The neo-liberal restructuring of urban housing markets and the housing conditions of low-income households: An international comparison

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Chapter 2:
New York
Abstract

While public programs, rent controls and subsidy schemes have not been able to resolve New York’s historic and long standing housing crisis, they have played important parts in dampening housing problems of low-income New Yorkers. Along with an encroaching neo-liberal hegemony, however, since the 1990s redistributive policies have come under growing pressure. This paper focuses specifically on the neo-liberal restructuring of the city’s rental market and the effects on housing affordability. First, we present an overview of the reforms and policy changes, at various scales, that have impacted the rental market in recent decades. Second, we demonstrate, using survey data, how reforms have affected the rental market structure before going on to assess how supply changes have affected affordability. We find that policy reforms have led to a reduction in inexpensive rental units in the city, reshaping patterns of affordability among different income groups, with particularly negative outcomes for low-income households.

Keywords: housing policy, housing reform, neo-liberalism, New York, rental market

This paper has been submitted for review. The second author is Richard Ronald.
2. Undermining Housing Affordability for New York’s Low Income Households: The Role of Policy Reform and Rental Sector Restructuring

2.1. Introduction

Although housing markets in most US cities have been dominated by private actors, New York has historically implemented numerous policies to supplement market based housing provision. Reflecting this, the city developed a large rental housing stock featuring a substantial and relatively well-maintained public housing sector, a comprehensive system of rent regulation and other subsidy programs to decouple housing access, to a certain extent, from market dynamics. At the same time, the real-estate sector has been particular volatile as result of intense exposure to fluctuations in global capital in context of high local housing demand and a severe scarcity of space. Redistributive housing programs have thus played important parts in supporting low-income households in finding affordable accommodation in the city and in mitigating their housing problems (Schill, 1999).

Since the 1990s, however, regulatory strategies to intervene in New York’s market have changed considerably. Along with an encroaching neo-liberal economic hegemony, housing policies have undermined redistributive programs to create more room for the operation of free market forces. While neo-liberalization has not been a coherent strategy, and relevant measures have in parts overlapped with new redistributive programs, overall, policies have reflected greater market orientation (Angotti, 2008; Schwartz, 1999; Wyly et al., 2010).

The neo-liberal restructuring of New York’s housing market has attracted considerable attention and scholars have explored the restructuring of different sub-segments of the market. Bach and Waters (2007; 2008), Schwartz and Vidal (1999), and DeFilippis and Wyly (2008), among
others, have documented changes in federal housing laws and their impact on subsidized housing in the city. Hackworth (2003; 2007) and Thompson (1999), meanwhile, have focused in particular on changes in public housing regulations, and Keating (1998) and McKee (2008) have examined the restructuring of rent regulation laws in New York State and their effects on the city’s housing stock.

Gentrification researchers have also focused on processes of housing neoliberalization (Hackworth, 2007; van Gent, 2013; Hedin et al. 2012). Wyly et al. (2010), for instance, point at how reform-induced changes in New York’s housing supply have accelerated displacement pressure. In particular, they argue that the restructuring of the private rental market heightens problems for poor households to stay put. While Wyly et al. (ibid.) are specifically concerned with gentrifying neighbourhoods, their findings hint at a broader question: Given the important function that regulated housing sectors have attained for housing low-income households in New York, how has the gradual retreat from redistributive programs and the concomitant restructuring of the housing supply since the 1990s affected housing conditions of these households?

The contribution of this paper is to empirically explore this question, through an analysis of reform effects on housing affordability. Moving from policy changes to housing supply changes and housing outcomes, we specifically contribute to understanding in three ways. First, we bring together existing accounts of market-based reforms in different sub-segments of New York’s rental housing market to argue that the restructuring has been driven by policy changes at different scales. Second, we present empirical evidence based on long-term survey data that demonstrates how reforms have affected the structure of the rental market between 1990 and 2008. Third, similarly based on new survey data analysis, we show how the supply changes have affected housing affordability over the same period.

The paper has four parts. We start out by briefly setting housing neoliberalization in a broader theoretical context and discuss the main driving forces behind the process. After specifying our methodology, the second part focuses on the case of New York, demonstrating how
housing policies changed over the last two decades, how it affected the rental market structure and impacted patterns of affordability. The final section discusses the results and raises points for further research. The paper draws on several data sources comprising secondary literature and policy documents as well as survey data from the New York City Housing and Vacancy Survey.\(^9\)

### 2.2. Housing Markets and Neoliberalization

#### 2.2.1. Housing Markets and the State

Government intervention in housing has varied greatly over time and space, reflecting cultural, social and political context as well as ideological standpoints regarding the market–government relations (Barlow and Duncan, 1994). Despite variation, historically, three periods have been broadly distinguished in developed societies (see Harloe, 1995). In the first period, from the late-19th century until World-War-Two, governments introduced various measures to supplement the market. The main objective was to absorb the most detrimental market outcomes and guarantee affordable and decent housing for those inadequately served by private provision. The second period, from 1945 until the 1970s, featured governments replacing the market in the provision of housing reflecting wide-spread scepticism concerning the capacity of market actors among policy makers (Boelhouwer and Priemus, 1990). Redistributive housing programs were thus implemented to directly ensure the availability of decent, affordable housing. The third period, since the 1970s, is characterized by diminishing faith in public provision. With the economic crises of the 1970s, the undermining of Fordist regimes and the subsequent growth of public deficits, a socio-ideological climate emerged in which free markets came to be considered a superior means to expand the common good (Saegert et al, 2009). In the field of housing, the primary political objective became the expansion

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\(^9\) The New York City Housing and Vacancy Survey (NYCHVS) is a triennial housing survey conducted by the US Bureau of Census.
and intensification of market principles in formerly de-commodified segments, in order to give market forces more room for manoeuvre (Brenner & Theodore, 2002). The latter transformation marks the rise of the neoliberal period.

There have been marked differences, nonetheless, between countries in the progression of state interventions. The US government significantly expanded spending on, and its presence in, the housing market as part of the ‘New Deal’ during the 1930s depression\(^\text{10}\) (Grigsby, 1990). West European countries, however, began to elaborate social housing policies in the late-1940s and 1950s along with the rolling out of post-war welfare states. Moreover, European interventions emphasized directly subsidized rental provision leading to governments in Britain and the Netherlands, for example, becoming major landlords\(^\text{11}\). In post-war USA alternatively, the failure of market sectors in meeting housing needs was largely dealt with through subsidies for private developers – to build rental housing for low-income families – or direct user subsidies such as housing vouchers that enhance the capacity of low-income renters in the market (Bratt and Keating, 1993; Varady and Walker, 2003).

Variation in housing policies does not only apply at the cross-country level, however, but also emerged within countries. This particularly holds true for the US, where cities had more leeway over housing market interventions. New York historically took a more pro-active stance compared to most other cities and as early as 1867 enacted the nation’s first tenement housing law (Pluntz, 1990). Meanwhile the first low-income housing project was built in 1937. Cities like Philadelphia or Chicago, by way of contrast, gave market forces more room and refrained from intervening as comprehensively. The tenure structure of urban housing markets in the US has come to strongly reflect these differences in public interventions. In the mid-1990s, more than 70 % of all housing units in New York were rented housing, roughly two-thirds of which

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\(^{11}\) Public rental sectors in the UK and the Netherlands at the end of the 1970s constituted more than 31 and 40 percent of housing, respectively.
were in protected rental segments. In Chicago, by comparison, rented housing only amounted to 59\% and in Philadelphia 38\% (Schill, 1999).

2.2.2. The Policies of Housing Neo-liberalization

The expansion of market principles in housing has become a relatively familiar topic (see Forrest and Murie, 1988; Forrest, 2008; Ginsburg, 1989; Hays 1994; Harloe, 1995; Hodkinson, 2013; Lundqvist, 1992; Ronald, 2008, Van Vliet, 1990). Relevant policy changes have arguably been multi-faceted, but limiting ourselves to the U.S. context three general traits can be distinguished.

First, housing responsibilities were transferred from national to lower levels (Hays, 1985; Basolo, 1999). Firstly, this came out of political pressures derived from growing deficit burdens on national budgets. Direct housing subsidy, which has proved a particularly expensive undertaking, was one of the first to be cut back. Secondly, the emerging political ideology largely considered regulation less efficient in centralized forms compared to decentralized ones. Centralized regulation was considered too distant from the final housing consumer and resulted in unnecessary bureaucracy and costs. Thus, next to cut-backs in federal housing dollars\(^\text{12}\), responsibilities were also ‘downloaded’ to localities (Davis, 2006).

Secondly, supply-side subsidies for rental housing were gradually phased out. Redistributive programs like US post-war public housing had set aside a nominal amount of the housing supply outside the market. This situation was increasingly considered inappropriate as the market could also provide low-cost units and more efficiently. By doing so, house prices could rise to market levels and would not be kept “artificially” low.\(^\text{13}\) Only those incapable of bearing the full costs of market housing

\(^{12}\) The federal expenditures for subsidized housing declined drastically from $31.5 billion in 1978, to $13.3 billion in 1982, $9.5 billion in 1987, and $6 billion in 1989 (Fox-Gotham, 2000:245).

\(^{13}\) The shift from supply to demand-side subsidies was partially justified on the basis of discourses focused on negative effects of concentrated poverty associated with public housing neighborhoods (Wilson 1987).
would receive subsidies, while the activation of market forces in housing provision would make it more effective (Ditch, Lewis and Wilcox, 2001).

Thirdly, governments shifted funds from inexpensive rental housing towards promoting owner-occupation (Shlay, 2006). From the very beginning, homeownership had supported liberal ideologies surrounding private property rights and responsibilities (Ronald, 2008), and promulgation of this tenure was considered an essential tool in advancing the performance of housing markets. Consequently, from the mid-1970s onwards support for rental housing programs gradually declined to be replaced with programs focused on increasing the number of homeowners.

Neo-liberalization strategies were not only implemented at the federal level, but also at lower levels of governance. Confronted with growing financial pressure and inter-urban competition, many local and regional governments reduced redistributive interventions and, embedded in a broader entrepreneurial turn in urban governance (Harvey, 1989), increasingly utilized the housing market as leverage to boost economic growth (Hackworth & Smith, 2001). In this context, attracting middle-class households to urban neighbourhoods through the transformation of housing markets and environments became a central strategy to increase local tax revenues (Hackworth, 2007; Varady & Raffel, 1995). In New York, like many US metropolises, intensive housing market activity in various pockets of the city was increasingly recognised as a means to regalvanise urban investment. This stimulated city led strategies to encourage speculative investment in housing, regardless of the impact on housing affordability for indigenous urban populations.

2.2.3. The Effects of Neo-liberalization on Low-Income Households in Cities

Recently, gentrification researchers have shown growing interest in processes of housing neo-liberalization. They have identified the reform-induced changes in the urban housing supply as a key factor for growing displacement pressure on low-income households. Relevant studies are
available for a number of European cities. In the highly-regulated Swedish housing context, for instance, the sale of public housing has set in motion powerful gentrification forces in the inner cities of Stockholm, Malmoe and Gothenburg (Hedin et al. 2012). Similar processes have been found for Dutch (van Gent, 2013) and German cities (Holm, 2006), but also for U.S. cities, including New York (Wyly et al. 2010). Neo-liberal housing reforms have contributed to growing difficulties for low-income households to stay put in upgrading neighbourhoods.

While gentrification studies are concerned, not surprisingly, with the fate of low-income households in gentrifying neighbourhoods, their findings point to a broader question: Given the important role of regulated housing sectors for housing low-income households in the past, how has neo-liberalization and the concomitant restructuring of the urban housing supply affected these households in their housing conditions? As Atkinson (2008: 2672) argues, neo-liberal reforms have contributed to a “system-wide scarcity” of affordable housing in many cities. The retreat from redistributive policy interventions has triggered a pronounced reduction in inexpensive units. These supply-side changes have interacted with demand-side developments, most importantly as regards income developments. Flexible labour markets, the rise in precarious working conditions and low-paid jobs have contributed to growing inequality, particularly undermining the purchasing power of poor households. Consequently, many of these households are confronted with affordability problems, where the available housing supply does not match their ability to pay.

Against this background, the remainder of the paper empirically focuses on the ‘actually existing neo-liberalism’ (Brenner & Theodore, 2002) in New York and the links between neo-liberal housing reforms, rental housing supply and affordability. Specifically, we do three things. First, we ask how governments at different scales have attempted to dismantle redistributive housing programs in New York’s rental market since 1990. Second, we ask how this has affected the rental housing supply in the city. Third, we explore the implications for housing affordability of low-income households.
2.3. Methodology and Approach

The analysis initially builds from a state of the art examination of the academic literature as that also taps a number of key policy documents. The results of this contextual analysis are presented in two parts: First, we discuss redistributive policy interventions that were implemented in the period between 1950 and 1990. They set the scene for an understanding of the reforms that followed. The second part shows how redistributive programmes have gradually been dismantled since 1990. Our analysis ends in 2008 and therefore does not include the period of the recent financial crisis, as an assessment of the complex policy changes that the crisis induced goes beyond the scope of this paper and the outcomes for housing affordability are yet difficult to identify.

In a second step, we analysed public survey data in order to more definitively ascertain the effects of regulatory reforms on the structure of the city’s rental market. We specifically focused on tenure structures, market segments and rent levels. The analysis covers the period between 1993 and 2008, the period for which comparable numbers are available. The data stem from the triennial Housing and Vacancy Survey.

Based on the same dataset, in a third step we analyzed the affordability implications of rental housing supply changes. Affordability refers to the relation between housing costs and household income. Various measures of housing affordability have been developed (see Stone, 2006 for an overview). Despite some conceptual contention, the most often used measure is the rent-income ratio, which we also apply. In this analysis we first estimated the development of the supply / demand balance in the rental market, based on the commonly-used affordability ratio of 25 %.

14 Arguably, market-based reform endeavors in the U.S. date back already to the 1970s and 80s. Therefore the choice of the two periods may be questioned. However, despite these early reforms, as we show below, in the 1980s, at the local level in New York relevant redistributive programs were still implemented. Since 1990, however, reform endeavours at different scales have intensified.
15 Since the microdata in the 1990s and 2000s were weighted differently, absolute numbers are not strictly comparable and serve as a rough indicator of changes. To allow for exact comparison shares and ratios are used whenever possible.
Second, we looked at actual affordability burdens for households in different income quintiles.

2.4. Housing Reforms and Housing Affordability for the Poor

2.4.1. Setting the scene: Redistributive rental housing policies in New York between 1950 and 1990

The exceptional status of New York in the U.S. concerning housing interventions is well documented (Schill, 1999; Furman Center, 2001; Wyly & DeFillipis, 2008). Over the course of the 20th century, amidst a highly competitive market the city developed a number of redistributive housing segments to protect low-income households. This resulted not only from successful lobbying at federal and state levels, but also from a more pro-active stance regarding housing policies at the local level as part of the city’s vital municipal welfare state (Gifford, 1978).

Despite the more far-reaching intervention compared to other U.S. cities, New York policy makers, in line with liberal housing regulation principles, never explicitly targeted comprehensive de-commodification of housing in the city. On the contrary, the real estate lobby has always played a powerful role in the local growth coalition and the city has always attempted to avoid too much interference. However, persistently severe housing problems, on the one hand, and a historically well-organized tenant and community organizations, on the other, prompted the city to implement – or lobby for – several ad-hoc interventions. In order not to interfere too much with the private market, redistributive programs often involved private developers, who were given subsidies, loans or tax exemptions in exchange for providing low-income housing (Harloe et al., 1992).

With this regulatory strategy, New York was never able to adequately resolve its housing crisis and housing has consistently remained short in supply, particularly in boom periods when the real estate market has
heated up. Nonetheless, redistributive programs did a great deal to mitigate housing shortages for the poor. The most relevant programs that were implemented between 1950 and 1990 can be summarized (see also Table 1 below).

Firstly, public housing became one of the most important redistributive housing programs in the Post-War period. Originally implemented as part of the New Deal in the 1930s, the program gained pace in the 1950s (Schwartz, 2010). It provided fully-funded, government-owned housing, allocated on the basis of need. Rents were set so as not to exceed 25% of tenant income. New York always was at the forefront among US cities in developing federal assisted public housing. In the post-war era it became the city with the largest public housing stock. Moreover, New York public housing maintained a better reputation than in other US cities and did not bear the stigma of being the last resort in the housing market where crime and poverty are concentrated. By 1993, the public housing program had produced almost 173,000 units in New York. This equalled 6.2% of all occupied units (See Table 2 below).

Secondly, project-based Section-8 became relevant for New York. The program replaced public housing, in which construction was terminated in 1974. This supply-side program granted subsidies to private landlords so that they keep rents below a certain level for a period of 20 years. The subsidy was a combination of rent subsidy attached to the unit and tax advantages for the developer. The crucial difference with public housing was that housing was privately owned and thus private actors were involved in the provision process. Despite the fact that it was terminated in 1983, project-based Section 8 had already become an important program and funded more than 850,000 units nationwide of which more than 33,000 were located in New York (National Housing Trust, 2005).

At the State level, the Mitchell-Lama program also affected New York’s rental market. The program, launched in 1955 is comparable to project-based Section 8. In exchange for low-interest loans developers agree to keep rents below a certain limit for a period of 25 to 30 years. Despite being a state-funded program, more than 40% of Mitchell-Lama developments in New York City received additional funding from federal
programs (DeFilippis and Wyly, 2008). In 1993, more than 120,000 units or 4.3% of all occupied units fell under the Mitchell-Lama program (US Bureau of the Census, 1993).\(^{16}\)

Rent regulation, introduced in 1943, marked a further cornerstone of redistributive regulations in the post-war era. It is a New York State law and was in its original form called rent control. In 1974, rent control was replaced with rent stabilization that gave more power to landlords. Despite this, rent regulation remained a fairly important tool in New York in keeping rents low. In 1993, 1.07 million units were rent regulated in New York City. This equalled a share of 38.8% of all occupied units (US Bureau of the Census, 1993).

While HUD and, in part, New York State, began to reduce redistributive intervention in New York’s housing market in the 1970s, the city still launched a number of supply-side programs in the 1980s. These ostensibly aimed to counter potentially negative effects of cutbacks in federal programs. Noteworthy in this respect are two interventions: the ‘in-rem’ housing program, and the Ten-Year Housing Plan by Mayor Koch. In-rem housing was a stock of tax-foreclosed units that the city took into ownership, rehabilitated and rented out at below-market rates (see Braconi, 1999). In the 1980s, it became the segment for those on the lowest incomes since it offered comparably decent housing for fairly low rents. In 1993, the in-rem segment included some 34,000 units, which amounted to 1.2% of the occupied stock (US Bureau of the Census, 1993; See Table 2). Mayor Koch’s Ten Year Housing Plan launched in 1986, on the other hand, marked a spending-intensive supply-side initiative. It included the construction, renovation and preservation of more than 250,000 units. Low-income households and formerly homeless people were the main target groups of this plan (Schwartz, 1999).

Together, these interventions at federal, state and local level clearly shaped New York’s rental market between 1950 and 1990. In 1993, the structure of the market reflected the influence of the described programs.

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\(^{16}\) The Mitchell-Lama program is divided into a rental and a cooperative part. Of the roughly 120,000 units in 1993, 79,000 were rentals and 41,000 cooperatives. Here we focus on the rental part of the segment.
(See Table 2). Income levels in the different market segments furthermore reveal the redistributive role that these programmes, and the rental sector more generally, fulfilled in 1993. First, tenant incomes were much lower in the rental sector than in the owner-occupied stock, while in the protected rental stock (Public housing, rent-regulated, project-based Section 8, Mitchell-Lama rental and in rem) incomes were, in turn, much lower than in the unprotected, private rental stock. This follows from the generally lower rents in the protected stock. Second, those with lowest incomes were to be found in in-rem housing. Median tenant income in this segment was less than one third of the income in the private rental segment, reflecting lower rents compared to other segments. Clearly, the low rents that protected segments offered made them particularly important for those with least financial means (See Table 2 below).

2.4.2. The neo-liberalization of housing in New York

Since the 1990s, market-based housing reforms at different scales have intensified and changed the regulatory framework for New York’s housing market. The federal government further retreated from supply-side interventions in rental housing and increasingly promoted homeownership. The annual federal budget for rental housing declined between 1976 and 2004 from $56.4 billion to $29.25 billion (corrected for inflation; in 2004$. This stands against indirect subsidies for homeowners of $84 billion in 2004 (Dolbeare, Saraf and Crowley, 2004). At the state level, supply-side subsidies were equally reduced, together with a weakening of protective rent regulation laws. Policy changes at the local level were more complex. After interventions declined in the 1990s, since the early 2000s attempts have been made to counter the loss in regulated rental units. Nonetheless, overall, there has been a gradual retreat from redistributive measures and a greater reliance on private market provision.

These general shifts involved concrete policy changes in the regulation of New York’s rental market. The most important ones can be summarized (See also Table 1).
First, federal funding for supply-side programs like project-based Section-8 was discontinued. For a large number of units the contract period of 20 years expired, which enabled landlords to prepay outstanding loans, to take the unit out of the program and rent it out at market rates. While HUD attempted to secure some of the units by expanding subsidies for renewed contracts, funds were insufficient to make it attractive for many landlords to extend the rent restrictions (Bach and Waters, 2007) meaning that they “opted out” and took the unit to the free market. Mitchell-Lama units were similarly affected by a federal and state government reluctance to continue funding the program.

Second, New York state rent regulation was significantly undermined in 1993, and again in 1997. Under pressure from the real-estate industry, so-called “luxury decontrol” was introduced in 1993. Apartments with a monthly rent of $2000 or more were automatically rent-decontrolled upon vacancy (Keating, 1998). In 1997, this rule was extended to also include occupied units. Now, even without vacancy a unit could be deregulated if the regular monthly rent exceeded $2000 and tenant income $175,000 a year for two consecutive years (McKee, 2008). Additional legislation made it possible for developers to make agreements with the city, exempting new construction from rent regulation for a period of fifty years (Collins, 2006).

Third, at the local level, supply-side subsidies were scaled back in the 1990s (see Schill et al. 2002). Although the Koch’s housing plan was still de jure, the city’s housing spending dropped significantly, from $850 million annually in the late 1980s to $200 million by the mid-1990s (Schwartz, 1999). Additionally, the city placed a moratorium on in-rem housing and in 1997 it was decided to pursue the disposal of the stock by 2007 (Braconi, 1999). In the early 2000s, a new housing plan was launched. The New Housing Marketplace plan provided new funding for affordable housing construction and preservation. Housing advocates initially criticized it for the generous support for middle-income rather than low-income units (Bach and Waters, 2007) and recently, a revision of the strategy also shifted more resources to preservation of existing units in order to protect poor tenants from rising prices (Independent Budget Office, 2012). Nonetheless, despite a proposed investment of $3
billion for the creation of 27,000 new affordable apartments and the rehabilitation and preservation of additional 38,000 units, starting in 2004, as shown below, the program was unable to compensate for the losses in inexpensive units.

Table 1: Policy milestones in the regulation and de-regulation of New York’s rental housing market

<table>
<thead>
<tr>
<th>Most relevant policy measures to regulate the rental housing market</th>
<th>Federal</th>
<th>State</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public housing construction</td>
<td>Mitchell-Lama rental program</td>
<td>Koch housing subsidy program</td>
</tr>
<tr>
<td></td>
<td>Supply-side programs, most importantly project-based Section-8 and support for Mitchell-Lama rental units</td>
<td>Rent control, and rent stabilization from 1974 onwards</td>
<td>'in rem' program</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Most relevant policy measures to de-regulate the rental housing market since 1990</th>
<th>Federal</th>
<th>State</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Funding for project-based Section-8 units and state Mitchell-Lama rental units discontinued</td>
<td>Rent regulation weakened in 1993 and 1997, most importantly with introduction of 'luxury decontrol'; Funding for Mitchell-Lama rental units discontinued</td>
<td>Reduction in funding for supply-side programs in the 1990s; Sale of in rem units</td>
</tr>
</tbody>
</table>

Source: Own illustration.

2.4.3. The effects of neo-liberalization on the rental market

In the 2000s, New York’s real estate market heated up. International investment soared and prices rocketed. In anticipation of higher returns, many landlords made use of the loopholes opened up by regulatory reforms and took units out of regulation. As a result, the structure of the city’s rental market transformed. Generally speaking, a shift occurred
from protected to unprotected rental segments. This was driven, in particular, by the reduction in three sub-segments of the market. First, the Section-8 stock shrank. Between 1990 and 2006, it diminished by 11% or 5,900 units (National Housing Trust, 2005). Second, the number of Mitchell-Lama units decreased by more than 26,000 units over the same period (Bach and Waters, 2007). In relative terms, the segment shrank from 2.8% of all occupied units in New York in 1993 to 1.9% in 2008 (US Bureau of the Census, 2008). Many of the units in the two segments, however, did not go straight to the unprotected rental market, but were subsequently covered by rent regulation. The rent-regulated segment, however, was reduced most drastically. Following the weakening of regulation, thousands of units were taken out of the program between 1993 and 2008. The threshold of $2000 above which units would automatically be de-regulated was never adapted and when New York’s housing market heated up, thousands of units surpassed the threshold and lost their regulated status. Between 1993 and 2008, the share of rent-regulated units of all occupied units declined from 38.8% to 32.9%. This equals a reduction of around 55,000 units.

Table 2 summarizes the shifts in the city’s rental market between 1993 and 2008. Alongside the shrinkage of protected rental segments, the unprotected rental segment grew substantially: from 19.9% in 1993 to 24.3% in 2008 of all occupied units. Additionally, the homeownership sector grew from 29% in 1993 to 32.9% in 2008. Conversely, the rental sector, in relative terms, shrank.

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17 See ANHD (2009) for how the transfer of rent-regulated units to “free” market units was utilized as a lucrative business model for large-scale investors like Deutsche Bank in recent years.
Table 2: New York’s shifting housing market structure, 1993 - 2008 *

<table>
<thead>
<tr>
<th></th>
<th>1993 Share</th>
<th>Absolute number of units</th>
<th>Median Tenant Income in 2008$</th>
<th>Median Contract Rent in 2008$</th>
<th>Average Contract Rent in 2008$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public housing</td>
<td>6.2%</td>
<td>172,970</td>
<td>1,020</td>
<td>280</td>
<td>368</td>
</tr>
<tr>
<td>Rent-regulated</td>
<td>38.6%</td>
<td>1,076,680</td>
<td>2,600</td>
<td>706</td>
<td>801</td>
</tr>
<tr>
<td>Other state and federal rental programs</td>
<td>4.8%</td>
<td>133,850</td>
<td>1,750</td>
<td>587</td>
<td>605</td>
</tr>
<tr>
<td>In Rem</td>
<td>1.2%</td>
<td>34,150</td>
<td>920</td>
<td>347</td>
<td>359</td>
</tr>
<tr>
<td>Private rental</td>
<td>19.9%</td>
<td>551,200</td>
<td>3,240</td>
<td>901</td>
<td>958</td>
</tr>
<tr>
<td>Mitchell-Lama coop</td>
<td>1.5%</td>
<td>41,500</td>
<td>3,470</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner-occupied private coop / condo</td>
<td>8.2%</td>
<td>226,330</td>
<td>6,060</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner-occupied conventional</td>
<td>19.4%</td>
<td>537,040</td>
<td>4,850</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All rental units</td>
<td>71.0%</td>
<td>1,968,870</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total stock</td>
<td>100.0%</td>
<td>2,773,730</td>
<td>3,090</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
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</thead>
<tbody>
<tr>
<td>Public housing</td>
<td>5.9%</td>
<td>183,810</td>
<td>1,300</td>
<td>387</td>
<td>424</td>
</tr>
<tr>
<td>Rent-regulated</td>
<td>32.9%</td>
<td>1,021,140</td>
<td>3,170</td>
<td>911</td>
<td>1,000</td>
</tr>
<tr>
<td>Other state and federal rental programs</td>
<td>3.9%</td>
<td>119,380</td>
<td>1,580</td>
<td>715</td>
<td>701</td>
</tr>
<tr>
<td>In Rem</td>
<td>0.1%</td>
<td>3,140</td>
<td>1,930</td>
<td>357</td>
<td>432</td>
</tr>
<tr>
<td>Private rental</td>
<td>24.3%</td>
<td>753,880</td>
<td>4,190</td>
<td>1,200</td>
<td>1,524</td>
</tr>
<tr>
<td>Mitchell-Lama coop</td>
<td>1.1%</td>
<td>34,700</td>
<td>3,330</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner-occupied private coop / condo</td>
<td>11.6%</td>
<td>359,880</td>
<td>7,250</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner-occupied conventional</td>
<td>20.1%</td>
<td>324,760</td>
<td>5,830</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All rental units</td>
<td>67.1%</td>
<td>2,081,350</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total stock</td>
<td>100.0%</td>
<td>3,100,690</td>
<td>4,080</td>
<td>-</td>
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<tbody>
<tr>
<td>Public housing</td>
<td>-0.3%</td>
<td>+10,635</td>
<td>+280</td>
<td>+107</td>
<td>+56</td>
</tr>
<tr>
<td>Rent-regulated</td>
<td>-5.9%</td>
<td>-55,543</td>
<td>-570</td>
<td>+205</td>
<td>+199</td>
</tr>
<tr>
<td>Other state and federal rental programs</td>
<td>+2.6%</td>
<td>+45,234</td>
<td>+170</td>
<td>+128</td>
<td>+96</td>
</tr>
<tr>
<td>In Rem</td>
<td>-19.8%</td>
<td>-548,063</td>
<td>+1,010</td>
<td>+10</td>
<td>+73</td>
</tr>
<tr>
<td>Private rental</td>
<td>+22.8%</td>
<td>+712,381</td>
<td>+950</td>
<td>+299</td>
<td>+566</td>
</tr>
<tr>
<td>Mitchell-Lama coop</td>
<td>-7.0%</td>
<td>-148,701</td>
<td>-140</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner-occupied private coop / condo</td>
<td>-7.8%</td>
<td>-309,709</td>
<td>+1,190</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Owner-occupied conventional</td>
<td>+20.1%</td>
<td>+714,382</td>
<td>+980</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All rental units</td>
<td>-3.9%</td>
<td>+112,490</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total stock</td>
<td>+11.8%</td>
<td>+526,960</td>
<td>+990</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1 Includes rent-controlled, rent-stabilized (pre-47) and rent-stabilized (post-47) units.
2 Includes project-based Section-8, Mitchell-Lama rental, other HUD-regulated units and Article 4/5 units.
3 Median income and number of units rounded. Yearly income converted to monthly income (divided by 12). Loft-board regulated buildings excluded.
4 Corrected for inflation (2008$); Source: Housing and Vacancy Survey (HVS). Own calculations.

The decline in protected rental housing and the growth in the unprotected segments were accompanied by substantial rent increases. In the period from 1993 to 2008, the median rent increased, corrected for inflation, by 35.7% (US Bureau of the Census, 1993; 2008). This is equivalent to an increase of $250 per household on top of inflation. The median contract
rent rose in all rental segments, but most pronounced in the unprotected private rental segment. Here, the median contract rent in 2008 was almost $300 higher than in 1993 (all corrected for inflation; ibid.). Apparently, landlords made increasing use of the possibility to increase rents in this part of the market.

An analysis of units by rent categories reveals a clear upward shift of the rental market over the last fifteen years (See Figure 1). Between 1993 and 2008, the cheapest segment ($1 to $599) lost most units and the most expensive segment ($1400 and above) gained most. The two most inexpensive segments lost the greatest share in the market, whereas the most expensive segments gained significantly. The loss of more than 400,000 of the least expensive apartments stands against the increase of about the same number of units in the most expensive market segments. In absolute numbers, New York’s rental market grew by 112,000 units between 1993 and 2008. The type of housing that is available within the sector, however, changed decisively.

**Figure 1: Changes in rental stock by rent level categories, New York, 1993 – 2008**

*corrected for inflation (2008$)

2.4.4. The implications for housing affordability

While on the supply side, rents rose, on the demand side, incomes also increased. Between 1993 and 2008, the median household income in New York grew by 32.3%, just a little out of step with the median rent increase of 35.7% over the same period (US Bureau of the Census, 1993; 2008). Income developments differentiated by income groups, however, reveal a very different picture. There is growing income inequality evident between the poor and the rich when income quintiles and deciles are compared, with poor households in New York increasingly falling behind. For the tenth decile, incomes rose by 40% between 1993 and 2008, while for the fifth quintile, they increased by 33.3%. In contrast, households in the first decile earned 22.6% more in 1993 and 2008, while for the first quintile incomes increased only by 18.2%.

Coupled with a shrinking supply of inexpensive units this produced growing difficulties for low-income households to find affordable accommodation, as the data indicate. Figure Two shows an estimate of the shortage of inexpensive units and how it developed between 1993 and 2008. It compares the share of inexpensive units with the share of all households in need of such a unit, based on an affordability threshold of 25%. As can be seen, in 1993 there were already more households in need of such a unit than actual supply. Since then supply has decreased as inexpensive units have disappeared from the market. Although income has nominally increased, as Figure 2 shows, units have been subtracted from the market faster than incomes have risen, leading to a growing undersupply of inexpensive housing in the city.

This has translated into growing affordability problems. In 2008, 43% of all rental households in the city had an affordability problem (defined as a rent burden of more than 30%). This is an increase of 2% since 1993. Severe affordability problems similarly increased, from 22.5% to 24.1%

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18 Figures represent median gross household income of all households in units marked as occupied in the NYCHVS, corrected for inflation. Gross income includes the income of all household members older than fifteen years from welfare transfers, pensions and paid work, as well shelter allowance payments. For the exact definition see http://www.census.gov/hhes/www/housing/nychvs/2008/gloss08.html.
(defined as a rent burden of more than 50%; see Table 3). The median rent-income ratio also increased, but the numbers fluctuate over the years. An analysis of rent-income ratios by income quintiles reveals a relatively clear trend, however: Low-income households, who already had the greatest affordability problems in the past, were most negatively affected by the developments of the last two decades. For all but the lowest quintile, median rent-income ratios did not increase by more than 1.2 points. However, the median rent-income ratio for the 20% poorest households increased by as much as 3.4 points between 1993 and 2008 (Table 3).

Figure 2: Estimated under-supply of inexpensive rental units\(^1\), New York, 1993 - 2008*

\(^1\) Defined as units with a monthly rent between $1 and $599. 
*corrected for inflation (2008$)

An analysis of affordability problems by rental market segments is further revealing. It shows that the protected market segments are not able to fully offset affordability problems. In fact, 88.3 % of all low-income households (defined as households in the first income quintile) in
the protected rental market had an affordability problem in 2008. In the rent-regulated sector in particular, many low-income households have to spend more than 30% of their income on rent. Nonetheless, the overall protection from market forces is still much better in the protected segments, as rent data reveals. Rents were clearly highest in the unprotected segment and also increased most between 1993 and 2008 (see Table 2). Nonetheless, with the protected segments shrinking, poor households increasingly have had to rely on this segment, despite rising prices. In 2008, 4.8% more low-income households lived in the unprotected rental segment instead of in protected segments (US Bureau of Census, 1993; 2008). This translates into higher rent burdens. In 2008, the median rent burden in the unprotected rental segment was 67.2%, while it was 50.8% in the protected rental market segments. Clearly, this suggests that the reforms have exacerbated affordability problems for poor households in the city.

Table 3: Housing affordability in New York, 1993 -2008

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>2008</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of households with affordability problems (rent burden &gt; 30%)</td>
<td>41.0%</td>
<td>43.0%</td>
<td>+2.0</td>
</tr>
<tr>
<td>Share of households with severe affordability problems (rent burden &gt;50 %)</td>
<td>22.5%</td>
<td>24.1%</td>
<td>+1.6</td>
</tr>
<tr>
<td>Median rent-income ratio</td>
<td>27.5%</td>
<td>28.8%</td>
<td>+1.3</td>
</tr>
<tr>
<td>Median contract-rent-income-ratio by income quintiles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st quintile</td>
<td>50.4</td>
<td>53.8</td>
<td>+3.40</td>
</tr>
<tr>
<td>2nd quintile</td>
<td>38.6</td>
<td>39.4</td>
<td>+0.80</td>
</tr>
<tr>
<td>3rd quintile</td>
<td>24.5</td>
<td>25.1</td>
<td>+0.60</td>
</tr>
<tr>
<td>4th quintile</td>
<td>16.7</td>
<td>17.7</td>
<td>+1.00</td>
</tr>
<tr>
<td>5th quintile</td>
<td>11.7</td>
<td>12.9</td>
<td>+1.20</td>
</tr>
<tr>
<td>Median rent-income ratio of low-income households in</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protected rental ¹</td>
<td>50.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unprotected rental</td>
<td>67.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Includes units in public housing, project-based Section-8 and other HUD regulated programs, Mitchell-Lama rental, Article 4/5, rent-stabilized pre-1947 and post-1947, rent controlled and in rem.

2.5. Discussion and concluding remarks

This paper has set out to analyze the effects of neo-liberal housing reforms on housing affordability of low-income households in New York between 1990 and 2008. Starting point has been the growing interest in neo-liberalization trends in New York's housing market and recent gentrification studies that point to negative effects of neo-liberal market restructuring on the housing conditions of poor households. Through our analysis we have added in three ways to the available literature.

First, we have provided an overview of relevant reforms that impacted New York's rental market to show that the restructuring has been driven by policy changes at different scales. At the federal level, embedded in a broader shift towards homeownership promotion and away from support for rental housing support, various supply-side subsidies have been reduced. For New York, this became relevant above all regarding a number of units in project-based Section-8 and Mitchell-Lama, for which contracts expired in the 1990s. New York state equally retreated from supply-side subsidies, most importantly in the state-funded part of Mitchell-Lama. In addition, state rent regulation was weakened and luxury de-control was introduced. At the local level, the decrease of funding for affordable housing in the 1990s was a central reform element, even though the policy direction was not one-directional and in the 2000s, funding was partly expanded again under the Bloomberg plan. Hence, reforms at federal, state and local level became important in the restructuring of the city's rental market.

Second, we have provided new empirical evidence for how these regulatory changes have affected the rental housing supply, through survey data analysis covering the period between 1993 and 2008. Overall, the rental sector has declined vis-à-vis homeownership. Within rental housing, unprotected market segments have increased while protected segments have become smaller. The analysis suggests that the reforms are crucial to understand this development. Protected segments have become smaller, most importantly, through a loss in project-based Section-8, Mitchell-Lama and rent-regulated units. As we show, with the shift from protected to unprotected rental market segments, the structure
of the market has also changed with regard to rent levels. The number of inexpensive units has declined sharply, while expensive market segments have increased.

The third part of the paper has presented new survey data analysis on affordability shifts that reflect parallel rental housing supply changes. Our results indicate that the reforms have indeed contributed to a growing affordable housing shortage in the city. While already in the early 1990s, inexpensive housing was short in the city, under-supply has become more pronounced as the supply of low-cost housing has decreased and incomes of poorer households have fallen even further behind. Generally, this has translated into higher rent-income burdens on the household level and affordability has become more problematic, with poor households, however, clearly most negatively affected. The data suggest that a key factor is that with the shrinkage in protected rental segments poor households increasingly have had to rely on the unprotected rental market, where rents are much higher than in the protected segments and, consequently, affordability burdens increase.

What does this analysis tell us more generally about housing neo-liberalization and the housing conditions of low-income New Yorkers? For one, it highlights the crucial role of the reforms as a key driver of housing problems in the city. We have clearly identified parallel market-based reforms, an upgrading of the rental housing supply and growing affordability burdens. With these findings we add additional empirical evidence to recent gentrification studies that have pointed to neo-liberal reforms as a central factor for growing housing problems of low-income households in the city. Meanwhile, our findings also go somewhat beyond these studies, by showing that reforms have affected poor households on a wider scale, beyond gentrifying neighbourhoods. Indeed, as our affordability analysis suggests, there is today on overall lack of affordable accommodation in New York, which has clearly become more severe in the course of market-based reforms since 1990.

Inevitably, an analysis in an article of this length remains limited. One limitation is that our focus on housing affordability has left aside other ways how poor households deal with the growing scarcity of inexpensive
housing in the city. Some have, for instance, ostensibly opted to leave the
city altogether. The Center for Urban Future (2009) reported that in 2006,
23% of among all households that moved away from New York the most
often cited reason for leaving was high housing costs. Some individuals,
meanwhile, have simply left the formal housing market and become
effectively homelessness. Between 2002 and 2008, the number of people
who used the shelter at some point in the year went up from 82,802 to
109,314 (Coalition for the Homeless, 2009).

Other groups have escaped the rental housing shortage by entering
homeownership, and in particular the segment of low-equity coops,
which has lower access barriers than conventional owner-occupation.
Many have alternatively relied on the informal rental housing market,
which is estimated to include up to 100,000 units (Botein, 2005). Another
important group to consider among those affected by declining housing
affordability have been those forced to move within the city to escape
rising costs in attractive locations. Annually, more than 10,000
households are officially reported to be displaced in New York (U.S.
Bureau of the Census, 2008), becoming victims to forms of spatial
injustice (cf. Soja, 2013).

While our analysis of market restructuring and affordability in New York
housing has been revealing, it tells us relatively little about the
universalities of these processes. Indeed, as we stated at the outset, New
York is by no means a ‘typical’ North American city, and there has been
considerable room dismantling of redistributive programs. Further
comparative research, beyond the “actually existing neo-liberalism”
(Brenner and Theodore, 2002) of New York, would thus be desirable. In
the last few years a number of studies beyond North America have begun
to reveal both a common influence of neoliberal reform, but also
considerable variety in their manifestation and impact on different types
of households housed in different parts of the market (Hedin et al. 2012;
Musterd, 2014). Comparisons of policy transformations and the
outcomes of increased marketization in other global cities, particularly
those of social democratic regimes in Europe for example, would be
particularly insightful in terms of illustrating diversity and continuity, as
well as the particular salience of housing regulation as a medium of neoliberalization and a driver of social inequality.

References


