data sources.

The Have Nots

Any estimate of housing need must start with individuals and families who are homeless or doubled-up with others.

During FY99 the city provided temporary or emergency housing to about 7,000 homeless individuals per day and to about 4,500 families. It is difficult to translate the number of homeless individuals into a specific number of affordable housing units needed. Many homeless individuals are estranged from family due to drug addiction or mental illness and so are not necessarily without housing options. On the other hand, the overall population of street homeless is typically estimated to be about three times as large as the number seeking shelter from the city at any given time. It would thus appear that at least 7,000 additional affordable housing units to accommodate all individuals currently living in homeless shelters are needed. The need of homeless families is less ambiguous. Insofar as all of those families include children, permanent affordable housing of their own is needed for all of them.

Homeless individuals living on the streets or singles or families sheltered by the city are only the tip of the iceberg. There are thousands of families doubled-up with others and single individuals sharing dwellings with roommates that

should be included among the housing have-nots. It is very difficult to estimate the size of those populations and even harder to draw the value judgements that might translate their numbers into housing need. In order to establish the probable extent of doubling-up CHPC tabulated microdata from the city's 1996 Housing and Vacancy Survey (HVS).

At one extreme, we could define the doubled-up population to include all households in which an adult who is not a member of the householder's nuclear family resides. Such an individual could be a parent, sibling, other relative or a non-relative. That definition, however, is probably too expansive, as many families contain an elderly parent, for example, living with one of her children as a matter of preference. At the other extreme we could use a crowding-based measure of doubling-up, but that would ignore the standards of nuclear family independence and privacy that prevail in our society.

Neither of those approaches corresponds closely to the popular conception of what a doubled-up family is. An alternative is to include in the doubled-up count only those households that contain more than one extra individual, at least one of whom is an adult who is not a member of a nuclear family. For example, if a single adult is residing with a sibling and his or her family, we might consider it an expression of personal choice; if a mother and child are living with a sibling's family, we assume it reflects housing need.

According to that criteria, HVS tabulations indicate that in 1996 about 72,000 households in the city were doubled-up. This is almost surely an undercount, but provides a defensible estimate and can be used to reveal some important characteristics of doubled-up households. The rate of doubling-up is highest in Queens and lowest in Staten Island and Manhattan. Doubled-up families are also much more likely to live in overcrowded conditions than other households. Whereas 6.9 percent of non-doubled-up households are over crowded (more than 1.0 persons per room), the percentage of doubled-up households who are overcrowded is 37.2 percent.

Asians have the highest rates of doubling-up followed by African-Americans and Hispanics. The percentage of each group that is living in doubled-up circumstances is more than three times the percentage of whites. Contrary to the popular image, however, doubling-up is not a condition limited to low-

income households. Within each of the major ethnic groups the host family is most likely to be in the middle-income range. For example, about 5 percent of black households with incomes over \$50,000 are host to doubled-up families. Not surprisingly, families in housing need are most likely to seek help from friends or relatives who have resources.

When a reasonable estimate of doubled-up families is added to the number of homeless families and individuals, our base estimate of the city's immediate housing need rises to about 85,000 dwelling units.

Paying the Rent

Thousands of families in New York have apartments of their own but struggle to pay rents which absorb an enormous portion of their incomes. Others live in apartments that do not meet established standards of maintenance quality.

Middle-income New Yorkers do not pay an unusually high percentage of their incomes in rent or homeowner costs. This may be a surprise to many concerned with the city's housing circumstances, but it is a natural result of how households make their consumption decisions. In general, middle-income households determine how much of their incomes they can afford to pay for housing costs, and shop for the best housing they can procure with that expenditure. The city's expensive housing market shows up primarily in terms of the housing amenities New Yorkers' get for their money, which are generally much fewer than those enjoyed by middle-income families elsewhere in the country.

For low- and moderate-income New Yorkers, however, the picture is much different. Their rent burdens are extraordinarily high compared to low-income families in most other cities and compared to their better-off counterparts here. A majority of New York City renter households earning under \$25,000 pay more than one-third of their gross incomes in rent, and nearly two-thirds of families earning less than \$12,500 pay over 50 percent of their incomes in rent. Since about 100,000 of those households receive Section 8 rental subsidies and another 70,000 already live in some other form of publicly-subsidized housing, the total number of high-burden, unsubsidized households is approximately 590,000. More than 90 percent of them are Section 8-eligible.

Most of those households do not need new housing but do need more affordable housing. Actually building new, subsidized housing for them would be a relatively inefficient and highly disruptive approach; in-place subsidies would obviously be more appropriate. We estimate, based on the distribution of rents and incomes, that the annual subsidy cost of reducing the rent burdens of all 590,000 households to 33 percent would be approximately \$1.2 billion.

Another principal indicator of housing need is maintenance condition. Approximately 11 percent, or 180,000, of the unsubsidized rental apartments in the city have serious maintenance problems (they have at least three of the seven major maintenance deficiencies tracked by the HVS). Short of an

engineering evaluation of each building, any estimate of the replacement needs of the city's rental inventory is necessarily arbitrary. A ballpark estimate can be arrived at, however, by separating out the number of units that are in poor maintenance condition (3 or 4 serious maintenance deficiencies) from those

Rent Burdens By Income Group, %

Income	Rent Burden			
	< 20	20 - 33	33 - 50	> 50
< \$7,500	2.5	12.7	10.5	74.3
\$7,500-\$12,499	5.9	15.7	20.2	58.2
\$12,500-\$25,000	14.1	33.5	35.3	17.1
\$25,000-\$49,999	46.2	43.4	8.4	2.1
\$50,000-\$99,999	85.4	12.1	2.5	0.0
\$100,000 +	96.1	3.9	0.0	0.0

Source: CHPC tabulations from 1996 HVS.

that are in desperate condition (5 or more deficiencies). We can assume that the those in the former category could be brought up to code with moderate rehabilitation and that those in the latter would require substantial or gut rehabilitation. Since about 50,000 unsubsidized apartments have five or more serious maintenance deficiencies, that can be considered the number that need to be rebuilt or replaced.

The number of New York's known renter households who have a serious housing problem—either because their rent burdens are too high, their dwellings are in poor maintenance condition, or both—is thus approximately 720,000. That figure does not include illegal apartments, about which very little is known. Neither the Census nor the HVS have had an adequate process for surveying illegal apartments, a flaw that contributed to an estimated half-million person undercount of the city's population in 1990. City agencies are now working with the Census Bureau to address that issue in time for the year 2000 Census and the effort is likely to yield the first reliable estimate of the size of the city's illegal housing stock.

Based on anecdotal and indirect statistical evidence, CHPC has long maintained that the size of the city's illegal stock is much larger than has been officially recognized. It may total upwards of 100,000 dwellings. If the illegal stock is found to be on that scale, it will raise a host of wrenching housing policy issues. The city will be forced choose among three options: inspect and perhaps legalize those units, ignore the issue and thereby condone the violation of its housing and building codes, or vacate them. A reasonable response would be to combine elements of enforcement and legalization. Nevertheless, if even half of the "underground" component of the housing inventory could be brought up to an acceptable standard of habitability, as many as 50,000 dwelling units might be added to our determination of the city's housing shortage.

The 1996 HVS found that the rental vacancy rate in the city was 4.0 percent. Most housing experts would agree that

Research Watch

Health, Housing & Work

One century ago Lawrence Veiller motivated the city's path-breaking Tenement House Act of 1901 with his study of tuberculosis contagion in the crowded tenements of the Lower East Side. In the decades since, further layers of housing regulation were added to ensure the health and safety of residents, which, combined with a growing prosperity, helped to dramatically improve the housing environments of most New Yorkers.

Even as the basic characteristics of dwellings were improved with regard to light and air, heating, and internal plumbing, new housing-based threats to health were discovered. Among the most notable were lead paint, asbestos and radon. While housing regulation evolved to address the threats those environmental contaminants posed, the original link between housing quality and general health was somewhat obscured.

During the past few years health researchers have grown increasingly disturbed by the perplexing link between health outcomes and class status, and even more so by the persistent disparity in health conditions between inner-city blacks and the rest of the U.S. population. The high rates of asthma, hypertension and other chronic conditions that are characteristic of inner-city African-Americans cannot be explained solely by differences in proven risk factors.

In a recent article published by the American Economic Association, Rand Corporation economist James P. Smith detailed the mysterious association between health and wealth. Smith noted that economic status differs as widely with health as it does with education, yet the latter relationship has generated far more research interest and public policy attention. Moreover, the economic impacts of poor health are not merely a result of higher medical expenditures; ill health appears to have a dramatic effect on earnings as well.

In another study published by the Federal Reserve Bank of New York, Arline T. Geronimus of the University of Wisconsin compared overall mortality rates from circulatory disease, respiratory diseases and cancer to those found in Harlem, central city Detroit, and Chicago's South Side.

Geronimus showed that African-American men in Harlem have a death rate from respiratory disease that is nearly 15 times that of white American men, and suggested that poverty, urban decay and chronic stress are among the possible risk factors.

Through research funded by The Lavanburg Foundation and William R. Ginsberg, CHPC recently explored further the connection between urban environment, health and economic

Maintenance Deficiencies By Income Group, %

Household Income	Maintenance Deficiencies		
	0	1 to 2	3 +
Less than \$7,500	35.8	36.0	28.1
\$7,500 to \$12,499	44.1	33.3	22.7
\$12,500 to \$25,000	46.2	34.1	19.7
\$25,000 to \$49,999	51.0	33.2	15.9
\$50,000 to \$99,999	55.3	34.5	10.2
\$100,000 or more	57.8	35.4	6.8

Source: CHPC tabulations from 1996 HVS.

status. Using microdata from the city's 1991, 1993 and 1996 Housing and Vacancy surveys, the study sought to determine if there is a connection between substandard housing conditions and health-related employment instability.

CHPC found a strong statistical correlation between the maintenance condition of New Yorkers' housing and their likelihood to be out of work due to ill health and other physical handicaps. For example, women in New York City were found to have a 60 percent greater chance of being out of work due to ill health if they resided in a substandard apartment (three or more serious maintenance deficiencies). Female residents of substandard housing were also found more likely to have missed work the prior week and to work fewer weeks per year. The association between poor housing and employment instability was not found to be as strong for men.

Despite measures to control for age, income, education and similar variables, such statistical associations do not necessarily prove causation. The study did, however, attempt to rule out the most simple and obvious alternative explanations. For example, substandard housing was found to strongly correlate with absence from work due to ill health, but not with other reasons for nonwork, such as lack of skills, inability to find a job, or family responsibilities. CHPC also tested the relationship between housing conditions and work stability using a "fixed-effects" regression procedure, which is designed to control for differences among individuals that cannot be directly observed.

In his classic 1936 treatise, *Slums and Housing*, James Ford argued that a vicious cycle of poverty is created when poor housing contributes to poor health, which in turn impedes work effort and earnings, thus trapping residents in their low-rent, unhealthy dwellings. The CHPC study provides some evidence that such a vicious cycle may still entrap a significant portion of the city's poor. The full study is forthcoming, and will be made available free to CHPC's members. ■

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Housing Need

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that is too low a figure for a housing market to function smoothly; the national vacancy rate is over 11 percent. Since the city's own rent laws define a vacancy rate under 5 percent as a "housing emergency," it seems appropriate to include an allowance for a higher vacancy factor in any calculation of the city's housing need. More vacancies would help restrain price increases and would facilitate a better "matching" between apartment locations and sizes and potential tenants. To raise the city's rental vacancy rate to 5 percent, an additional 20,000 vacant apartments would be necessary.

The vacancy rate for ownership housing was, as of the last HVS, only 2.7 percent. An additional 20,000 vacant ownership units would be needed to bring the vacancy rate in that submarket to 5 percent. Of course, new apartments would not be built simply to remain vacant; they would presumably attract tenants who would find them either more affordable or more desirable than the units they currently live in.

An Elastic City

If 85,000 apartments are needed for individuals and families who are currently homeless or doubled-up, 50,000 to replace seriously deteriorated units in the active stock, 50,000 to replace substandard illegal apartments now in use, and 40,000 to bring the overall vacancy rate up to 5 percent, the city's total shortfall can be pegged at 225,000 housing units.

That figure would be a realistic estimate of the city's affordable housing need only if the market were entirely static. In reality, a large expansion of supply would set in motion a series of complex market adjustments that would be extremely difficult to predict.

The city's experience with a supply surge during the 1960s sheds some historical light on how the market adjusts to supply increases. Driven by the Mitchell-Lama program and by developers seeking to beat implementation of the 1961 zoning resolution, almost 350,000 new housing units were completed during the decade. Yet, by 1970, the city's housing stock was only 150,000 units larger, as about 200,000 housing units left the inventory through redevelopment or abandonment. The city's rental vacancy rate fell from 2.2 percent in 1960 to 2.0 in 1970 and the median rent level increased 50 percent faster than the general rate of inflation.

A key factor determining the market's adjustment to new supply is the elasticity of the city's demand for housing. During the 1960s the surge in housing supply temporarily reversed the decline in population that had been the trend in the 1950s and that was to resume in the 1970s. A trend toward smaller families caused the number of households to expand more rapidly than the number of people, but the increase in household formations was not enough to absorb the increased supply so a substantial amount of housing was

withdrawn from the market.

Despite the shortage of housing, demand for apartments would not necessarily expand with additional supply if needy households do not have the income required to rent even

Vacancies by Rental Class

Rent	1991		1993		1996	
	Apts.	%	Apts.	%	Apts.	%
< \$300	4,115	1.2	1,840	0.6	3,290	1.5
\$300-\$599	22,306	2.5	20,446	2.4	23,425	3.3
\$600-\$999	27,760	4.9	27,197	4.8	37,544	5.1
\$1,000 +	12,824	8.3	7,776	5.3	6,884	3.5

Source: CHPC tabulations from HVS.

relatively affordable units. Evidence that affordable housing is not necessarily absorbed immediately by the market was provided by the city's large housing creation effort initiated by Mayor Koch. Between 1991 and 1996 about 39,000 affordable housing units were built under the "10-Year Plan," but during the same time period the number of vacancies with rents under \$1,000 increased by about 19,500, confirming landlord reports that the new, city-financed housing pulled tenants from the older, private housing with which it competed.

One of the factors which may contribute to a more elastic demand for housing than that which prevailed during the 1960s is immigration. The nation's immigration laws were substantially liberalized in 1965, and annual rates of immigration have increased continually since. During the 1960s the city absorbed immigrants at an annual rate of 57,600; by the 1990s annual immigration had doubled to 112,600. While it is doubtful that the availability of affordable housing has much of an effect on the overall number of immigrants entering the country or even the region, greater housing availability may induce more of them to settle within the boundaries of the city.

Domestic migration also contributes to making demand in New York elastic. At any given time, the proportion of New Yorkers who recently arrived from another area of the country (including the city's suburbs) is almost as large as the number who came from abroad. Between 1985 and 1990, the immigration rate was 72,000 per year. A large number of people leave the city each year as well; the balance between in-migrants and out-migrants is determined by a number of factors, including the health of the economy, the quality of life, and by the relative availability of affordable housing.

Whether any surge in new housing supply results in higher vacancy rates and a moderation of housing costs, a withdrawal of marginal housing from the market, or a flood of new migrants to the city is difficult to predict. The unpredictability of the market adjustment process cautions against using a stationary estimate of need as a basis for housing policy. But it does not obscure the reality that over 800,000 families in the city pay excessive rent burdens, live in poorly maintained housing, or have no housing of their own at all. ■