

# 5 Myths About Rent Regulation in New York City

May 2015



New York City's rent laws expire on June 15 of this year, after a six-year renewal period. As rent laws faced expiration and modification in 2009, the Citizens Budget Commission provided a set of facts for legislators to consider.<sup>1</sup> A follow-up report on the economic impacts of rent regulation in New York City found rent regulated units were ineffectively targeted and did not necessarily provide affordable housing for low-income tenants.<sup>2</sup> As the New York State legislature once again debates the renewal of New York City's rent laws, it is useful to offer clarifying facts regarding myths about rent regulation and the City's rental market.

### MYTH

A majority of tenant households in New York City are rent burdened.

### FACT

38 percent of tenant households in New York City are rent burdened.

Many public officials and housing advocates cite the claim that the majority of tenant households—56 percent—are “rent burdened,” meaning their rent-to-income ratio exceeds 30 percent. But the 56 percent figure is problematic because “rent” is based on “gross rent,” not on the actual “out-of-pocket” rent paid. Out-of-pocket rent is a more accurate measure for assessing the rent paid by households because it takes into account government financial assistance. Many households in New York City receive support from federal, state, and city

governments to reduce the actual rent paid.

Using the out-of-pocket figure, 38 percent of New York City's tenant households are rent burdened.<sup>3</sup> Although this is still a high number of affected households, the distinction is important. Reporting the gross rent-to-income figure overstates the burden and understates the impact of financial support from government on affordability.

### MYTH

Market-rate units in New York City are not affordable to most tenants.

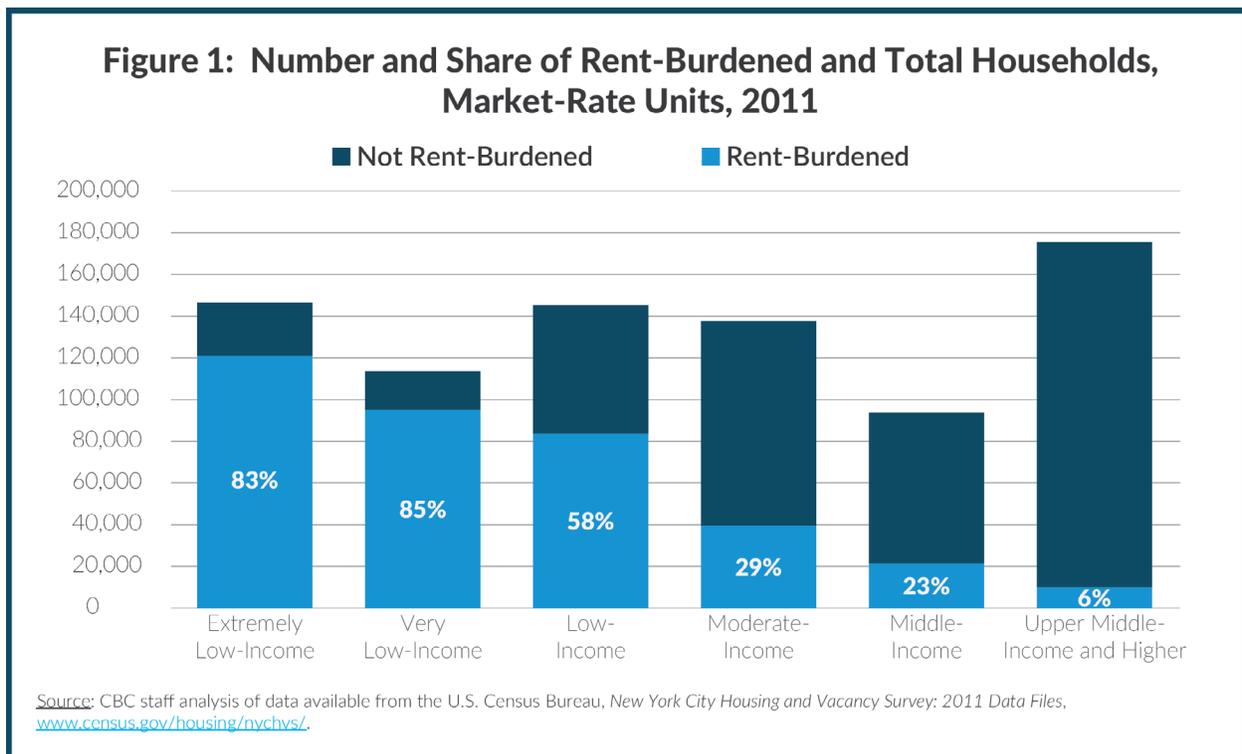
### FACT

In market-rate units, 54 percent of tenants have affordable rent.

One argument for strengthening rent regulation is that market-rate units are not affordable. The reality is that while market-rate units may be costly for low-income households, a **majority of tenants in market-rate units have affordable rents**, using the out-of-pocket measure of rent burden. About 441,202 households, or 54 percent, of a total of 812,124 market-rate households pay less than 30 percent of income for rent.

Characterizing market rate units as unaffordable undermines the important role they play by providing housing for 39 percent of New York City's population.

While many low-income households in market rate housing are rent burdened, about 83 percent of moderate-, middle-, and upper middle-income or higher households are not (see Figure 1). (See Appendix table for definition of income groups by household size.) Market rate housing also provides affordable rents for more than 105,000 extremely low-, very low-, and low-income households.



## MYTH

A rent-regulated housing unit is an affordable unit

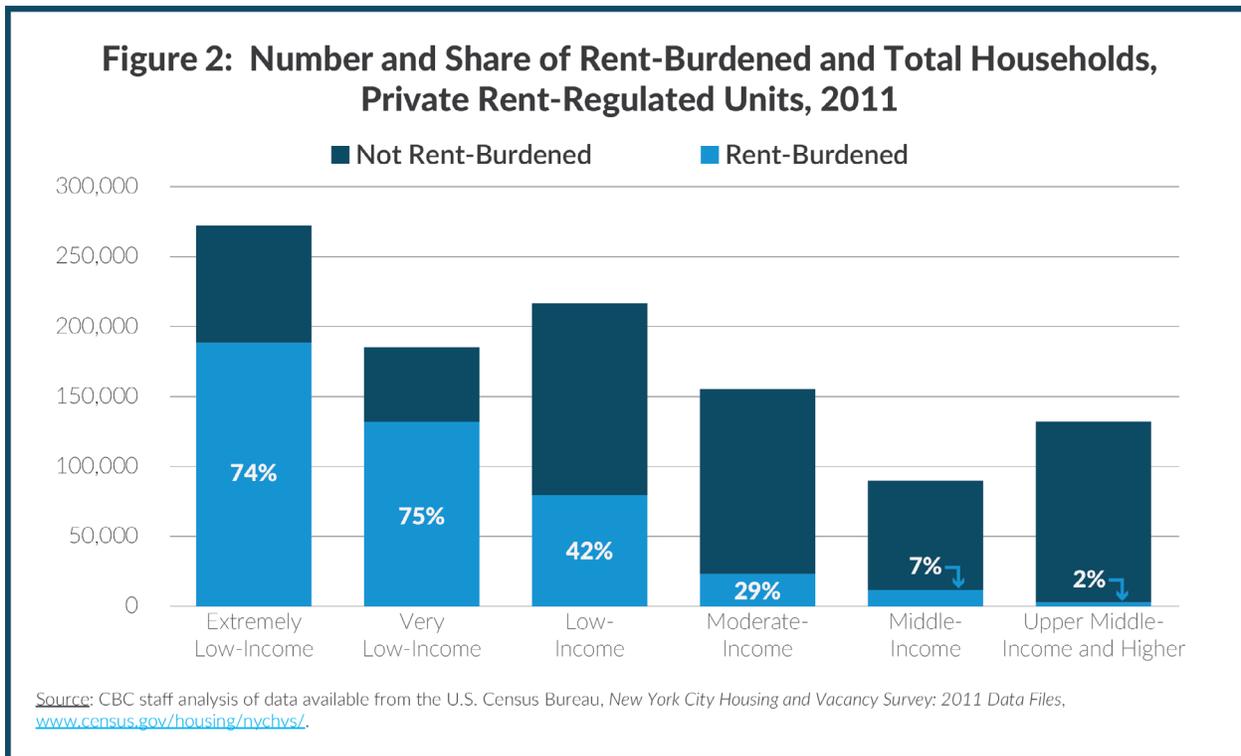
## FACT

Among tenants in rent-regulated units, 44 percent are rent-burdened

Regulated housing is often referred to as “affordable” housing; this characterization is problematic. **About 44 percent of tenants in rent-regulated units—defined as rent-stabilized and rent-controlled housing—are “rent burdened.”**

Figure 2 presents the share of rent-burdened households in rent-regulated housing by income group. The share of rent-burdened households is generally lower for each income group than for market-rate housing, but about three quarters of extremely low- and very low-income households, more than 327,000 households, are living in “unaffordable” rent-regulated housing with rents in excess of 30 percent of income.

In contrast, households at the higher end of the income spectrum receive significant benefits from rent regulation. **More than 211,000 regulated units are occupied by middle-income and upper-middle income households, few of whom are rent burdened.** Rent-regulated units promote affordability only for households earning incomes sufficient for them to reside in market-rate units as well. Rent regulation is not an effective mechanism for achieving affordability for low-income households.<sup>4</sup>



**MYTH**  
 Middle-income households cannot find affordable housing in New York City.

**FACT**  
 Outside of Manhattan, 96 percent of middle-income tenant households are not rent burdened.

Rent regulation is often referred to as a critical tool to support New York City’s middle class, but rental housing is affordable for most middle-income households, regardless of rent regulation status. Middle-income households are defined as earning 120 to 165 percent of area median income (between

\$88,440 and \$121,604 for a three-person household). The median rent-to-income ratio for middle-income tenants in New York City is 19 percent, well below the 30 percent threshold for rent burden. Only 15 percent of all middle-income households across all rental housing types are above the 30 percent threshold for rent burden.<sup>5</sup>

Manhattan is where most (83 percent) of all rent-burdened, middle-income households are located; ***of all the middle-income households located outside of Manhattan, less than 4 percent are rent burdened.***<sup>6</sup>

### MYTH

The number of rent-regulated units is rapidly declining

### FACT

The number of rent-regulated units is stabilizing.

Some housing advocates equate vacancy/high-rent deregulation with the demise of rent-regulated housing. The number of rent-regulated units decreased steeply due to vacancy deregulation in the late-2000s, followed by a severe and abrupt drop in new development permits in 2009. However, the recent trend is flattening. ***In 2013, the Rent Guidelines Board found the number of rent-regulated units actually grew by 1,087.***<sup>7</sup>

The increase of rent-regulated units in 2013 stemmed from a decline in the

number of units deregulated due to vacancy/high-rent and the addition of units under the 421-a and 420-c programs. In 2013, nearly 6,000 units were added through 421-a and 1,967 were created through 420-c.<sup>8</sup> Vacancy/high-rent decontrol accounted for a loss of 4,801 units during the same period. More than 1 million rent-regulated units remained in New York City in 2014.<sup>9</sup>

### ENDNOTES

<sup>1</sup> Citizens Budget Commission, *Nine Facts New Yorkers Should Know About Rent Regulation* (July 2009), [http://www.cbcny.org/sites/default/files/REPORT\\_RentFacts\\_6232009\\_0.pdf](http://www.cbcny.org/sites/default/files/REPORT_RentFacts_6232009_0.pdf).

<sup>2</sup> Citizens Budget Commission, *Rent Regulation: Beyond the Rhetoric* (June 2010), [www.cbcny.org/sites/default/files/REPORT\\_RentReg\\_06022010.pdf](http://www.cbcny.org/sites/default/files/REPORT_RentReg_06022010.pdf).

<sup>3</sup> CBC staff analysis of data available from the U.S. Census Bureau, *New York City Housing and Vacancy Survey: 2011 Data Files*, [www.census.gov/housing/nychvs/](http://www.census.gov/housing/nychvs/). Rent burden is defined by households where out-of-pocket rent divided by total household income is equal to or exceeds 30 percent or more. Households with undisclosed rent, undisclosed income, negative income, NYCHA residents, or recipients of Section 8 Housing Voucher assistance are excluded.

<sup>4</sup> Citizens Budget Commission, *Rent Regulation: Beyond the Rhetoric* (June 2010), [www.cbcny.org/sites/default/files/REPORT\\_RentReg\\_06022010.pdf](http://www.cbcny.org/sites/default/files/REPORT_RentReg_06022010.pdf).

<sup>5</sup> CBC staff analysis of data available from the U.S. Census Bureau, *New York City Housing and Vacancy Survey: 2011 Data Files*, [www.census.gov/housing/nychvs/](http://www.census.gov/housing/nychvs/).

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<sup>7</sup> New York City Rent Guidelines Board, *2014 Housing Supply Report* (May 2014), [www.nycrgb.org/downloads/research/pdf\\_reports/14HSR.pdf](http://www.nycrgb.org/downloads/research/pdf_reports/14HSR.pdf).

<sup>8</sup> Data on rental rates for newly rent-stabilized units through the 421-a program are not provided in the Rent Guidelines Board report. See: New York City Rent Guidelines Board, *2014 Housing Supply Report* (May 2014), [www.nycrgb.org/downloads/research/pdf\\_reports/14HSR.pdf](http://www.nycrgb.org/downloads/research/pdf_reports/14HSR.pdf).

<sup>9</sup> New York City Department of Housing Preservation and Development, *Selected Initial Findings of the 2014 Housing and Vacancy Survey* (February 9, 2015), <http://www1.nyc.gov/assets/hpd/downloads/pdf/2014-HVS-initial-Findings.pdf>.

APPENDIX

**U.S. Department of Housing and Development Income Categories by Household Size, New York, NY Metropolitan Fair Market Rent Area, 2011**

	Number in Household							
	1	2	3	4	5	6	7	8
<b>Extremely Low-Income</b> <small>0 to 29.99% of income</small>	\$0 - \$17,199	\$0 - \$19,649	\$0 - \$22,099	\$0 - \$24,549	\$0 - \$26,549	\$0 - \$28,499	\$0 - \$30,449	\$0 - \$32,449
<b>Very Low-Income</b> <small>30 to 49.99% of income</small>	\$17,200 - \$28,649	\$19,650 - \$32,749	\$22,100 - \$36,849	\$24,550 - \$40,899	\$26,550 - \$44,199	\$28,500 - \$47,449	\$30,450 - \$50,749	\$32,450 - \$53,999
<b>Low Income</b> <small>50 to 79.99% of income</small>	\$28,650 - \$45,849	\$32,750 - \$52,399	\$36,850 - \$58,949	\$40,900 - \$65,449	\$44,200 - \$70,699	\$47,450 - \$75,949	\$50,750 - \$81,199	\$54,000 - \$86,399
<b>Moderate Income</b> <small>80 to 119.99% of income</small>	\$45,850 - \$68,759	\$52,400 - \$78,599	\$58,950 - \$88,439	\$65,450 - \$98,159	\$70,700 - \$106,079	\$75,950 - \$113,879	\$81,200 - \$121,799	\$86,400 - \$129,599
<b>Middle Income</b> <small>120 to 164.99% of income</small>	\$68,760 - \$94,544	\$78,600 - \$108,074	\$88,440 - \$121,604	\$98,160 - \$134,969	\$106,080 - \$145,859	\$113,880 - \$156,584	\$121,800 - \$167,474	\$129,600 - \$178,199
<b>Upper Middle Income and Higher</b> <small>165% of income or higher</small>	\$94,545 or higher	\$108,075 or higher	\$121,605 or higher	\$134,970 or higher	\$145,860 or higher	\$156,585 or higher	\$167,475 or higher	\$178,200 or higher

Source: U.S. Department of Housing and Urban Development, FY 2011 Income Limits Documentation System: FY 2011 Income Limits Summary.  
[www.huduser.org/portal/datasets/il/il2011/2011summary.odn?inputname=METRO35620MM5600\\*New+York%2C+NY+HUD+Metro+FMR+Area&selection\\_type=hmfa\\$year=2011](http://www.huduser.org/portal/datasets/il/il2011/2011summary.odn?inputname=METRO35620MM5600*New+York%2C+NY+HUD+Metro+FMR+Area&selection_type=hmfa$year=2011)

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