

University Neighborhood Housing Program  
2007 Affordable Housing Forum



# Shrinking Affordability

Housing Prices, Quality & Preservation  
in the City's Last Expanse of  
Affordable Private Rental Housing

Tuesday, March 27<sup>th</sup>, 2007  
8:30—11:00 AM

Fordham University's Rose Hill Campus, The Bronx  
Faculty Lounge, McGinley Center

# Shrinking Affordability

## *Housing Prices, Quality and Preservation in the City's Last Expanse of Affordable Private Rental Housing*

### **Introduction**

While the preservation of affordable housing in New York City has become a popular topic of conversation in the past few years, much of the discussion has focused on subsidized housing including Section 8, 202 Senior Housing, and Mitchell Lama projects. Recently, the sales of Stuyvesant Town, Peter Cooper Village and (perhaps) Starrett City have shifted the focus of attention to the loss of rent stabilized apartments in Manhattan and Brooklyn. These high profile sales are indicative of what is happening around the City as a new wave of owners arrives in a hot real estate market and looks to raise rents to match their business model.

**Who will be able to afford to live in New York City in ten years?** In the midst of the doomsday scenarios there is a hope that the high profile sales will spur the necessary parties to act to save the privately owned rent stabilized housing stock that serves as the most abundant source of affordable housing for the working poor of New York City. As affordable housing advocates working in the largest expanse of this affordable private rental housing in the five boroughs—the west Bronx corridor<sup>1</sup> along the Grand Concourse—University Neighborhood Housing Program has prepared this report which will review current market issues and recommend strategies to improve the quality while retaining the affordability of the housing.

### **Even Now, Where Can the Working Poor Live in New York City?**

As rents rise across the City, the number of neighborhoods where low wage workers (e.g., service industry) can find an affordable apartment continues to shrink. This is shown by the shrinking number of neighborhoods with a high poverty rate. Since the 2000 Census, the number of Sub-Borough Areas (conglomerations of census tracts closely aligned to community districts) with a very high poverty rate has dropped dramatically.<sup>2</sup> In *figure 1.1*, we see that in 2000 there were nine Sub-Borough Areas with a poverty rate above 35%. By 2005, the New York City Housing and Vacancy Survey (also performed by the U.S. Census Bureau) reported that the number of areas with a poverty rate this high had shrunk to four, and that all of these neighborhoods were located in the south and west Bronx (*see figure 1.2*). While the citywide poverty rate dropped 3.9% during this span, the most significant drops occurred in Sub-Borough Areas outside of the Bronx. Strikingly, the inflation-adjusted median income in New York City actually decreased by 6.3% for the similar time period of 2001 to 2004.<sup>3</sup>

Between 2002 and 2005, the number of total households in the City outpaced the number of rent stabilized apartments by about 3,000.<sup>4</sup> Further strengthening demand is the fact that the number of units with lower rents continues to fall dramatically (*see figure 2.1*). During the same three years, the number of units renting below \$1,000 plummeted more than 137,000, with the biggest loss in units renting for less than \$800. At the same time, the supply of units renting for more than \$1,000 increased dramatically by more than 190,000.<sup>5</sup>

While rents have gone up across the city, the lowest average collected rent for rent stabilized properties has been and continues to be in the Bronx<sup>6</sup> (*see figure 2.2*). As rents rise on a percentage basis each year (the dollar increase is larger for higher rent units), many units in the other boroughs have exited rent stabilization through luxury/vacancy decontrol. Luxury/

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vacancy decontrol occurs when rents reach \$2,000 a month and an apartment is vacated, or the lease holders remain in the unit and their gross taxable income exceeds \$175,000 for two consecutive years; once decontrolled, the unit is no longer subject to rent stabilization and the owner can charge whatever the market will bear. In Manhattan, for example, there was a net loss of about 3,000 rent stabilized units between 2002 and 2005,<sup>7</sup> primarily due to luxury/vacancy decontrol.

The result of rising rents in other parts of the City has been that some families are relocating from neighborhoods in Brooklyn, Queens and Northern Manhattan to the Bronx. This movement in population is apparent in the historically low rental vacancy rate in the Bronx (*see figure 3.1*). Additionally, the Bronx added about 25,000 residents between 2000 and 2005 (second only to Manhattan of the five boroughs).<sup>8</sup> Furthermore, the rate of severe overcrowding in the Bronx jumped from 3.6% to 4.5% between 2002 and 2005 while the citywide rate dipped slightly to 3.7% during this same time period.<sup>9</sup>

### **Who is Coming to the Bronx?**

Much of the housing in the west Bronx corridor was built to accommodate working class New Yorkers who had crowded into neighborhoods like the Lower East Side. This part of the Bronx is now an area dense with affordable rent stabilized units; while less than 6% of the City's total housing units are located in the west Bronx corridor, more than 12% of City's rent stabilized units are found here.<sup>10</sup>

Many of us have heard reports of the South Bronx being ripe for the next wave of gentrification in the City, but there is little hard evidence to make such a claim. Instead, the data shows that the opposite is occurring. The 2005 American Community Survey (performed by the U.S. Census) affirms anecdotal evidence of low income households being priced out of their neighborhoods in other boroughs and moving to the Bronx.<sup>11</sup> This data shows (*see figure 3.2*) that the Bronx is the only borough where the median income of newcomers from other New York counties is lower than the median income of residents who have not moved in the past year.

This confirms, at least as of 2005, that it is the poorest households who can no longer find an affordable apartment in other parts of the City who are arriving in the borough. This may one day change as those with higher incomes are priced out of Brooklyn, Queens and Upper Manhattan, but for now, those arriving face the same challenge as those who have been here. Despite having the lowest rents in the City, low and moderate income residents of the Bronx are struggling to afford what is available. According to 2005 Housing and Vacancy Survey data, the median percent of income spent on rent in the west Bronx corridor is the highest in the City (*see figure 4.1*), particularly in Highbridge/South Concourse (45.9%), Kingsbridge Heights/Mosholu (43.5%), and Morrisania/Belmont (42.4%). This means that half of the residents are paying nearly fifty percent (or more) of their meager incomes on rent. Considering that this section of the City has by far the highest concentration of Section 8 vouchers (about 18% of all renters in the west Bronx corridor pay no more than 30% of their income on rent through this subsidy program),<sup>12</sup> the median percent of income spent on rent by unsubsidized renters is likely greater than 50%. With both the lowest rents and the lowest vacancy rate in the City, the working poor must compete for the few available apartments. As incomes stagnate and rents continue to rise, the percent of income a household must pay on rent in order to stay in the City continues to grow.

## *Shrinking Affordability (Continued)*

### **A Climate of Rent Increases**

This high demand for lower rent housing in the Bronx has helped create a climate where landlords have been able to charge at or near the maximum allowable rent, and fully capitalize on rent increase allowances. A change in the rent stabilization laws in 2005 allows landlords to do away with preferential rents (where less than the legal rent is charged) for existing tenants when their lease comes due, a practice that we hear is taking place more and more frequently as demand for apartments has increased. Secondly, sharply rising operating expenses (especially in the form of water and sewer, insurance and fuel) have led to significant annual rent increases approved by the Rent Guidelines Board in recent years. Finally, newer landlords are fully utilizing the rent increase program that comes along with Major Capital Improvements (MCIs) to vacant apartments, especially when taking over properties with deteriorated conditions. While improving the quality of housing is a welcome change, the level of neglect and deterioration in apartments over the past thirty years leaves this part of the Bronx open to widespread MCI increases that would threaten the affordability of the area.

Another threat to affordability with regards to MCI rent increases stems from the fraudulent claims made by certain owners. Both the *Norwood News*<sup>13a</sup> and later the *New York Times* have documented how one owner of many properties in the Bronx and upper Manhattan, the Pinnacle Group, has made false claims regarding the dollar amount of MCIs performed, resulting in a higher than legal rent increase (the increase is based on a percentage of the eligible work performed). In one case, “the cost of installing five toilets was passed on to a tenant in a two-bathroom apartment,” and in another apartment the same owner included charges for 160 light bulbs, 75 pounds of grout, and 130 gallons of paint in their MCI rent increase application. It was also discovered “that some items listed as installed were not there, including oak flooring and a pedestal sink. Other costs included maintenance work such as painting walls and sanding floors, the costs of which are not permitted to be passed on to a tenant by a landlord.”<sup>13b</sup> While these examples represent the extreme, they are indicative of what an unscrupulous landlord may be able to get away with when tenants are not well informed or financially able to challenge an owner.

There have also been accusations against this same landlord regarding harassment of tenants with low rents. The *Norwood News* reported that Pinnacle had started legal action against renters in as many as three-quarters of its nearly 2,000 Bronx apartments during 2005.<sup>14a</sup> Additionally, the *New York Times* documents how, during a recent period of less than three years, the Pinnacle Group sent out dispossess notices (the first stage in the eviction process) to tenants in about a quarter of the approximately 21,000 units it owns.<sup>14b</sup>

### **An Overall Rising Real Estate Market**

The Pinnacle Group is one of a sizeable number of relative newcomers that has undergone scrutiny for purchasing rent stabilized properties and “pushing the rents” through an increase in dispossess notices and numerous MCI increases, some of which may be questionable. This strategy has become more and more common as new owners work from a business model that requires them to increase building income to offset both the high price per unit they paid for the building and the rising operating expenses affecting all owners. The average price per unit of Bronx multifamily buildings rose dramatically from 1996 to 2005 (see figure 5.1), and despite an inflation adjusted drop of about \$4,600 this past year, the 2006 mark is still the second highest amount ever at \$73,545.<sup>15</sup>

Yet many investors see the Bronx as a relative bargain, as they too have been priced



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out of the other boroughs. In 2006, Robert Knakal, the Chairman and Founding Partner of Massey Knakal Realty Services, emphasized to a crowd of real estate investors and landlords that his firm is “bullish on the Bronx,”<sup>16</sup> as the multifamily rental housing here is a relative bargain. Stephen Siegel, a partner at a new large Bronx ownership group, reinforced this idea when he stated in a recent article in the *New York Sun*, “I believe that the Bronx will be the next location in the city to enjoy the renaissance and enhanced quality of life that many other neighborhoods in the city have enjoyed to date.” His group, SG2 Properties, recently purchased a package of 51 Bronx multifamily rental buildings with over 3,600 units for about \$77,500 per unit.<sup>17</sup>

Such high-priced sales are not justified by the current rents in the vast majority of Bronx apartment buildings. Furthermore, with operating expenses increasing more rapidly than rents, the Bronx is now the only borough where net operating income in rent stabilized buildings has actually declined between 1990 and 2004 (see figure 5.2).<sup>18</sup> As a result of this decline, buyers of Bronx multifamily housing are forced to operate their buildings at a loss while seeking to raise rents as quickly as possible, or to reduce costs through cuts in services and repairs.

Sales data shows that a large percentage of new ownership is comprised of institutional investors and well-funded owners backed by Real Estate Investment Trusts (REITs) who are able to take short term losses while raising the rents in a hope that the buildings will become profitable in the near future. The underwriting in these properties is not based on net operating income, but rather loan-to-value ratios, allowing groups with large sums of cash to acquire buildings that are not immediately profitable.

This business model focuses on long term profitability as rents rise across the City. As Steven Schleider of Metropolitan Valuation Services Inc., stated in the *New York Sun*, “the attraction for these older rental properties is not the current cash-on-cash return, but rather the long-term high-yield expectation fueled by patient money.” He went on to state that “seasoned operators could unlock value in the buildings through lease buyouts or ‘other methods’ to promote attrition of rent-regulated tenants. The vacated units would then be repositioned at higher market rate rents.”<sup>19</sup> Mr. Knakal elaborates, “Portfolios of regulated apartments are greeted with insatiable demand from private individuals, REITs, and institutional investors alike. The extraordinary low risk inherent in these investments provides government-like security with above government-like yield. The amount of capital available on both a debt and equity basis for these deals is unprecedented.”<sup>20</sup>

One threat to this business model stems from the demographic data presented earlier in this report. If the working poor of New York City are already paying half of their income on rent, the time may soon come again when owners may not be able to command the legal rent in neighborhoods like the west and south Bronx. As it stands already, the rate of severe overcrowding (i.e., doubling- and tripling-up) is on the rise in the Bronx, and the level of homelessness among families in the City is at an all-time high.<sup>21</sup>

As for the less experienced owners who are not backed by patient capital, the risks are even greater. The chairman of the national real estate practice at Greenberg Traurig, Robert Ivanhoe, wonders if an owner who seeks quick returns and underestimates operating expenses will “have the patience and fortitude to be successful, justifying the spectacular prices now being paid for what were once viewed as ‘meat and potatoes’ real estate.”<sup>22</sup> An inexperienced owner without deep pockets would have to either cut services to the building or end up in financial distress (e.g., tax lien sale or foreclosure), as we have begun to see happening in a number of small buildings.

### **Tackling Housing Quality: Identifying and Improving Distressed Properties**

Owners who are not backed by patient capital and cannot operate their buildings at a loss must avoid paying certain bills, cut back on services, or both. Due in part to the lowest net operating income in the City, the west Bronx corridor suffers from the highest rates of housing maintenance deficiencies in the City (*see figure 6.1*).<sup>23</sup> Over the past three years, University Neighborhood Housing Program, through our Multifamily Assistance Center, has sought to identify financially and physically distressed Bronx multifamily properties and work with our partners in the lending community and at the City level to improve living conditions and prevent the foreclosures that could result from the imbalance between sales prices and net operating income. Through the Assistance Center, we have been meeting with major Bronx multifamily lenders to discuss their underwriting guidelines and develop a protocol for dealing with distressed properties. The majority of these lenders have been responsive to the goals of the Assistance Center, and a good number of them have been extremely cooperative and proactive in encouraging owners to bring their properties up to sound physical and financial condition.

Through this unique partnership, we have used the Multifamily Assistance Center to develop a common strategy to preserve and improve Bronx multifamily housing. Along with the strong relationships we have with lenders, the central tool in the collaboration has been the Building Indicator Project.

The Building Indicator Project (BIP), is a database UNHP created to identify and analyze the multifamily portfolios of the major Bronx lenders. Using the Department of Finance's *Automated City Register Information System (ACRIS)*, we were able to compile lists of which properties a particular lender held the mortgage on. Once we had this list, we realized we could utilize the Department of Housing, Preservation and Development's *HPD Online* system to document the number and type of violations on these properties. In addition, the *NYCServ E-Payment Center* allows users to look up tax liens and other past due charges. UNHP worked to develop a scoring system based on these data fields. Our original formula, while simplistic, provided a foundation to work from. Based on input from a number of multifamily experts, we have repeatedly improved and refined our formula to account for building size, class and date of violations (recent and more serious violations are weighted the heaviest), and to factor *Emergency Repair Program (ERP)* liens more heavily than tax liens.<sup>24</sup>

Once our formula was satisfactory to our lender partners, we tested it by inspecting a sample of properties. We concluded that, on average, buildings that scored over 800 were more likely to appear distressed, even in a cursory inspection of the common areas. We are now periodically notifying lenders which buildings in their portfolios score above 800. In turn, the lenders examine the data (including the violation reports and liens) to confirm whether or not a building appears, on paper, to be distressed. If a building does appear to be distressed, the lender performs a physical inspection and contacts the owner regarding the conditions that need improvement. The lender may also inform the owner about various low interest financing options available from the City.

If the owner of the property agrees to make the repairs, pay outstanding liens, and increase services as necessary, the progress on the building is monitored by the mortgage holder. While the lenders report success in many properties, there are certain problem owners who are unresponsive or uncooperative. Although the lenders have made it clear that they are not interested in pursuing foreclosure proceedings based on "the good repair clause" found in all mortgages, they agree that they have the ability to apply some pressure

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on the owner by limiting his/her options for refinancing or obtaining financing on another property.

As we enter our third year of work on the Assistance Center and Building Indicator Project, we are working to document the effectiveness of each as a tool in improving building conditions throughout the Bronx. We have found that there has been a progressively stronger response by a number of prominent lenders in regards to addressing building conditions with owners. As a result, scores of potentially distressed properties financed by responsive lenders dropped about four times as much as the scores in similarly distressed buildings financed by unresponsive lenders between 2005 and 2006 (*see figure 6.2*).<sup>25</sup> This correlation shows that our work through the Assistance Center using the BIP database appears (on paper) to be successful and useful as a tool to improve building conditions. Similarly, it shows that property monitoring by lenders can also improve building conditions.

As indicated, the BIP database was originally set up to track the portfolios of the most active Bronx lenders, and in this incarnation included information on about 2,500 multifamily properties. In the summer of 2006, UNHP expanded the database to include information on every Bronx multifamily building with at least six rental units; in its current form, it now holds over 7,000 properties.<sup>26</sup> With this complete Bronx database, we are now able to look at the data on a borough-wide basis and to track housing trends in detail. Specifically we see concentrations of both buildings and units scoring over 800 in the west Bronx corridor (*see figures 7.1 and 7.2*), which matches HVS data on maintenance deficiencies.

We have also shared information about potentially distressed properties with community organizing groups, including the Northwest Bronx Community and Clergy Coalition. The Coalition has used this information to target properties in which to organize tenant associations and to highlight buildings of concern for the media and other citywide campaigns like Housing Here and Now. University Neighborhood has also used the BIP database in conjunction with the Coalition to recommend properties to the City's Targeted Cyclical Enforcement Program (T-CEP). Through T-CEP, the City is able to target the most neglected buildings in various City Council districts for cyclical roof-to-cellar inspections. After performing the inspections, HPD records all building code violations and partners with Council members and housing groups to plan which enforcement tactics they will employ.

While one of the originally planned functions of the Multifamily Assistance Center has not yet proved to be necessary—namely working with lenders and owners to save properties from foreclosure—its time may soon come. It is too soon to say whether current sales prices will be financially sustainable in the coming years, so we may indeed end up partnering with lenders to help prevent long foreclosure processes, disruptions in services, and a further decline in building conditions. In the meantime, our work to identify potentially distressed properties to both lenders and organizing groups has proven to be successful in improving building conditions for the residents of the Bronx.

### **Looking at Affordability: Preservation through Acquisition**

While our work through the Multifamily Assistance Center has been successful in obtaining improvements to distressed properties, intervening in the private market to curb rent increases will present more of a challenge. The New York City Affordable Housing Acquisition Loan Fund is a good tool to help preserve affordable rents in parts of the City like the west Bronx corridor. Through the Fund, nonprofit and private developers can purchase rent stabilized properties with the goal of keeping rents low through various subsidized financing options.

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The Acquisition Loan Fund was recently established as the result of a joint effort by the Enterprise Foundation, the Local Initiatives Support Corporation, several major foundations, 12 banks and the City of New York. This effort was launched due to the changing real estate market in New York. The stock of City owned housing has been virtually eliminated; the number of properties taken through the Third Party Transfer program has dwindled. This consortium of interests and organizations came together to try and devise another way of securing property for the purpose of creating or preserving affordable housing. The Fund hopes to create and/or preserve approximately 30,000 units of affordable housing over the next 10 years.

This undertaking has resulted in a pool of \$230 million to be used to support the acquisition of vacant land and existing housing throughout the City of New York. Loans will be made available to both nonprofit and private developers for acquisition, pre-development and capitalized interest costs. Loans to nonprofits can equal up to 130% of loan to value (LTV) and loans to other developers can equal 95% of LTV. The program requires up to 5% equity participation from the owner. The interest rate is variable and is approximately equivalent to market rate, and the loans are 25% recourse to the developer. The fund requires soft commitments from refinancing and rehabilitation lending sources.

The Acquisition Loan Fund recently committed approximately \$26 million to its first loan for the purpose of preserving 280 apartments in six occupied buildings in the Bronx. The Fordham Bedford Housing Corporation (FBHC) is sponsoring the entities that will purchase the buildings from a long time private owner. As required by the Fund, FBHC has arranged for soft commitments from the Participation Loan Program for the refinancing and renovation of three of the buildings, and tax exempt bond financing for the other three buildings. In purchasing these properties and utilizing subsidy money, FBHC will preserve the low rents while providing quality services in the buildings.

### **What Can Be Done?**

Tools for affordable housing preservation like the Acquisition Loan Fund and the Building Indicator Project have thus far proven effective in the struggles to keep rents affordable and improve existing building conditions. Expansion of these tools should be part of the multifaceted approach to ensuring that there will be enough decent affordable housing for the working poor in New York City.

With regards to the Acquisition Loan Fund, there are ways to improve its effectiveness and expediency so nonprofits can better compete with private investors in acquiring buildings with low rents. The Fund's representatives have stated that the terms of the fund may be revised in the future based on assessments of the loan fund's performance. Two areas that call out for early assessment are the recourse requirement and the interest rate on the acquisition loans. The Fund's recourse requirements (mandating that the sponsor deliver an unconditional payment guarantee for 25% of the amounts due from the borrower under the note and restricting the Sponsor's operational activities while that liability is outstanding) are oppressive and would seem to offer an unnecessary layer of comfort and reassurance to the Fund's participants. Funds are already in place from the City and several foundations to minimize the risk to the senior lenders. We understand that the interest rate is based on the size of the senior lenders' commitment and the risk to their funds; with the existing pool of loss reserves and the City's willingness to provide soft commitments prior to closing of the acquisition loan, the rating of the risk should be low and result in a lower interest rate for the fund.



## *Shrinking Affordability (Continued)*

It is the strong hope of UNHP that the Building Indicator Project database expand to include most of the City. As part of the Multifamily Assistance Center, the BIP database has proven to be an effective tool when combined with consistent interaction and follow-up with lender partners. The Division of Neighborhood Preservation at HPD has expressed interest in analyzing the BIP database further to consider avenues for utilizing its effectiveness and expanding its reach. Ideally, the database would be accessible to housing and organizing nonprofits, lenders, and City officials. It could also be made available online for registered users, and should be accessible in a useful format where users could run queries. We also hope that water lien data would be made accessible and integrated into the BIP database.

In addition to the expansion of these two preservation tools, the multi-pronged approach to ensuring that our neighborhoods remain relatively affordable to low and moderate income residents should include a number of policy recommendations at the City, State and even Federal levels. At the federal level, the Community Reinvestment Act (CRA) needs to be revised and modernized as it enters its 30<sup>th</sup> year. While there are many changes that are necessary overall, at least one change should be made with regards to multifamily lending; when reviewing a bank in the CRA exam, regulators need to develop a method to consider building conditions. Currently, a bank could lend primarily to problem owners and buildings in disrepair in low and moderate income areas, do nothing to ensure improvement of the properties and still get an outstanding score on that section of their CRA exam. For instance, during New York Community Bank's acquisition of Atlantic Bank on New York in 2006, UNHP submitted comments that showed that the bank had mortgages on a number of properties with a significant number of violations and high city liens. That submission appeared to have no effect on the review of the application. A modernized, stronger CRA should require lenders to have a formal procedure for monitoring the physical status of the buildings on which they hold mortgages. That status report should include current data on city violations and liens.

At the State level, more oversight is needed with regard to rent increases taken through Major Capital Improvements. The State's Division of Housing and Community Renewal which oversees MCI increases needs to crack down on illegitimate increases and inspect when an owner claims to do a significant amount of work.

At both the State and City levels, the vacancy/luxury decontrol number needs to be revised. The \$2,000 limit was written in a different market (even a different era), and if it had been indexed to inflation at the time (1994), it would now stand at about \$3,300.<sup>27</sup> A number of groups have called for an end to decontrol altogether. While University Neighborhood Housing Program is not opposed to this, raising the threshold significantly and indexing it to inflation would be a valid compromise.

Even if there is no upper limit on rent stabilization, rents will continue to rise out of reach of most low and moderate income New Yorkers. Since the Rent Guidelines Board votes an increase on rent stabilized units every year based primarily on the rise in operating expenses, fighting to keep these operating costs down will keep increases comparably small. University Neighborhood and our partners have been working for decades to keep Water and Sewer costs down; the intensity of this work must increase as DEP projects increases in the vicinity of 10% annually over the next few years. On a building by building level, utilizing energy and fuel saving (green) technology, as well as low interest loans for these types of improvements, will improve the bottom line. One affordable housing manager utilized UNHP's Green Loan fund to support the purchase of heat computers in 13 multifamily buildings that resulted in significant cost savings over the past two winters. Additionally, UNHP has worked to

## *Shrinking Affordability (Continued)*

monitor housing programs and legislation to curb unintended consequences that negatively impact affordability.

### **Conclusion**

Decent, affordable housing for all New Yorkers is good for the City. Economic diversity provides workers for all types of jobs that make the city viable. There should not have to be a choice between quality and affordability for housing New York's workforce. What we have shown here demonstrates that the time to work to preserve affordability is now. The largest supply of relatively low cost rental housing in New York City is threatened by high sales prices and the shrinking number of affordable units in neighborhoods throughout the City. As the number of neighborhoods where the working poor can afford to live continues to contract, the expansive privately owned rent stabilized multifamily housing stock of the west Bronx has become the last option for many struggling families. Yet while the rents in the west Bronx corridor are among the lowest in the city, they are still barely affordable to neighborhood residents who too often pay more than half of their income on rent. The business model associated with the record sales prices will only exacerbate the existing affordability crisis.

Tools such as the Multifamily Assistance Center, Building Indicator Project, and the Affordable Housing Acquisition Loan Fund are examples of effective public, private, and nonprofit partnerships. These tools can and should be expanded and, where necessary, improved. The modernization of CRA to give credit for better monitoring of conditions in multifamily housing in low and moderate income areas will help improve building conditions on a large scale. Increased oversight on MCI rent increases, revising the luxury/vacancy decontrol threshold, and an escalation in the fight to keep operating expense down will help to keep rents affordable.

Unfortunately, no new construction of affordable housing or affordable set-asides will ever equal the number of affordable rent stabilized units that currently exist in the west Bronx corridor. Preservation of affordability in neighborhoods across the City, and especially this part of the Bronx, needs to be the cornerstone of public policy and housing dollars. We must work toward a public and political consensus that preserving housing affordability and improving housing quality are top priorities if New York is to remain a city of economic diversity.

## Shrinking Affordability (References)

- 1 The “west Bronx corridor” refers to the Bronx Sub-Borough Areas that correspond to primarily to Bronx Community Districts 4, 5, and 7 (Highbridge/South Concourse, University Heights/Fordham, and Kingsbridge Heights/Mosholu), and more often than not to Districts 3 and 6 (Morrisania/Belmont). Many of the assertions made regarding the west Bronx corridor also apply to the Sub-Borough Areas aligned with Bronx Community Districts 1 and 2 (Mott Haven/Hunts Point), but to a lesser degree due to the lower density housing constructed there following the arson and abandonment of the 1970s.
- 2 2000 U.S. Census and the 2005 Housing and Vacancy Survey
- 3 2000 U.S. Census and the 2002 and 2005 Housing and Vacancy Surveys. The top 11 drops in poverty rate occurred in Sub-Borough Areas outside the Bronx. The inflation-adjusted median income for New York City fell from \$42,689 in 2001, to \$40,000 in 2004 (2001 numbers are in 2004 dollars).
- 4 2002 and 2005 Housing and Vacancy Surveys. The number of households in the City grew by 32,678 while the number of rent stabilized units grew by 29,723.
- 5 2002 and 2005 Housing and Vacancy Surveys
- 6 Housing NYC: Rents, Markets and Trends, 2001–2006, published by the Rent Guidelines Board
- 7 2002 and 2005 Housing and Vacancy Surveys
- 8 2005 Population Estimates from the U.S. Census Bureau
- 9 2002 and 2005 Housing and Vacancy Surveys. Severe Crowding is defined by more than 1.5 people per room.
- 10 2005 Housing and Vacancy Survey. 190,035 (5.8%) of the City’s 3,260,853 housing units are in these four Sub-Borough Areas, while 126,714 (12.1%) of the City’s 1,043,677 rent stabilized units are.
- 11 2005 American Community Survey performed by the U.S. Census Bureau
- 12 The 2005 HVS shows that the west Bronx corridor has about 26% of all Section 8 Voucher units in the City, and that about 18% of all rental units in the west Bronx corridor are occupied by someone with a Section 8 voucher.
- 13a Haddon, Heather. “Company Gobbles Up Bronx Buildings.” Norwood News 20 October 2005, <<http://www.bronxmall.com/norwoodnews/past/102005/news/N51020page1.html>>
- 13b Williams, Timothy. “As Landlord Grows, So Does Criticism.” New York Times 3 September 2006, Metro Section: 27-28.
- 14a Haddon, Heather. “Full Court Press.” Norwood News 29 December 2005, <<http://www.bronxmall.com/norwoodnews/past/122905/news/N51229page1.html>>
- 14b Williams, Timothy. “As Landlord Grows, So Does Criticism.” New York Times 3 September 2006, Metro Section: 27-28.
- 15 First American Real Estate Solutions Win2Data, 2000–2007. Biannual sales data shows the second half of 2006 was down to just over \$72,000 per unit, and that the absolute peak was the second half of 2005 where the inflation adjusted figure hit close to \$81,000 per unit.
- 16 Massey Knakal Market Maker’s Breakfast, 25 May 2006, Grand Hyatt, New York City.
- 17 Stoler, Michael. “The Latest ‘Discovery’ by Institutional Buyers.” New York Sun 17 February 2007, <<http://www.nysun.com/article/48763>>
- 18 Housing NYC: Rents, Markets and Trends, 1997–2006, published by the Rent Guidelines Board
- 19 Stoler, Michael. “The Latest ‘Discovery’ by Institutional Buyers.” New York Sun 17 February 2007, <<http://www.nysun.com/article/48763>>
- 20 *Ibid.*
- 21 Kaufman, Leslie. “City Vows to Improve Aid to Homeless Families.” New York Times 19 March 2007, <[http://www.nytimes.com/2007/03/19/nyregion/19homeless.html?\\_r=2&ref=nyregion&oref=slogin&oref=slogin](http://www.nytimes.com/2007/03/19/nyregion/19homeless.html?_r=2&ref=nyregion&oref=slogin&oref=slogin)>
- 22 Stoler, Michael. “The Latest ‘Discovery’ by Institutional Buyers.” New York Sun 17 February 2007, <<http://www.nysun.com/article/48763>>
- 23 2005 Housing and Vacancy Survey
- 24 The current BIP formula is = (HPD Violations) + (violations per unit) + (2 x HPD C violations) + (2 x C violations per unit) + (3 x this year’s violations) + (3 x this year’s violations per unit) + (6 x this year’s C violations) + (6 x this year’s C violations per unit) + (city lien / 100) + (city lien per unit / 100) + (ERP lien / 50) + (ERP lien per unit / 50) + (500 if Lien Sale). U.S. Patent Pending.
- 25 Lenders that attend the majority of Multifamily Assistance Center Meetings and report back to us on the progress of potentially distressed buildings are considered “Responsive Lenders.” This is the vast majority of the top Bronx multifamily lenders. Two top lenders in particular (New York Community Bank and Flushing Savings Bank) are considered “Unresponsive Lenders” as they have not attended meetings or been responsive to any of the work we have done or offered to do for them. A third category of lenders with mixed responsiveness showed their score to drop slightly more than the Unresponsive Lenders, but the sample size of their 800+ properties was too small to include in the chart.
- 26 There are 7,174 properties in the BIP Database as of July 2006.
- 27 Lander, Brad. “A Very High Stakes Deal.” Shelterforce Online Winter 2006, <<http://www.nhi.org/online/issues/148/highstakes.html>>

Figure 1.1

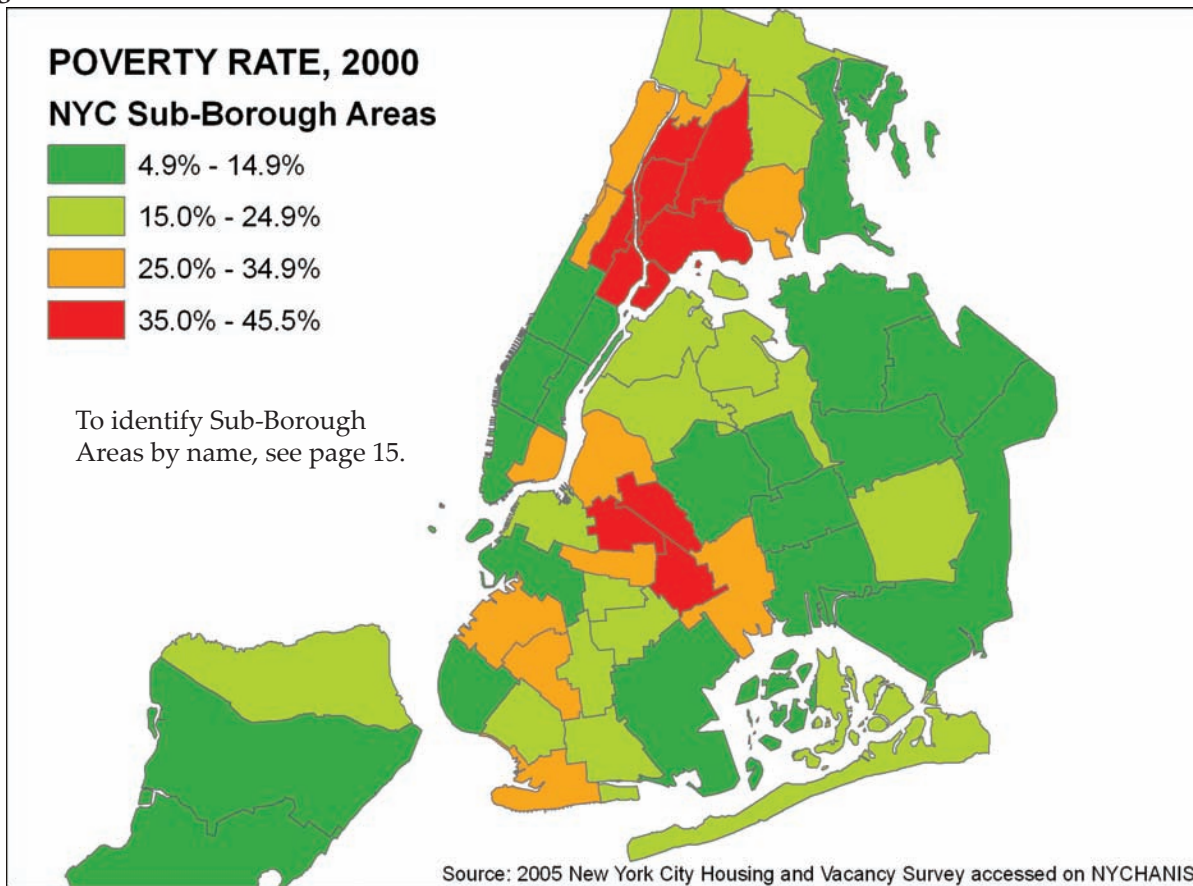


Figure 1.2

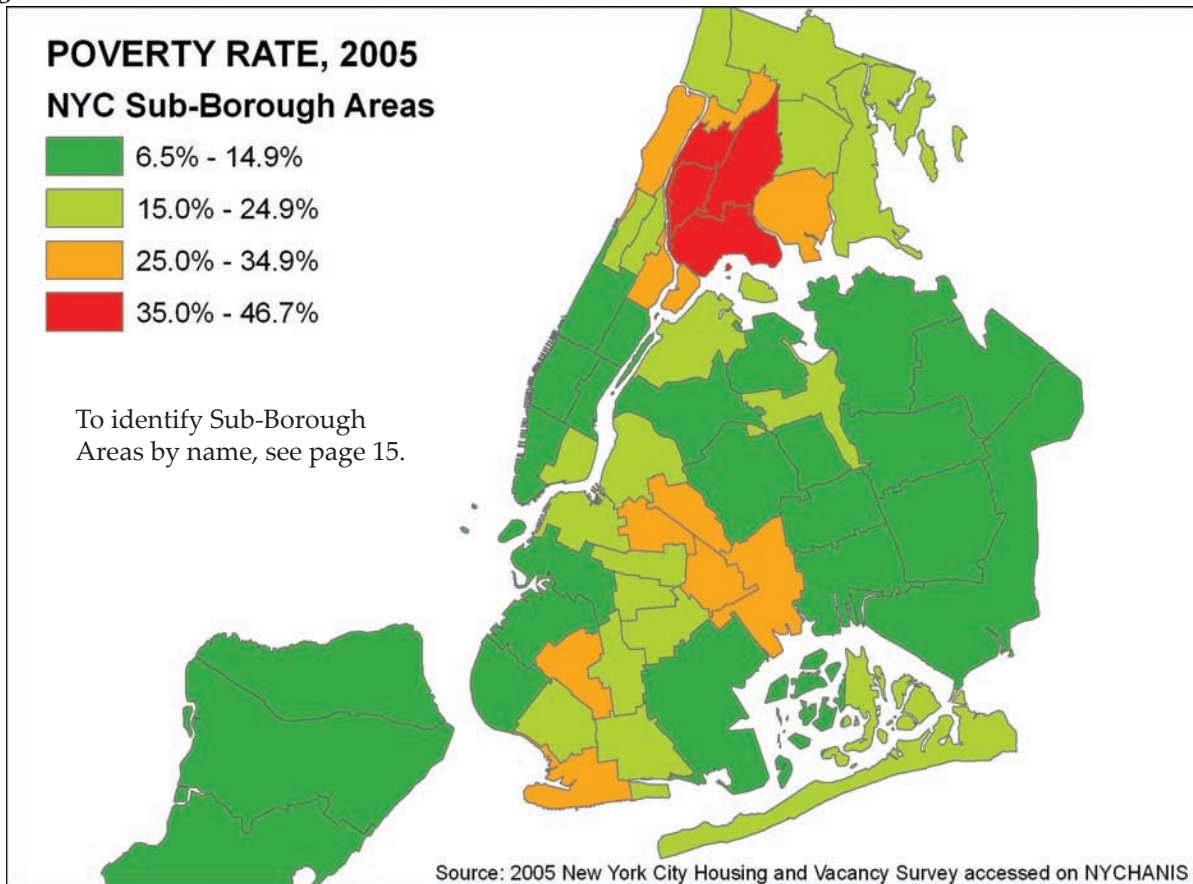




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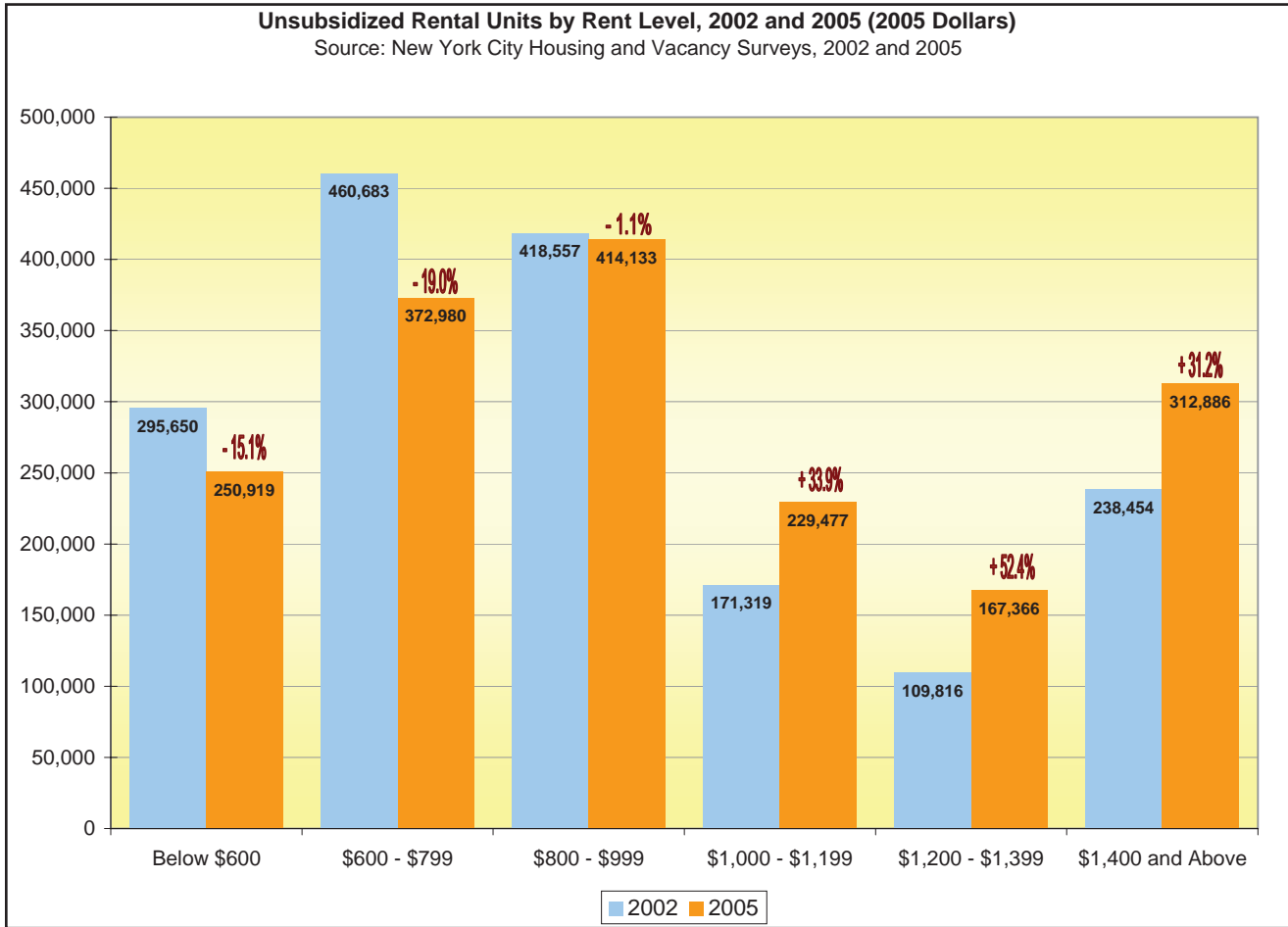


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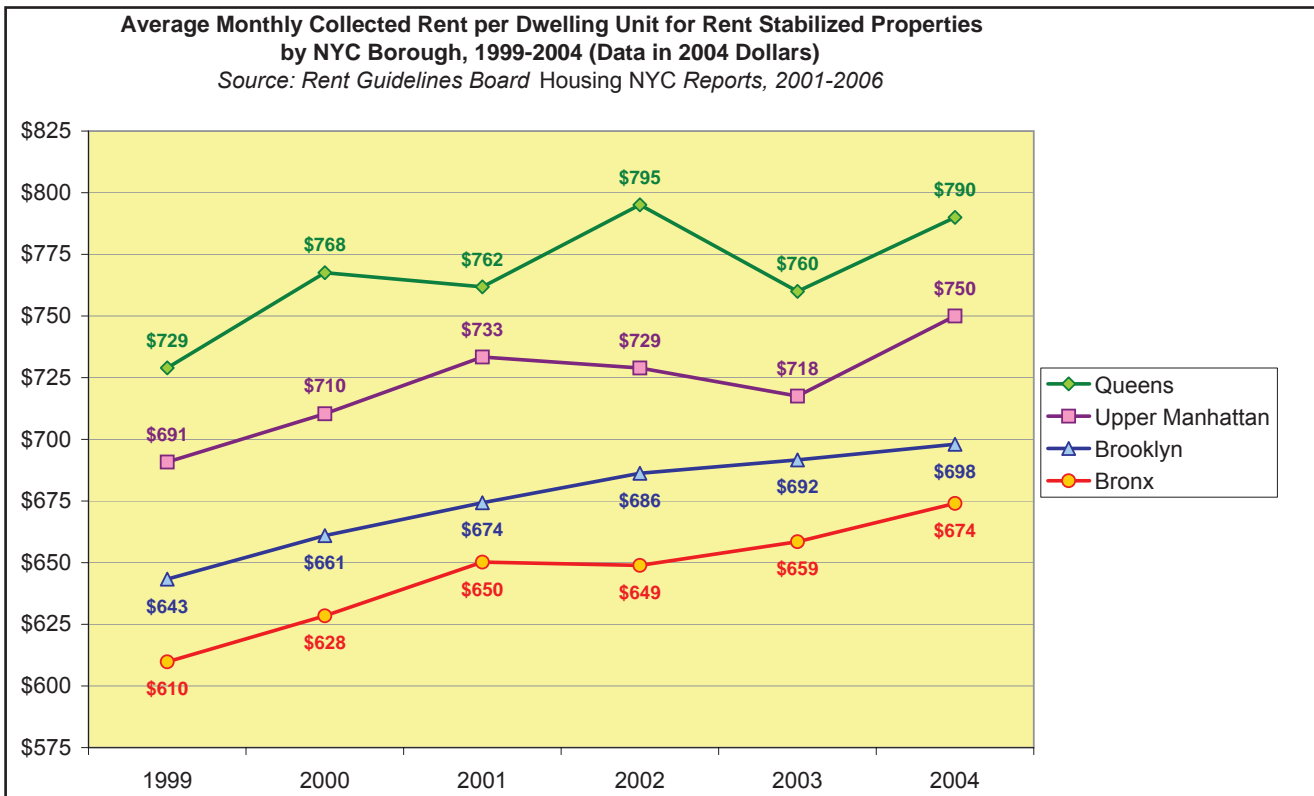


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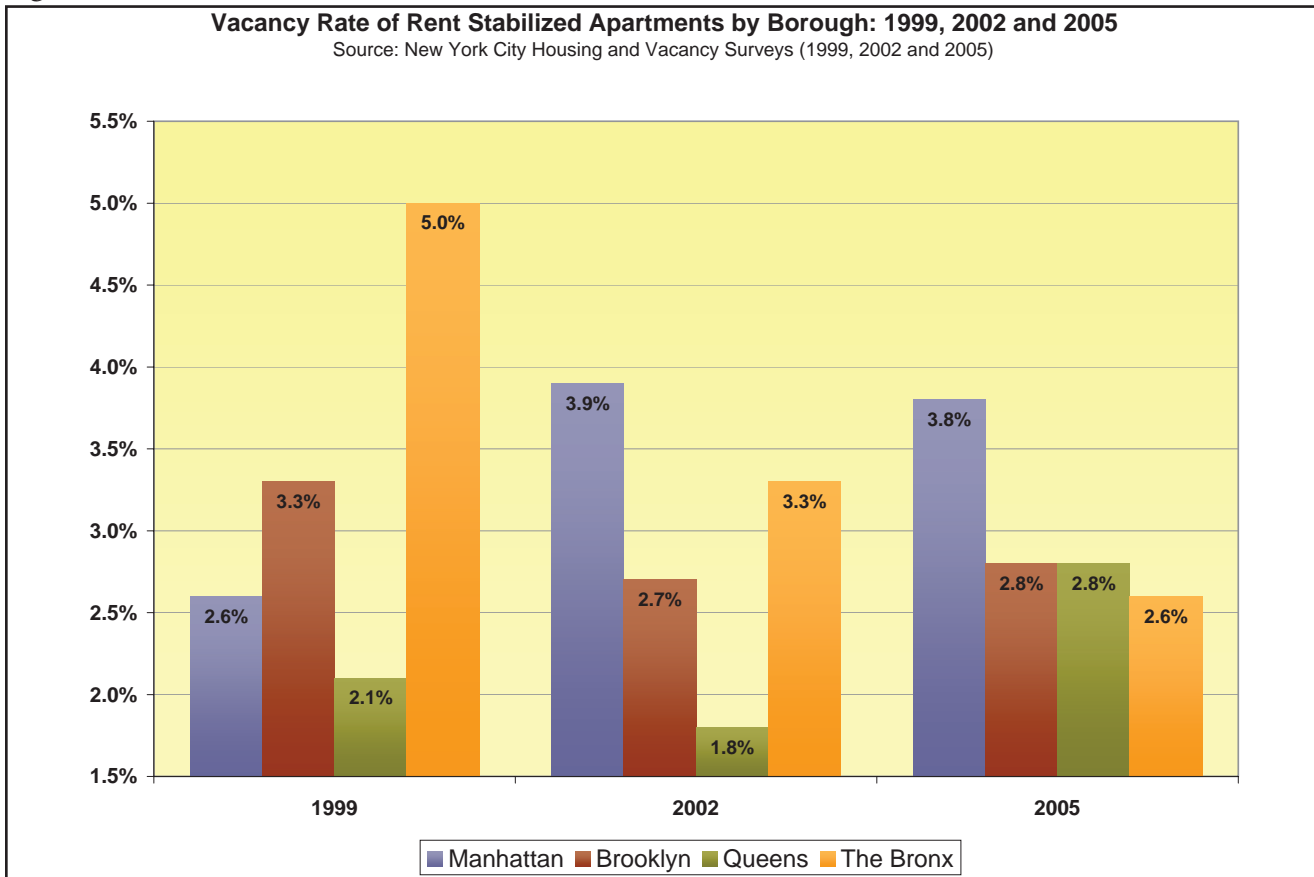
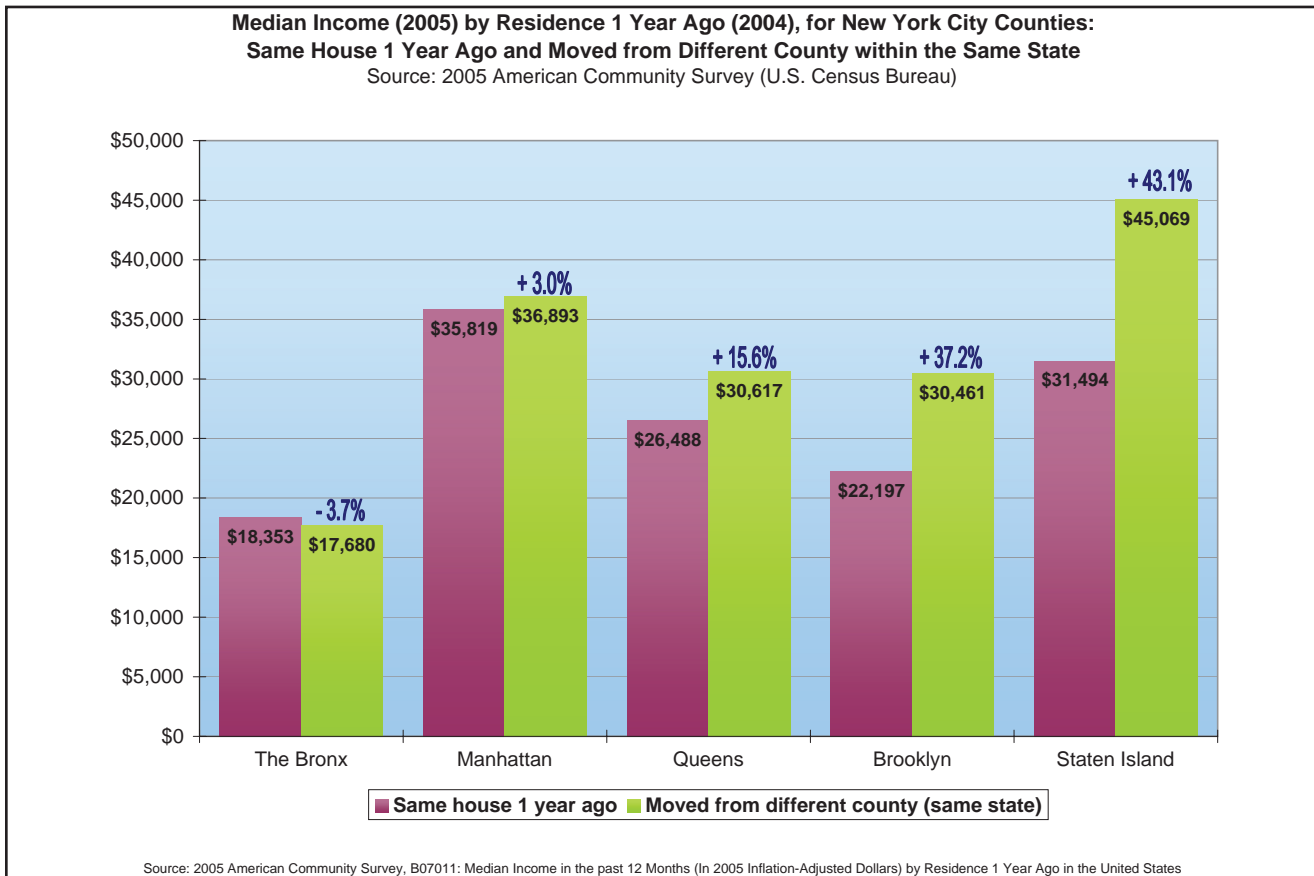


Figure 3.2



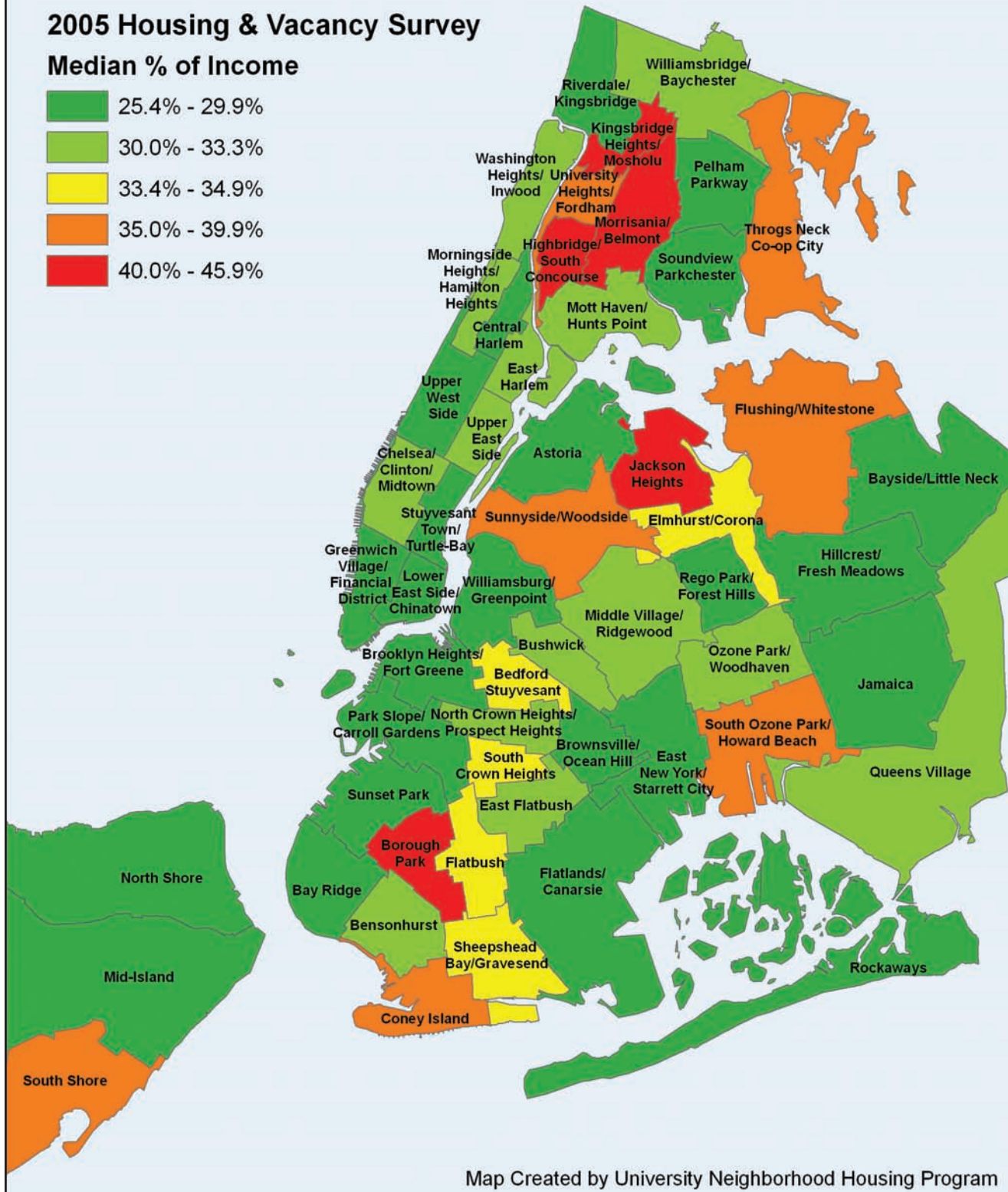
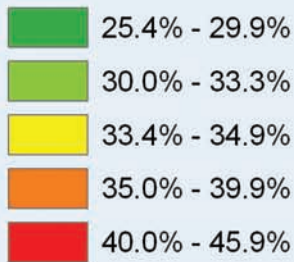
Source: 2005 American Community Survey, B07011: Median Income in the past 12 Months (In 2005 Inflation-Adjusted Dollars) by Residence 1 Year Ago in the United States

Figure 4.1

# Median Percent of Income Spent on Rent, 2005 New York City Sub-Borough Areas

## 2005 Housing & Vacancy Survey

### Median % of Income



Map Created by University Neighborhood Housing Program

Figure 5.1

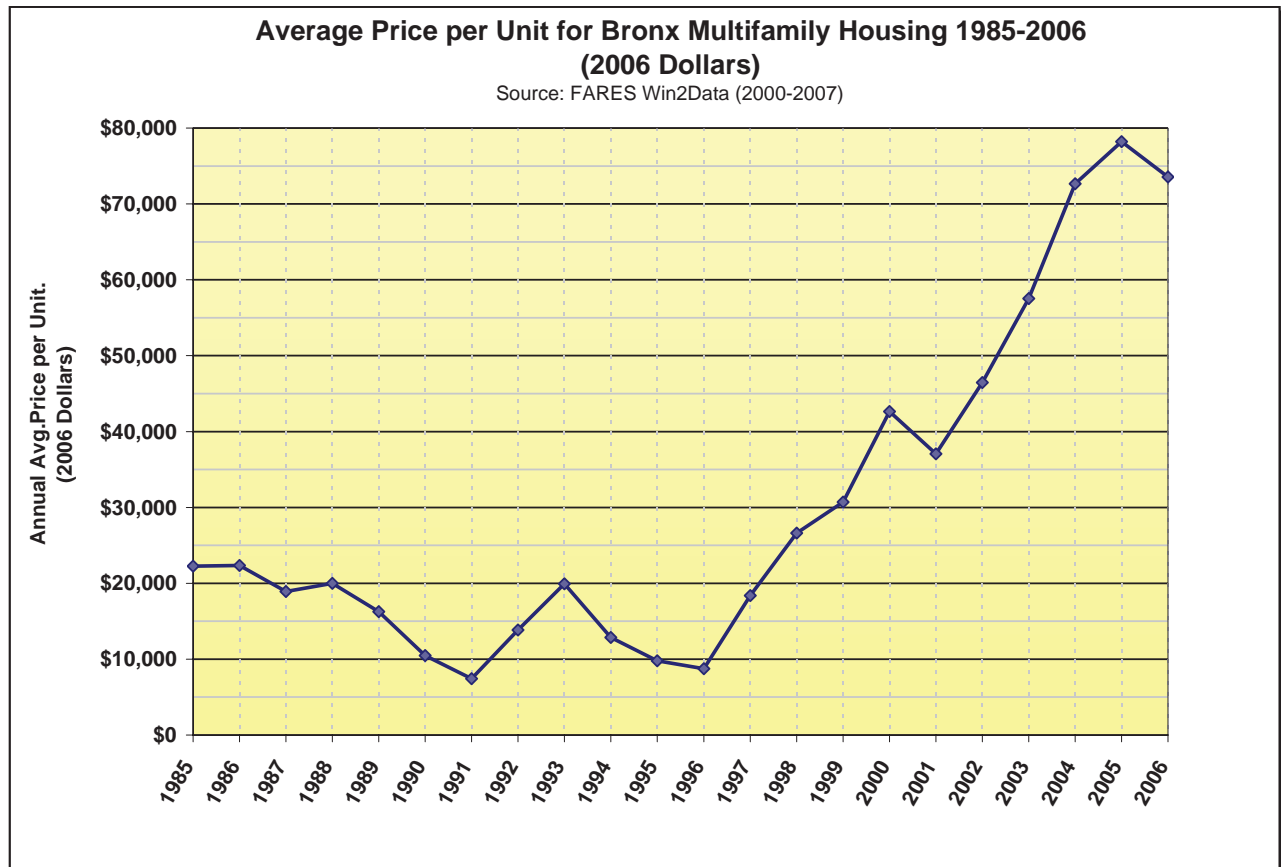


Figure 5.2

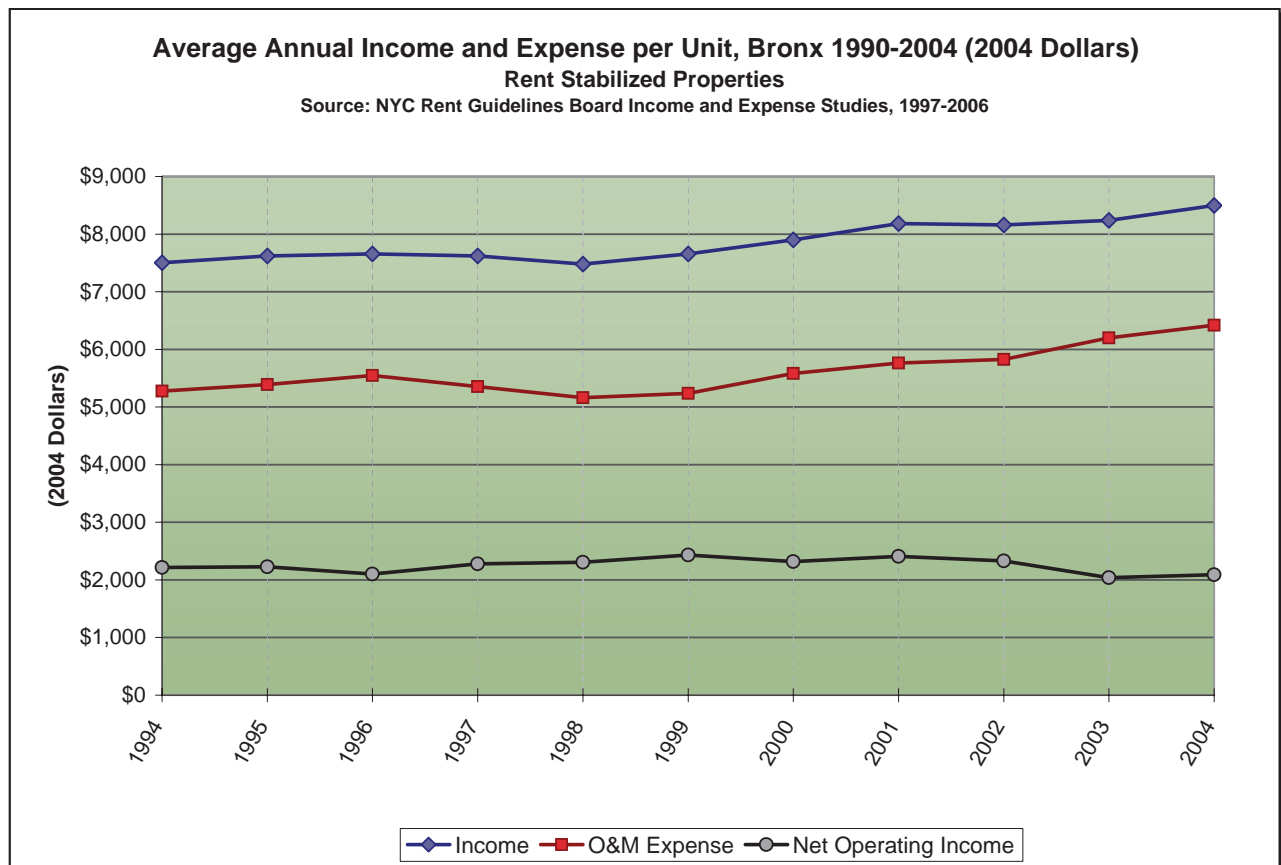




Figure 6.1

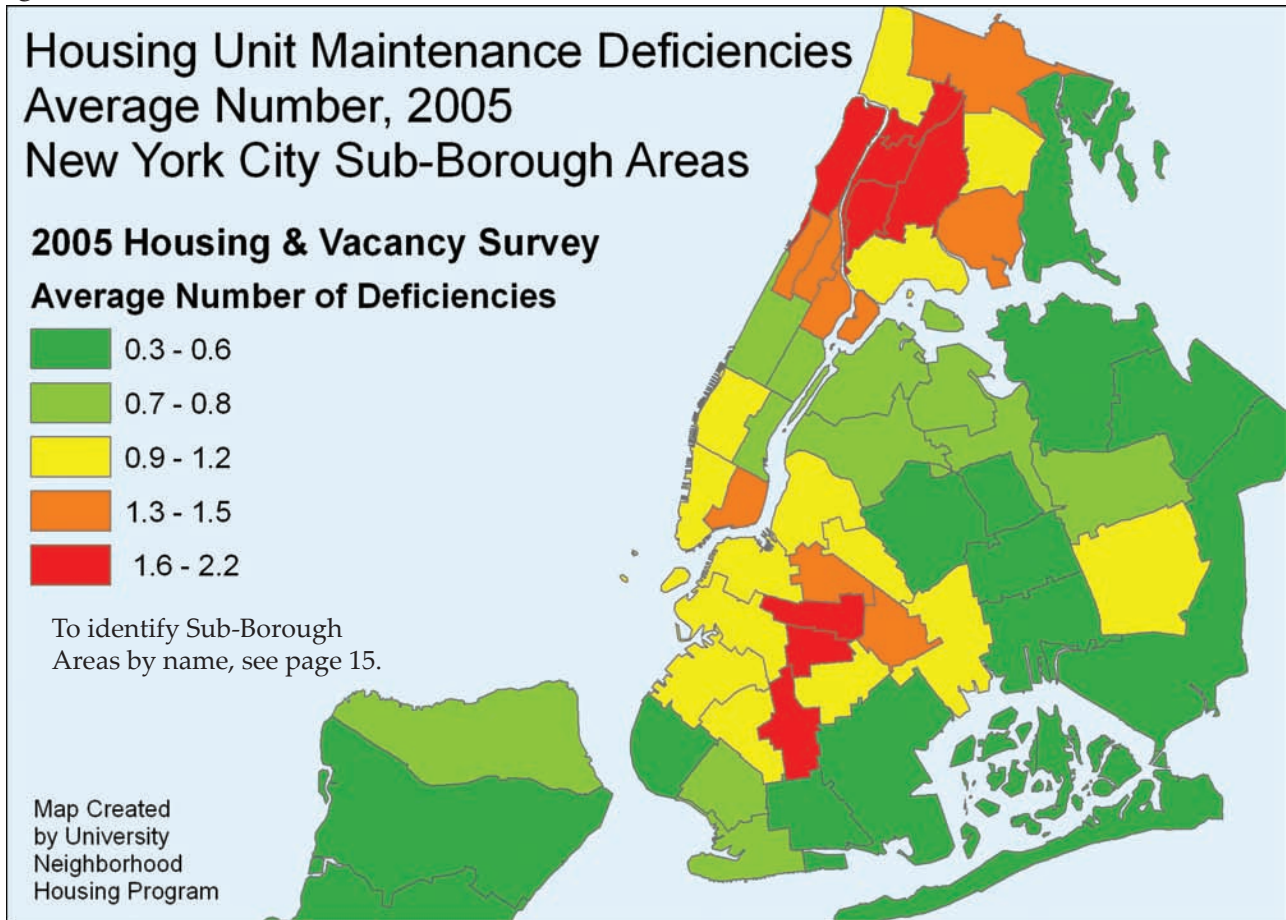


Figure 6.2

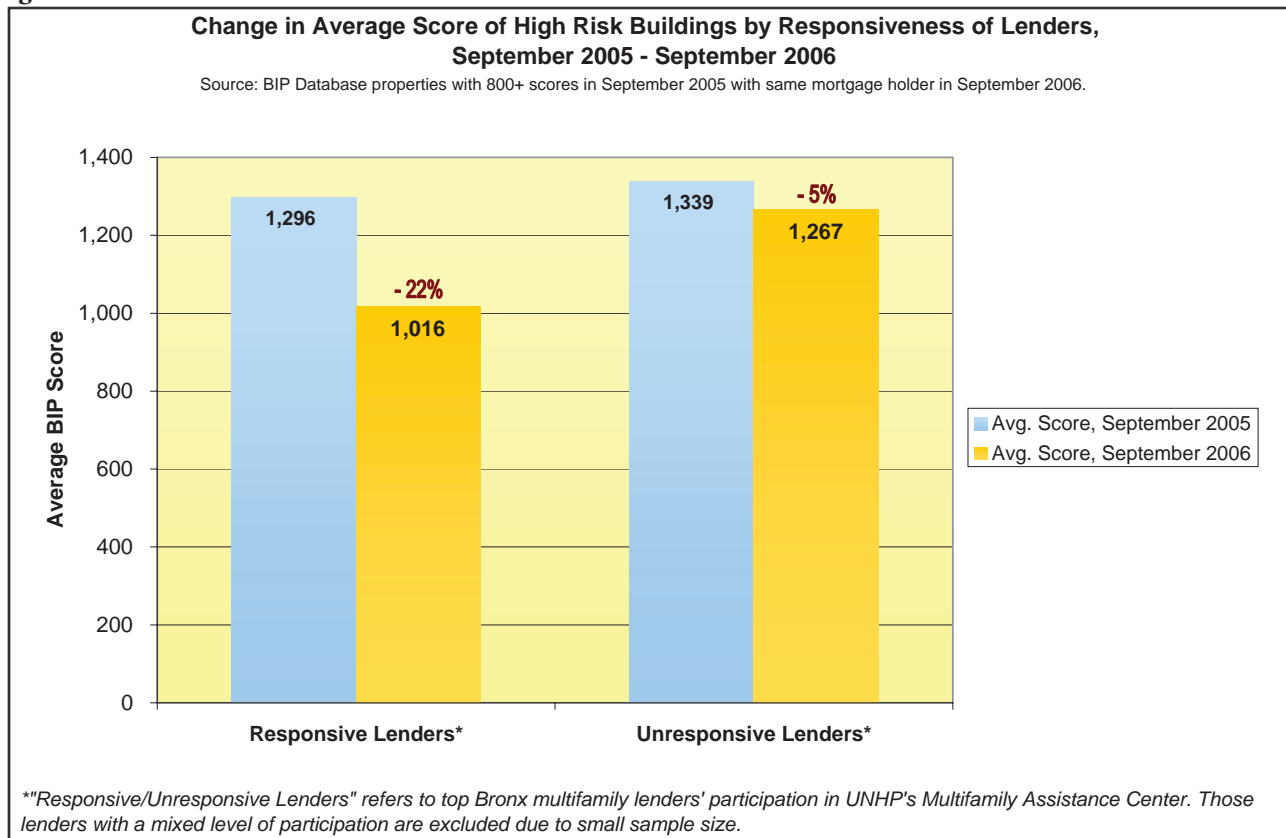


Figure 7.1

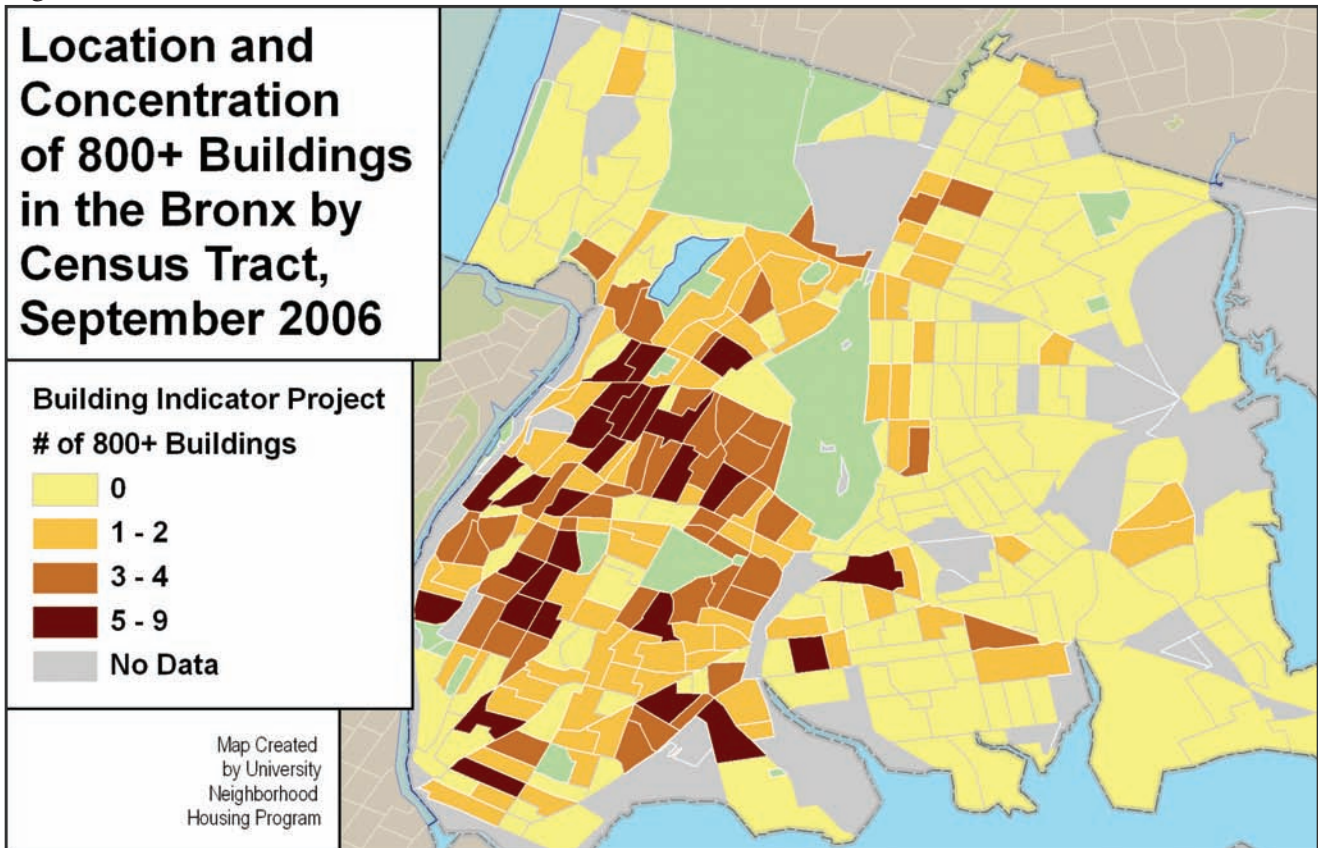
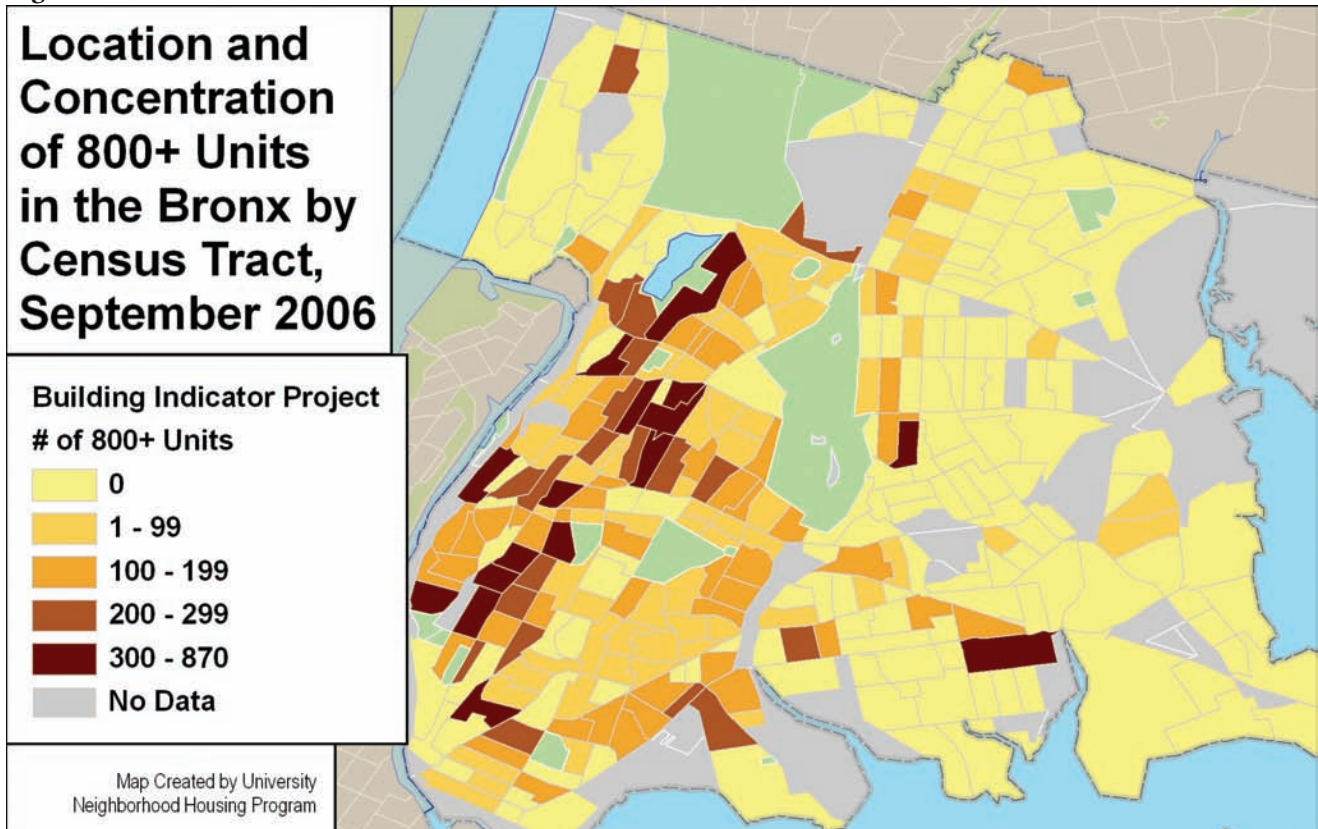


Figure 7.2



University Neighborhood Housing Program  
2007 Affordable Housing Forum



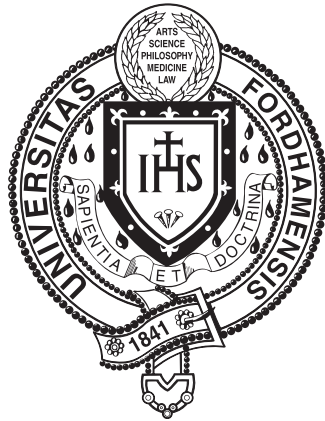
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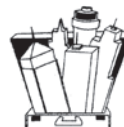
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