Senior Housing in New York City:

The Coming Crisis

New York City Comptroller
John C. Liu

MAY 2013

JOHN C. LIU
Comptroller

First Deputy Comptroller
Ricardo Morales

Deputy Comptroller for Public Affairs and Budget
Ari Hoffnung

Special Assistant for Public Affairs
Jacqueline S. Gold

Executive Director for Economic Development
David R. Morris

Rachel Bardin
Inez Figueroa
Steven Giachetti
Cathy Hanson
Kathy Martino
Kali Ndoye
Christopher M. Pak

Table of Contents

About the New York City Comptroller's Office

The New York City Comptroller, an independently elected official, is the Chief Financial Officer of the City of New York. The mission of the office is to ensure the financial health of New York City by advising the Mayor, the City Council, and the public of the City's financial condition. The Comptroller also makes recommendations on City programs and operations, fiscal policies, and financial transactions. In addition, the Comptroller manages the assets of the five New York City Pension Funds, performs budgetary analysis, audits City agencies, registers proposed contracts, etc. The office employs a workforce of more than 700 professional staff members. These employees include accountants, attorneys, computer analysts, economists, engineers, budget, financial and investment analysts, claim specialists, and researchers in addition to clerical and administrative support staff.

Introduction

This study examines the impact of escalating housing costs on different age segments of the City's population. Identifying where needs are most urgent helps to lay the groundwork for a comprehensive housing plan that takes into account both the current housing needs of City residents and at the same time provides a long-term implementation strategy that will enable the City to continue to attract and house new residents. The study also recognizes that housing development alone cannot address the many different needs that are all necessary to create communities where residents will want to be rooted for their future. A "build it and they will come" approach will fail if a comprehensive approach to community development is not undertaken and if policy does not engage all stakeholders to participate in the process to determine how to better meet these needs.

The percentage of seniors living in poverty in the City is almost 20 percent, more than double the national average

As shown in the following analysis, the needs of the senior segment of the City's population are particularly severe and will likely get worse. Fifty-three percent of households headed by those aged between 60 and 69 pay more than 30 percent of their income on rent, a level considered to be unaffordable by federal standards, and 66 percent of households with heads over the age of 70 pay unaffordable rents by the same measure. Support from federal and local housing programs helps to reduce the burden for some seniors, but senior renters in the City still face considerable hardship.[1] This comes as a result of both the high cost of rental units in the City as well as the generally low incomes of seniors. According to the latest statistics from the 2011 American Community Survey (ACS), more than 19 percent of the City's population aged 60 and older lives below the poverty level, compared to 9 percent nationally.[2] In addition to high poverty rates, the impact of evictions on seniors is particularly severe as they often end up far from the support services they rely on. Many seniors in the City live in intergenerational families that include children and other relatives who rely on each other for financial and other support. Nineteen percent of seniors in the City live in families with other relatives compared to 5 percent nationally.[3] Fifty-seven percent of grandmothers who raise grandchildren have incomes below the federal poverty line[4] a condition that leads to housing instability while adding additional strain to the City's child care services.

Demographic factors including increases in life expectancy and the approaching retirement of the large baby boom generation indicate that these problems could impact a far larger segment of the City's population in the future. While increased longevity may be beneficial for those able and willing to work longer, low-income seniors who are unemployed or unable to work could be placed in harm's way by the progressive gap in available and viable affordable housing opportunities.

Against the backdrop of this great demand for affordable housing for those aged 60 and over, policy directed at increasing the availability of affordable housing has not sufficiently met current general needs, and achieving future housing goals may be increasingly difficult to accomplish. A 2012 study by the City's Independent Budget Office (IBO) of the Mayor's New Housing Marketplace Plan (Plan), found that approximately 125,000

1 In this report the term senior is used to designate the population aged 60 and over. Age groups are defined in greater detail on page 4 of this report.
2 Federal poverty thresholds are based on the minimum income requirements necessary to meet the basic household needs for a household of a given size. For instance the poverty threshold for a single person household is defined as income below $10,850 and increases to $22,350 for a household of four.
3 2011 American Community Survey.
4 NYC Council Committee on Aging, Affordable Housing Initiatives For Grandparents Raising Grandchildren*, Public Hearing, November 22, 2005.*

affordable housing units have been built or preserved since 2004 and that the goal of creating an estimated 165,000 units through the end of 2013 is likely to be achieved.[5] With respect to seniors, policies within the Plan that have helped to preserve an estimated 34,000 Mitchell-Lama rental units, which house higher concentrations of seniors, have provided some benefit. However, more than 36,000 Mitchell-Lama rental units are no longer in the Mitchell-Lama program and 32,000 of these are no longer subject to any affordability requirements.[6] Seniors seeking affordable housing units that provide dedicated services and features to address their health and physical needs are confronted with long waiting lists. Outside of this dedicated stock, many units are lacking in basic features that seniors require, such as grab bars for shower stalls and bathtubs, and elevators. In addition, programs that do provide benefits to seniors are often restricted to low-income households, and provide little support to moderate- and middle-income seniors.[7]

Research demonstrates that providing affordable housing to seniors is a cost effective policy that also generates economic benefits to localities

As the current affordability crisis demonstrates, the needs of New York's overall population and seniors in particular, have not been adequately addressed by the current administration. Higher goals for the provision of affordable housing than those sought under the Plan should be pursued to better meet these urgent needs and also to realize the economic benefits that the provision of affordable housing can provide.

Research demonstrates that providing affordable housing and supportive services to seniors is a cost-effective policy that can help delay the need for more intensive and expensive care. A study estimated that the cost savings of a 340-day stay in supportive housing compared to a similar-length stay in a Medicaid-funded nursing home, ranged from $25,000 to $36,000.[8] Nationwide, 31.5 percent of Medicaid's annual $400 billion in shared federal and state spending goes to long-term care in nursing homes for the elderly and the disabled, with New York State estimated to spend more than $20 billion annually.[9] There is the potential for significant cost savings to the State by avoiding more costly care. Similarly, an increased supply of affordable housing units would help reduce the costs associated with housing seniors and members of the general population in emergency shelters.[10]

In addition to these potential costs savings, the senior housing sector generates significant economic benefits to local economies. Estimates from the National Association of Home Builders indicate that, on average, the additional, annually recurring impacts of building 1,000 apartments in a dedicated elderly housing development include $23 million in local income and almost $4 million in taxes and the creation of 320 local jobs.[11] Jobs related to the health care and supportive services for seniors are some of the fastest-growing in the economy and are expected to continue to expand as this segment of the population grows.

5 "The Mayor's New Housing Marketplace Plan: Recession, Funding Shifts, and Changing Goals Mean Fewer New Apartments Likely to Be Built," June 2012, New York City Independent Budget Office. More recent estimates indicate that 143,469 units have been preserved or created under the Mayor's Plan. http://www.uli.org/wp-content/uploads/ULI-Documents/NHMP_NYC_in-layout_FINAL.pdf.

6 Approximately 4,000 of the units that have exited the Mitchell-Lama program remain affordable through other programs. In addition to the loss of Mitchell-Lama units, the decline in the number of rent regulated units also has potential repercussions on seniors, particularly on the generation of future households that wish to age in place as discussed in further detail in this report.

7 United States Department of Housing and Urban Development (HUD) definitions of low-, moderate-, and middle-income vary based on household size and take into account differences in costs and income among geographic areas.

8 HUD, "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement," June 2008.

9 For further information see: http://www.statehealthfacts.org/comparecat.jsp?cat=4&rgn=34&rgn=1.

10 "Elderly Homeless Rates Jump in New York City," New York Daily News, January 27, 2012

11 National Association of Homebuilders, "The Local Economic Impact of Typical Housing Tax Credit Developments," March 2010.

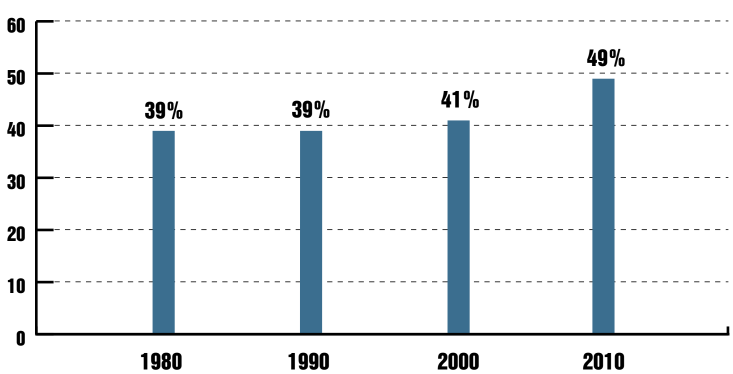
In looking at policies that will help to realize these potential economic benefits and generate more affordable housing in the City, it is increasingly apparent that policymakers will likely have to rely on less support from the Federal Government. According to the IBO study, the City's allocation of funds under the federal HOME Investment Partnership (HOME) program, a block grant to states which accounted for 30 percent of the City's capital spending on the Plan, declined by 45 percent in 2012. While state and local legislative efforts should focus on preserving existing funding levels, increased emphasis must be placed on local policy and funding options that do not rely heavily on the Federal Government.

The recommendations proposed in this report—expanding New York City's Senior Citizen Rent Increase Exclusion program, creating a property tax credit for families that take in elderly dependents, increasing aid to programs that help seniors stay in their homes longer, expanding inclusionary housing programs to provide additional benefits to seniors, and encouraging private sector participation in housing programs—while not solving all the issues related to affordability, will help alleviate some of the burdens faced by seniors and realize some of the potential costs savings and economic benefits associated with the goals of promoting more affordable housing.

Background

As demonstrated in Chart 1, the share of overall City households that face unaffordable rents rose dramatically during the past decade. By 2010 nearly one in two renter households in the City faced unaffordable rent burdens. While the impact of housing affordability continues to be most severe on low-income households, almost 40 percent of middle-income households in the City now face unaffordable rental burdens as well.[12]

Chart 1: Percentage of New Yorkers Paying Unaffordable Rents



Source: U.S. Census Bureau

This paper analyzes how housing burdens differ among age groups of the City's population. This distinction is important, because it evidences where needs are most concentrated. Data for four age segments (defined in more detail in the following section) is presented and provides a useful comparison to see how housing needs evolve over the lifetime of a household.

We have focused on the older age segment of the population because of the overall high housing cost burdens faced by this group. We also raise concerns regarding the potential impact of demographic changes that are expected to be particularly pronounced for this age

12 "Rents through the Roof," Office of the New York City Comptroller John C. Liu, September 2012.

The City's population aged 60 and older grew by 12.1 percent between 2000 and 2010 compared to a 2.1 percent increase in the overall population

group. According to statistics from the U.S. Census Bureau and the New York City Department of City Planning (City Planning), the City's population aged 60 and older grew by 12.4 percent between 2000 and 2010 to 1.4 million, compared to a 2.1 percent increase in the overall City population. Both the aging of the large baby boomer generation and their increased life expectancies are expected to result in continuing increases in the 60+ age group.

This trend will have far reaching repercussions on Social Security and Medicare and related policy matters. Potential reforms to Social Security and upward changes to age eligibility will in turn impact the housing market. Older residents who had planned on leaving and retiring outside the City could potentially delay the decision to relocate, and residents who choose to remain in the City could expect to work and live longer. While changes to Social Security and Medicare and their impact on the housing market are as yet not fully ascertainable, it is important to examine the current state of the housing market to identify where the housing needs of older New Yorkers are likely to be most pronounced.

Data and Comparisons

Data on housing costs are obtained from the 2011 New York City Housing and Vacancy Survey (NYCHVS), the most extensive survey of residential rental housing conditions in the City. The NYCHVS is sponsored by the New York City Department of Housing Preservation and Development (HPD) and is conducted every three years to comply with New York State and New York City's rent regulation laws. The Census Bureau has conducted the NYCHVS for the City since 1965. The 2011 NYCHVS is the 15th such survey. Detailed data from the NYCHVS cover many characteristics of the City's housing market, including characteristics of the City's population, households, housing stock, and neighborhoods. The rental vacancy rate derived from the survey is one of the factors considered by New York City's Rent Guidelines Board (RGB) in determining the guidelines for annual increase in rents of regulated apartments.[13] A sample of approximately 19,000 City households participated in the 2011 NYCHVS.[14]

In addition to the NYCHVS, this study also relies on demographic data from the 2010 and 2011 ACS, and population projections from City Planning. Data relative to housing units for seniors is obtained primarily from reports by New York City's Department for the Aging (DFTA) and the New York City Housing Authority (NYCHA).

For the purposes of this study, the population is divided into four segments: households under 30 years of age, households between ages 30 and 59, households between 60 and 69 years of age, and households aged 70 and older. These age distinctions reflect differing homeownership and income characteristics among these groups, and also correspond to the early, middle, late, and retirement phases of a typical career. The 60+ age threshold used to denote the City's older population is consistent with DFTA's characterization of the older population.[15]

13 The RGB considers the economic condition of the residential real estate industry in New York City including such factors as the prevailing and projected (i) real estate taxes and sewer and water rates, (ii) gross operating maintenance costs (including insurance rates, governmental fees, cost of fuel, and labor costs), (iii) costs and availability of financing (including effective rates of interest), (iv) overall supply of housing accommodations and overall vacancy rates. City and state rent laws are based on a "housing emergency," defined as a Citywide vacancy rate of less than 5 percent. These laws expire if the vacancy rate exceeds 5 percent.

14 Results published herein are subject to sampling errors. Instances where results rely on a small sample are particularly subject to sampling biases. For data accuracy, refer to the "Source and Accuracy Statement" provided at http://www.census.gov/hhes/www/housing/nychvs/2011/nychvs11.html. Data on affordability metrics excludes households that reported negative incomes as are households that reported rental payments exceeding 100 percent of household income. These exclusions may cause results to differ slightly from other published results.

15 See "Census 2010: Changes in the Elderly Population of New York City, 2000-2010," New York City DFTA. The report provides additional data for smaller age groups within the 60+ population including 65+ and 75+. Federal housing programs use 62 years as the age for determining senior households. Since population projections are generally not available for that age category, 60 years is used herein to define the youngest age of the senior segment.

Income Characteristics of Renters vs. Owners by Age Group

Senior households, and in particular senior renters, face significant housing cost burdens that exceed those of all age groups in the City. While senior homeowners fare relatively better, their housing burdens are still high.

Homeownership, rental tenancy, and income characteristics of New Yorkers are shown in Chart 2. While renters in all age groups in New York City account for the majority of households, homeownership rates increase progressively from age 30, peaking at 45 percent with the 60-69 age group and thereafter declining slightly in the 70+ segment.[16] The increase in homeownership rates with age is a reflection of the typical earning pattern of individuals. According to the Federal Reserve's 2010 Survey of Consumer Finances, most people peak in earning power between the ages of 40 to 50 years old and then a sharp drop-off occurs as they head toward their 60s.

Chart 2: Percent of New York City Renter and Owner Households by Age Group

	RENTERS			OWNERS		
Household Age	Number of Households	% of All Households	Median Income	Number of Households	% of All Households	Median Income
Under 30	358,451	93%	$51,000	28,072	7%	$103,000
30 to 59	1,282,748	69%	$44,000	579,379	31%	$98,000
60 to 69	256,007	55%	$24,000	211,187	45%	$68,000
70 and over	207,610	56%	$15,000	165,428	44%	$34,000
OVERALL	2,104,816	68%	$38,000	984,066	32%	$79,000

Sources: 2011 NYCHVS, 2011 ACS

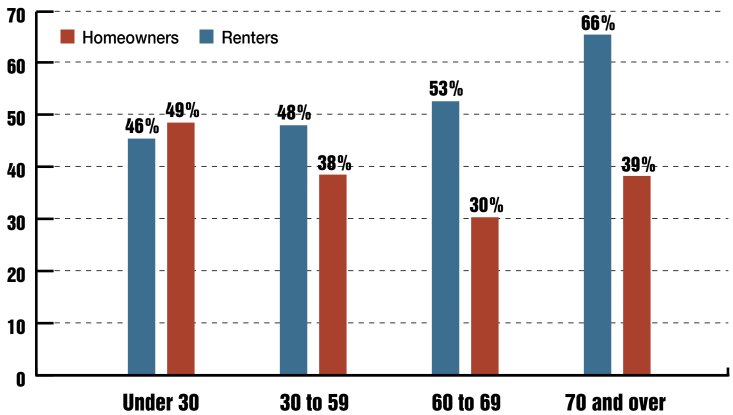
For all age groups, the median income of homeowners is more than twice that of renters. Interestingly, homeowners under age 30 have the highest median income of all age groups. However, these households, approximately 28,000 in total, comprise a very small segment of the overall population. Only 7 percent of these households under age 30 can afford to buy homes.

Reflective of the overall lower incomes of renters versus owners, housing cost burdens for renters exceed those of owners for all age groups except for the youngest age group, as shown in Chart 3. A slightly higher percentage of homeowners (49 percent versus 46 percent for renters) pay more than 30 percent of their income on housing. For all other age groups, the cost burdens that renters face are significantly higher than their counterparts who own their homes. The difference is most pronounced among older age segments. For the 30 to 59 age group, the percentage of renters that spend more than 30 percent of their income on housing costs is 48 percent compared to 38 percent for homeowners. For the 60 to 69 age group, the share of renter households paying unaffordable rents increases to 53 percent compared to 30 percent for homeowners.[17] For the 70+ age group, 66 percent of renters pay more than 30 of their income on housing compared to 39 percent for owners.

16 The difference between the 60 to 69 age group and the 70+ age group is not statistically significant.

17 This is also reflective of that fact that homeowners 60+ are likely to have paid down their mortgages, helping to reduce housing costs even as they experience a decline in income at retirement. According to the 2011 ACS, 60 percent of homeowners aged 60+ are without a mortgage compared to 22 percent of households under the age of 60.

Chart 3: Percent of Renters and Owners that Spend More than 30 Percent of their Income on Housing Costs by Age Group



Source: 2011 NYCHVS

The low incomes earned by renters aged 60 and over is particularly disconcerting and has negative impacts on their quality of life. According to the latest data from the 2011 ACS, 19 percent of the City's older population live below the poverty level, more than double the rate nationally. The impact of poverty and the housing crisis manifests itself in statistics on evictions and homelessness. Evictions in the City have increased by more than 16 percent since 2002.[18] While evictions have the highest impact on African Americans, many low-income seniors of other races are also impacted, with estimates indicating that seniors account for as much as 15 percent of all evictions.[19] Not surprisingly, homelessness has also risen dramatically. More than 50,000 homeless New Yorkers are sleeping each night in municipal shelters – a 61 percent increase since 2002.[20] The repercussions of poverty and homelessness are compounded when the households impacted include other family members, particularly when these are intergenerational households with children present.[21]

It is important to note that the rental burdens referenced above and illustrated in Chart 3 do not take into account rental subsidies from federal and local programs that help reduce out-of-pocket expenses. The impacts of these programs on affordability are discussed in greater detail in the following section of this report. Another important data consideration is that the definition of income used here is gross income and owner costs do not reflect indirect subsidies from income tax deductions that lower after-tax costs for homeowners. Similarly, income excludes accumulated savings (though not investment income derived from savings) that may offset some of the housing burdens of seniors.

Impact of Federal and Local Policies on Renter Affordability

Complex tangles of federal, state, and local programs are designed to help address housing affordability, particularly for low-income households. The assistance provided by these programs fall into three general categories: 1) rent subsidies to households; 2) tax credits to incentivize the construction of affordable housing; and 3) block grants to localities that assist in the construction or rehabilitation of affordable housing. In many cases, a house-

18 ''2012 Income and Affordability Study." New York City Rent Guidelines Board
19 "Results from three surveys of tenants facing eviction in New York City Housing Court," Brennan Center for Justice at New York University School of Law, February 2007.
20 Coalition For the Homeless, http://www.theatlanticcities.com/housing/2013/03/bloombergs-other-legacy-homelessness-crisis/4910/.
21 According to statistics from the 2012 American Community Survey approximately 70,000 grandparents in the City are legally responsible for children under the age of 18.

hold may receive overlapping assistance, through direct rental subsidies as well as indirect benefits derived from tax credit programs or block grants.

Through the assistance provided by these programs, some households are able to lower their out-of-pocket expenses and lower their housing cost burdens. As noted previously, these programs are targeted primarily to low-income households, providing little support to the increasing numbers of moderate and middle-income renters, including seniors, who are also impacted by high housing costs.

Under the federal Housing Choice Voucher Program (Section 8), a housing subsidy is paid to the landlord directly by the public housing agency acting on behalf of the participating low-income household. The household then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. For the most part, the program is designed to limit out-of-pocket expenses to 30 percent of the household's adjusted gross income.[22]

The federal and New York State Low Income Housing Tax Credit (LIHTC) programs provide tax incentives to developers that build affordable housing for low-income households. While not providing a direct rental subsidy to households, LIHTC imposes restrictions on the amount of rent that landlords can charge.[23] Eligibility for Section 8 and LIHTC is not age restricted.

Programs that are specifically targeted to older adults include the federal Section 202 Supportive Housing for the Elderly Program (Section 202), which offers rental assistance for individuals aged 62 or older. Rents are based on a resident's adjusted gross income, which is calculated by subtracting approved medical expenses from their income. The resident then pays 30 percent of the adjusted gross income for rent and utilities.

Locally, in New York City, the Senior Citizen Rent Increase Exemption (SCRIE) program exempts an eligible renter from increases in rent above one-third of total household income. Tenants living in rent regulated apartments may be eligible for the SCRIE program if they are at least 62 years old and have a total household income that currently does not exceed $29,000.[24] In return for the rent increase exemption that tenants are given, the landlord receives a real property tax abatement equal to the amount of rent that is forgiven.

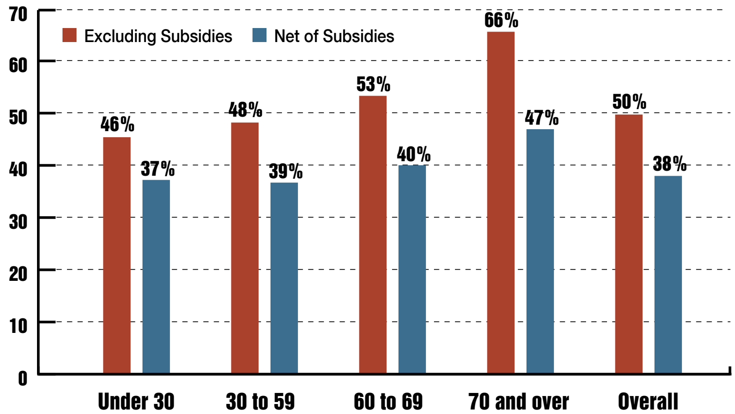
Rent subsidies such as those provided by United States Department of Housing and Urban Development and SCRIE help reduce housing cost burdens, as shown in Chart 4, which compares the percentage of New Yorkers who pay more than 30 percent of their income on rent by age, after factoring in subsides that determine out-of-pocket rents.

22 An overview of the eligibility criteria and the method used to determine adjusted gross income under the Federal Housing Choice Voucher Program are provided at: http://portal.hud.gov/hudportal/HUD?src=/topics/housing_choice_voucher_program_section_8. Also noted are instances where households may pay more than 30 percent of their income on rent.

23 There are two income thresholds set under LIHTC: At least 20 percent of the units must be occupied by households with incomes at or below 50 percent of the HUD-determined area median income (AMI) or at least 40 percent of the units must be occupied by households with incomes at or below 60 percent of the HUD-determined AMI. The income restriction depends on whether the unit was built under the 50 percent of AMI or 60 percent AMI definition. The rental restrictions set by LIHTC apply to the units and do not vary based on the tenant's income. If a low income person's or family's income increases beyond 140% of the targeted income, then the next available vacant unit must be rented to a low income person or family at the qualifying rent until the required building-wide income distribution is re-achieved.

24 Tenants living in unregulated apartments are not eligible to receive SCRIE.

Chart 4: Percentage of Renter Households Paying More than 30 Percent of their Income on Rent by Age Group, Subsidized vs. Unsubsidized Costs



Source: 2011 NYCHVS

Even after factoring in federal and local subsidies, 47 percent of seniors aged 70+ still face unaffordable rents

The impact of rental subsidy programs is most pronounced with respect to the 70+ age segment. When rental subsidies are factored in, the percentage of the 70+ households that pay more than 30 percent of their income on rent declines to 47 percent compared to 66 percent without subsides. In comparison, taking into account subsidies, 37 percent of households under the age of 30 face unaffordable rents compared to 46 percent without subsidies. This reflects the fact that a greater percentage of households within the 70+ age group are able to take advantage of the subsidy programs targeted to low-income families. As shown in Chart 2, the median income of households aged 70+ is roughly $15,000 compared to $51,000 for households under the age of 30.

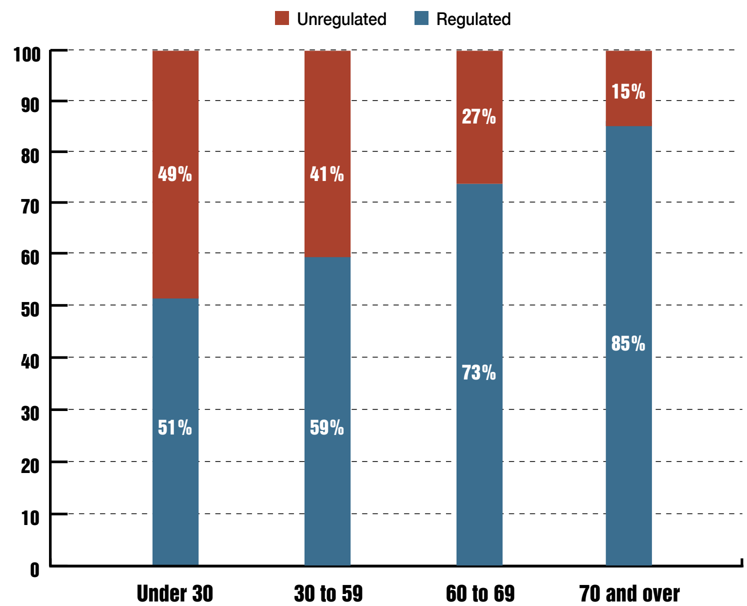
In addition to rental subsidy programs, many rental units in New York City are governed by various forms of rent regulation that impose restrictions on increases in rents, but do not place limits on a tenant's income. Rent regulation, while imposing restrictions on rental increases, does not itself ensure affordability or restrict the rent a tenant pays to a fixed amount of income. The most common form of rent regulation in New York City is Rent Stabilization, which was established in 1969 in response to the tightening of the rental market following the Vietnam War. Other rent-regulated apartments in the City fall under rent control laws that were enacted after World War II to address the housing shortages that occurred as soldiers returned. Rent regulation laws were also enacted under the Emergency Protection Act of 1974. And there are other State and local programs that impose rent regulations, including Mitchell-Lama housing.[25]

The rent-regulated stock of apartments varies considerably among the five boroughs. The Bronx and Manhattan have the highest percentage of rent-regulated apartments at 80 percent and 64 percent, respectively, while Staten Island has the lowest at 28 percent. (Appendix 1)

The percentage of tenants living in rent-regulated apartments versus market rate units also varies by age. More than 75 percent of households aged 60+ live in regulated apartments, significantly higher than the 59 percent occupied by the 30 to 59 age group, and the 51 percent share attributable to the under 30 age group. (Chart 5)

25 Mitchell-Lama developments were constructed under the provisions of Article 2 of the Private Housing Finance Law (PHFL) and are primarily designed to increase the supply of housing affordable to middle-income households.

Chart 5: Percentage of Renters Living in Regulated and Unregulated Units, by Age Group

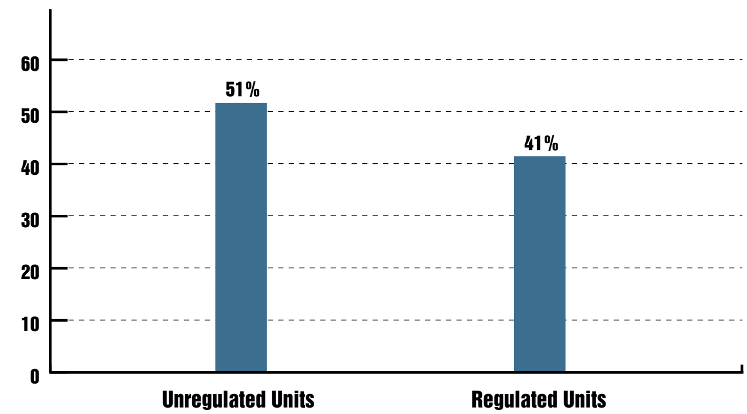


Source: 2011 NYCHVS

In addition, Chart 6 compares the percentage of renters that pay more than 30 percent of their income on rent in regulated versus unregulated apartments for the 60+ age group.

In comparison to the unregulated units, where 51 percent of households in the 60+ age group face unaffordable rents, a lower 41 percent of households in this age group face unaffordable rents in regulated apartments. This suggests that the continued availability of rent-regulated apartments will have a particularly pronounced effect on the City's senior population.

Chart 6: Percentage of Renter Households 60+ Paying More than 30 Percent of their Income on Rent, Net of Subsidies



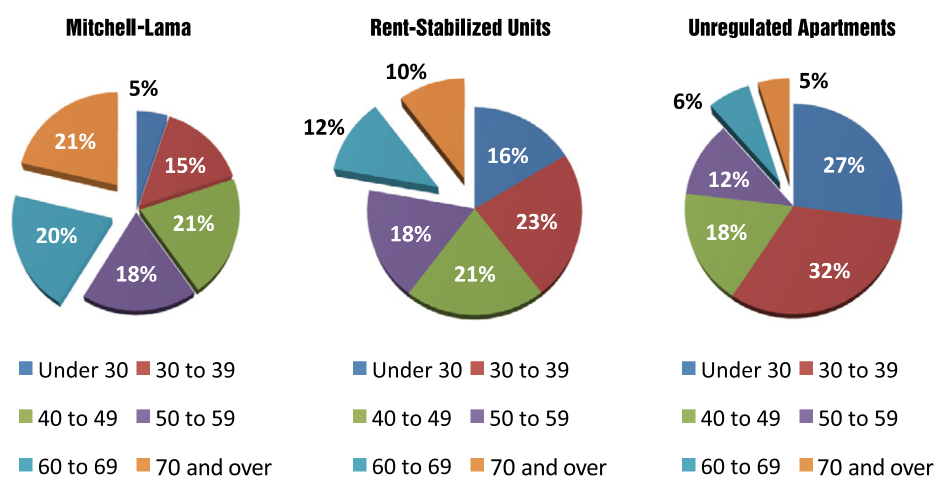
Source: 2011 NYCHVS

However, many rental units have been removed from the rent-regulated inventory primarily as result of high-rent/high-income decontrol.[26] The latest data from the New York City RGB indicates that while there have been 137,000 new units added to rent regulation rolls since 1994, a far greater number, or 240,000 rental units, were *subtracted* from the rent stabilized housing stock resulting in a net decline of approximately 103,000 units (see Appendix 2).

26 An overview of the causes and changes to the rent-stabilized apartment inventory can be found in the New York City Rent Guidelines Board report, "Changes to the Rent-Stabilized Housing Stock in New York City in 2011."

Among rent-regulated units, Mitchell-Lama units pose a particular policy concern with respect to affordable housing for the older groups of the City's population. Existing Mitchell-Lama units comprise a relatively small percentage of the City's overall rental housing stock, approximately 47,000 out of a total of 2.1 million rental units. As shown in Chart 7, Mitchell-Lama units are predominantly occupied by older segments of the population. More than forty percent of Mitchell-Lama rental units are occupied by households aged 60+. This compares to 22 percent for rent-stabilized units and only 11 percent for unregulated units. Looking towards the future, the more detailed segmentation of age groups in Chart 7 reveals that households aged 50 to 59 are also more heavily represented in Mitchell-Lama and rent-stabilized units than in unregulated units.

Chart 7: Percentage of Renters Living in Mitchell-Lama, Stabilized, and Unregulated Units, by Age Group



Source: 2011 NYCHVS

Mitchell-Lama units were constructed with low-interest mortgages provided by the City and State, generally for a term of 40 or 50 years. In exchange for low-interest mortgages and other benefits,[27] rents were regulated to ensure affordability. Approximately 70,000 rental apartments and 50,000 cooperative units were constructed primarily from the 1950s through the 1970s. The terms of the mortgages allowed owners to "buy-out" of the program after 20 years. As the terms of these mortgages expired over the years, many of these units were able to exit the Mitchell-Lama program and are no longer subject to affordability restrictions.

A 2004 report by the New York City Comptroller's Office, entitled "Affordable No More: New York City's Looming Crisis in Mitchell-Lama and Limited Dividend Housing," highlighted the problem of Mitchell-Lama housing units exiting the program and losing their affordability restrictions. As seen in a recent report by the Furman Center for Real Estate and Urban Policy, of the approximately 70,000 Mitchell-Lama rental units that were originally built, only 34,000 remain in the program with affordability restrictions.

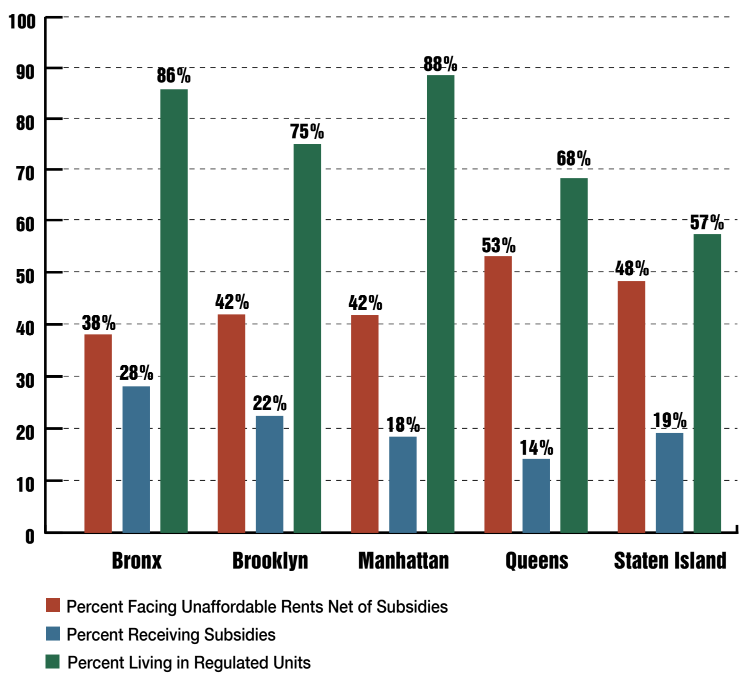
27 Mitchell-Lama units also benefitted from other subsidies, including property tax exemptions and low-cost land.

Given the disproportionate share of older individuals living in Mitchell-Lama housing, the extent to which future units that are eligible to opt-out will be preserved as affordable could have a significant and immediate impact on the 60+ age segments of the City's population. Of even more immediate concern are the approximately 7,500 Mitchell-Lama rental units that can opt-out of the program at any time during the period between 2011 and 2015 if the owner gives one-year prior notice.[28]

Housing Affordability for the 60+ Age Group by Borough

Rental subsidies provided by federal and local programs and rental regulation laws have provided a safety net particularly for the senior age group of the City's population, as shown in Chart 4. Further analysis, however, reveals differences among the City's boroughs, which reflect both the varying availability of rent-regulated units by location as well as the availability of federal and local programs that are generally restricted to the lowest-income households.

Chart 8: Percent of Households Aged 60+ Paying Unaffordable Rents by Borough



Source: 2011 NYCHVS

Rent burdens remain high in all the boroughs even after factoring in rental subsidies. With the exception of the Bronx, at 38 percent, more than 40 percent of all households aged 60+ in New York City face unaffordable rents. Seniors in Queens and Staten Island face even higher burdens as fewer senior households can benefit from the safety nets provided by either rent regulation or avail themselves of subsidies from federal and local programs.[29]

28 "State of New York City's Subsidized Housing: 2011," Furman Center for Real Estate & Urban Policy at New York University.
29 As noted, many federal programs target very low-income families and are restricted to households with incomes below $30,000.

Housing Stock and Other Conditions Affecting Senior Households

The housing burdens faced by older households are not limited to issues of affordability. The availability of support services dedicated to seniors and the physical characteristics of housing units are also important for this age group. While survey data from the American Association of Retired Persons (AARP) indicates that older adults in New York prefer the flexibility and familiarity of aging in place (i.e., in their homes), many dwelling units in the City lack features such as elevators and grab bars in shower stalls and bathtubs that are necessary for households in this age group.[30]

The City's stock of housing units dedicated and built specifically to the physical needs of seniors and which provide services to this group is limited. Vacancies are scarce. The federal Section 202 program operated by HUD provides financing to not-for-profit groups for the new construction or rehabilitation of permanent low-income rental housing. Some 202 properties have service coordinators, but their costs are not included in the affordable housing developers' operating budgets. When present, they provide supportive services that generally include preventative health services as well as assistance with activities such as cleaning, cooking, and transportation. According to data from New York City's DFTA, there are 190 Section 202 buildings with approximately 17,680 units in the City.

Waiting lists for senior housing can be years long. Additional sources of financing and greater flexibility for the creation and preservation of new housing for seniors are crucial.

There are also 57 NYCHA developments, or buildings, with more than 10,000 units targeted solely to senior New Yorkers. These are designed to maximize residents' mobility and have senior centers in close proximity. In some cases, senior centers are located on the premises of a development. In addition to the NYCHA units there are 18 Mitchell-Lama sites in the City with 3,533 units dedicated to seniors offering similar support features.

The amount of affordable housing units set aside specifically for older households from these three programs totals approximately 41,000 units. That compares to the overall 463,000 renter households aged 60+ (Chart 2). As a result of this shortfall, waiting lists for these housing programs can be years long. In order to address this issue, additional sources of financing and greater flexibility for the creation and preservation of new housing for seniors are crucial, a fact acknowledged in the most recent Annual Plan Report by New York City's DFTA.[31]

The limited availability of affordable dedicated units for seniors is further compounded by the fact that the conditions of many dwellings in the City fail to meet the physical needs of seniors. According to data from the 2011 NYCHVS, 36 percent of all households aged 60+ live in buildings without a passenger elevator. In rent-stabilized buildings that were built prior to 1947, almost 50 percent lack a passenger elevator. Even more basic and less costly features, such as grab bars in the bathrooms, are lacking in many units rented by older households. Forty percent of all rental units occupied by households aged 60+ lack grab bars, and 50 percent of rent stabilized apartments built prior to 1947 lack them.

For older residents that require increased levels of physical assistance, housing options are even more limited.[32] A study by former New York City Public Advocate Betsy

30 A 2011 research report entitled "Aging in Place: A State Survey of Livability Policies and Practices," written by the National Conference of State Legislatures with the AARP Public Policy Institute, indicates that nearly 90 percent of people over age 65 want to stay in their home for as long as possible, and 80 percent believe their current residence is where they will always live.

31 "Annual Plan Summary April 1, 2013 – March 31, 2014," New York City DFTA.

32 "Sharing Old Age Alternative Senior Housing Options, March 2008" Office of the New York City Public Advocate.

Gotbaum found that costs for seniors living in adult homes providing support services (commonly referred to as 'assisted-living residences') ranged from approximately $3,000 per month for state-licensed adult homes to $6,000 per month for privately-run adult homes. Although some of these homes accept Supplemental Security Income, Medicaid and Medicare will not pay for residing in an assisted-living residence, making these living arrangements unaffordable for most older New York City residents.

Partly in response to the lack of services available for seniors in non-dedicated housing units, Naturally Occurring Retirement Communities (NORCs) were designated with the goal of providing services to meet the physical, health, and social needs for adults aging in place.[33] These programs, which are administered through non-profit providers, have been effective in keeping senior residents in their homes. However, these programs do not provide direct financial support to seniors.

Recommendations

With respect to the population of seniors that is most in need we propose the following recommendations and reforms:

- **Revise SCRIE to Account for Household Size and Inflation, and Increase Outreach Efforts**

The current SCRIE program has several limitations. One limitation is that unlike federal and other local housing programs, the income eligibility criteria under SCRIE do not take into account household size. The SCRIE income ceiling of $29,000 applies to households of any size regardless of whether the household is composed of a single person or two people. In contrast, most federal housing programs take household size into consideration when establishing income thresholds.[34] Another limitation of the program is that SCRIE income limits are currently set at a constant level of $29,000. These should be adjusted each year to allow for inflation as measured by the Consumer Price Index.[35]

In addition to easing income limits and indexing income limits to inflation, households aged 62+ would also benefit from increased awareness of the SCRIE program as well as from making its application process more accessible. Prior studies by the IBO and the New York City Public Advocate have estimated that only 30 to 50 percent of eligible households actually take advantage of this program.[36] It is not clear whether recent attempts to make the process easier, by making forms available online and transferring the process to the Department of Finance (previously it was housed within the City's DFTA) have actually been successful in promoting greater outreach.[37] Increased efforts should be made to provide seniors with information on SCRIE benefits, when their leases are up for renewal or a buy-out is pending of their Mitchell-Lama building. Cost estimates of modifying this program depend on how many additional senior households would take advantage of SCRIE through

33 These communities evolve naturally, as adult residents age in place. NORCs typically develop in three different ways: 1) a large number of persons move into a community when they are young and stay, 2) a large number of seniors move into a community because they find it attractive, and 3) seniors remain in a community as younger residents move out.

34 For instance, HUD establishes a low-income threshold for a one-person household at $29,000, while the limit for a two-person household is set at $31,348. This adjustment reflects the fact that a two-person household requires a higher level of income to obtain the same standard of living as a one person household. (Reflecting economies of scale, the income threshold for the two-person family is not double that of a single person household.)

35 Legislation increased the SCRIE limits annually from $25,000 in 2005 to $29,000 in 2009. The income limit has not been revised since 2009. Many housing analysts have suggested that the income limit set under SCRIE be adjusted annually to reflect inflation.

36 See "Easing Rent Burdens for Seniors and the Disabled," New York City IBO, August 2, 2001, and "Sharing Old Age Alternative Senior Housing Options," Office of the New York City Public Advocate, March 2008.

37 "Move to web makes complicated senior citizen rent increase exemption program more complex," New York Daily News*, January 2010.*

increased outreach efforts and the extent to which income restrictions are eased. Data from the New York City Department of Finance indicates that 47,475 households received SCRIE exemptions at a cost of $96.0 million in fiscal year 2012, or approximately $2,000 per participating household. The cost of modifying the program, assuming that outreach increases participation rates from the current estimate of approximately 33 percent to 50 percent of all eligible participants, and that income eligibility is adjusted for household size based on HUD definitions, is estimated at $40 million.[38]

• Create a Tax Credit for Families that Take In Elderly Dependents

In New York City there are approximately 110,000 households in which at least one parent or step-parent of the householder resides. By providing housing and other support for their usually-elderly parents and step-parents, those households may relieve the public of the costs of many support services for seniors, including expenditures for subsidized senior housing, other housing expenditures such as SCRIE, transportation services, and home health care services. The host families incur various monetary and non-monetary costs, however, and for many of them the added financial costs can be burdensome. About 46 percent of the host households have total incomes of less than $60,000 per year and nearly 80 percent have total incomes of less than $120,000 per year. In order to partially compensate those households for the public expenditures they save, to ease their financial burdens which may contribute to housing instability, and to encourage more households to provide for their elders, the Comptroller proposes a $2,000 refundable elder housing tax credit for New York City Personal Income Tax (PIT) filers. Households with income up to approximately $60,000 would have their NYC PIT payments eliminated, and most would receive a significant tax subsidy, if they provide accommodations to an elderly parent or step-parent. Households with incomes from $60,000 to $120,000 would have their PIT bills reduced. The total cost of this tax credit would be approximately $150 million.

• Increase Aid to Programs that Help Seniors Stay in Their Homes Longer

The City's Department for the Aging (DFTA) contracts with an extensive network of social service providers and funds many programs that help seniors age in place. These include senior centers, meals-on-wheels, Homecare, elder abuse prevention programs, home energy cost reduction programs, and programs that promote accessibility for aging seniors, such as elevators and the installation of grab bars. A $100 million increase to DFTA's budget, phased in over four years, would help expand the array of services that help seniors stay in their homes for as long as possible.

• Expand Inclusionary Housing Programs to Provide Additional Benefits to Low- and Middle Income Seniors

Many existing federal and local programs provide little financial support to middle-income households. A more targeted approach to provide real estate tax incentives for the construction of new housing for middle-income senior renters and owners is available through the City's Inclusionary Housing Program. This program allows developers to build bigger residential buildings in areas where they otherwise would not be allowed in return for new construction, substantial rehabilitation, or preservation of permanently

38 For instance, a married couple would qualify for SCRIE if combined household income were below $34,400 rather than the current limit of $29,000.

affordable housing. Future development in areas like Willets Point and other rezoned areas that will benefit from this program should be required to provide affordable housing units directly targeted specifically to low- and middle-income seniors. Based on the latest available data it is estimated that approximately 4,000 units have been created in the City under the inclusionary housing program and that future rezoned areas will yield an additional 6,000 units under this program, which should be targeted to seniors and other needy segments of the population.[39]

- **Encourage Increased Private Sector Participation in Housing Programs**

The Community Reinvestment Act (CRA),which encourages lending on the part of banks to develop affordable housing, could also be reformed to include criteria that prioritize and encourage the development of senior housing as a specific criteria for evaluating bank lending practices.[40] The mechanism to implement changes to CRA at the local level is already in place. Expanded CRA criteria to focus on seniors could be incorporated into the state's Banking Development District Program.

Conclusion

A comprehensive strategy to create and preserve affordable housing for all residents in New York City is an important policy goal to ensure continued growth in the City's economy and to keep existing residents here. The Plan that has been put in place by the current administration has contributed to the creation and preservation of approximately 125,000 units through the end of fiscal year 2011 and is generally on pace with its goal of creating 165,000 units through the end of fiscal year 2014. In spite of these concerted efforts, housing costs continue to remain unaffordable for many segments of the City's population, and especially for seniors. More needs to be done to help alleviate these burdens and future policies aimed at addressing the affordability crisis will need to be more aggressive in addressing the housing shortfall than those pursued by the current administration. While a comprehensive strategy to alleviate housing burdens for all age groups should be sought, demographic trends underscore a sense of urgency to address this issue particularly as they relate to seniors.

The demonstrated costs savings that can be realized through the provision of affordable housing, along with the real economic benefits that the senior sectors of the economy generate, are important considerations that justify more aggressive actions to develop affordable housing in New York City for seniors. Future policy must also take into account that federal funding for affordable housing development is at risk and that solutions to the housing crisis need to be sought at the local level.

The recommendations outlined above are not intended to solve all aspects of the problems of housing affordability and its impact on seniors. The intent of this report is to elicit additional research and to renew a sense of urgency regarding this issue, which most demographic trends suggest will only worsen in the coming years. A lack of response to this looming problem could be very costly to the City in the long term, whereas a preemptive approach would be significantly more cost effective.

39 For further information see: http://www.huduser.org/portal/rbc/newsletter/vol10iss4_1.html.

40 Congress passed the Act in 1977 to reduce discriminatory credit practices—or what is commonly known as redlining—in low-income neighborhoods. The CRA focuses primarily on activities benefiting low-and moderate-income communities and individuals, small businesses, and farms. Each financial institution's record in helping meet the credit needs of its community are evaluated periodically.

APPENDIX

Appendix 1: Rental Units by Regulation Status and Borough

	Total	Bronx	Brooklyn	Manhattan	Queens	Staten Island
Total Renter Occupied	2,104,816	375,491	673,166	570,853	432,085	53,221
Controlled	38,374	2,392	10,744	19,723	5,515	0
Total Stabilized	960,870	222,586	288,569	260,148	182,213	7,354
Built Pre-1947	*724,649*	*181,206*	*228,558*	*213,973*	*98,007*	*2,905*
Built 1947 or Later	*236,221*	*41,381*	*60,011*	*46,175*	*84,206*	*4,449*
Mitchell-Lama	47,295	10,035	18,883	12,769	4,542	1,066
Public Housing	184,946	48,074	62,089	52,753	17,236	4,792
All Other Government Assisted	61,207	15,671	15,658	22,066	6,109	1,703
All Unregulated Renter Housing	812,124	76,731	277,224	203,394	216,470	38,305

Sources: 2011 NYCHVS. (Numbers may not add to totals due to statistical rounding)

Appendix 2: Additions and Subtractions to the Rent Regulated Stock, 1994-2011

Additions to stock

Year	421-a	J-51	Mitchell-Lama	Lofts	421-g	420-c	Controlled	Total
1994	-	114	-	-	-	-	-	114
1995	-	88	306	-	-	-	-	394
1996	-	8	-	-	-	-	-	8
1997	-	38	323	-	-	-	-	361
1998	-	135	1,837	64	-	-	-	2,036
1999	-	33	286	71	-	-	-	390
2000	-	224	-	96	-	-	-	320
2001	-	494	-	56	-	-	-	550
2002	-	260	232	16	-	-	-	508
1994-2002	20,240	1,394	2,883	303	865	5,500	31,159	62,445
2003	1,929	171	279	20	41	1,781	916	5,137
2004	4,941	142	229	129	188	1,973	706	8,308
2005	3,380	25	732	66	79	1,664	721	6,667
2006	2,264	130	3,040	81	5	1,798	634	7,952
2007	2,838	135	2517	35	441	2,558	592	9,116
2008	1,856	55	101	35	865	4,767	887	8,566
2009	2,438	18	112	36	-	5,413	519	8,536
2010	7,596	80	-	9	-	4,211	451	12,347
2011	3,155	498	-	6	-	3,982	438	8,079
Total	**50,637**	**2,648**	**9,994**	**720**	**2,484**	**33,647**	**37,023**	**137,153**

Source: "Changes to the Rent Stabilized Housing Stock in New York City in 2011," New York City Rent Guidelines Board

Appendix 2: Additions and Subtractions to the Rent Regulated Stock, 1994-2011 *(continued)*

Subtractions to stock

Year	High Rent/High Income Decontrol	High Rent/ Vacancy Decontrol	Co-op Condo Conversion	421-a/ J-51	Substantial Expiration	Commercial Rehab	Other Conversion	Total
1994	904	565	5,584	3,350	332	139	1,904	12,778
1995	346	1,047	4,784	2,430	334	113	1,670	10,724
1996	185	1,325	4,733	2,086	601	117	1,341	10,388
1997	160	1,204	3,723	2,823	368	109	1,365	9,752
1998	372	2,384	3,940	3,562	713	78	1,916	12,965
1999	283	3,785	2,822	4,741	760	110	1,335	138,364
2000	230	2,934	3,147	3,914	476	729	1,372	12,802
2001	214	4,982	2,153	1,836	399	88	1,083	10,755
2002	262	6,144	1,774	1,734	508	45	954	11,421
2003	198	8,204	1,474	1,505	340	59	912	12,692
2004	194	8,856	1,564	1,102	268	79	954	13,017
2005	265	9,272	1,692	996	692	111	1,017	14,045
2006	301	9,983	1,567	499	350	135	1,139	13,974
2007	309	10,342	1,455	431	297	66	1,304	14,204
2008	278	12,800	1,405	552	421	56	1,321	16,833
2009	457	13,557	1,153	1,361	441	62	1,557	18,588
2010	336	12,911	1,130	800	274	32	1,424	16,907
2011	212	11,364	1,098	645	174	29	653	14,175
Total	**5,506**	**121,659**	**45,198**	**34,367**	**7,748**	**2,157**	**23,221**	**239,856**

Source: "Changes to the Rent Stabilized Housing Stock in New York City in 2011," New York City Rent Guidelines Board

Appendix 3: Overcrowding by Regulation Status, Percent of Units facing Overcrowding

Regulation Status	Overcrowded*	Severely Overcrowded*
Section 8	6%	1%
Rent Stabilized	14%	6%
Non-regulated	11%	4%
Overall Rental Units	12%	4%

**Note: Overcrowded and severely overcrowded refer to a person per room ratio greater than 1 and 1.5, respectively.*

Sources: 2011 NYCHVS

Senior Housing in New York City:
The Coming Crisis

New York City Comptroller
John C. Liu

Comptroller of the City of New York
1 Centre Street, New York, NY 10007

comptroller.nyc.gov