Right Size New York

City’s Investment in Homeownership

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SUMMARY

QUESTION: HOW CAN NEW YORK CITY RESHAPE ITS HOUSING POLICIES TO BETTER REFLECT THE BALANCE OF HOMEOWNERS AND RENTERS?

WHY IMPORTANT:

1. New York City is very different from other US cities regarding how its residents live. Sixty percent (60%) of families live in multi-family buildings, while only twenty-four percent (24%) live in single family homes.
   ➢ Like the US, half of homeowners are white.
   ➢ One in four New Yorkers spend more than 35% of their income on housing.

2. New York City’s housing stock is very old (over 80% of its housing is over 50 years old).

3. City policies must reflect the balance of homeowners to renters, as well as redress a history of racism in housing policies (redlining, etc.).

4. Good housing policies support the benefits of owning a home but also stabilize the renters’ market. By doing this, the city can address systemic racism, promote economic mobility, create a better housing market, and stabilize neighborhood development.

RECOMMENDATIONS:

1. Recalibrate housing policies to right size to the scale of the City’s home ownership.

2. Implement policies to address those who have been excluded from the opportunity to buy a home and those who cannot afford to buy a home.

3. Expand supportive resources for first-time homebuyers and existing owners.

4. Promote zoning changes and incentives for inclusion and integration.
CONSTRAINTS:
1. High New York City construction costs.
2. Little to no land available for new housing.
3. Need a strategy for educating without alienating existing homeowners who benefit from current housing policies.

BACKGROUND

As New Yorkers know, we are a city of renters. The homeownership rate, at approximately 32%, is half the national rate. Rental housing stock, and rental housing policies, are thus important to the health of the city, providing a landing place for new in-migrants, recent college graduates, and the prototypical struggling artist or actor.

Nevertheless, over 1 million New York City housing units are owned rather than rented. This paper argues that homeowners in New York City are both over protected (via zoning) and under supported by City housing programs and policies (via capital investment programs and housing counseling support). A policy realignment between ownership and rental housing would provide opportunity, security and stability for low-income, minority, working-class and elderly homeowners and would-be homeowners. A new, holistic ownership policy can also acknowledge and begin to mitigate systemic racism expressed by historic housing policies, including redlining and exclusionary zoning. The new Mayor has the opportunity to realign housing policy to strike a healthier balance between ownership and rental, which will benefit the residents, neighborhoods and economy of the city as a whole.

NATURE OF NEW YORK CITY’S HOMEOWNERSHIP STOCK

1 American Communities Survey, US Census (ACS) 2019
https://data.census.gov/cedsci/table?q=acs%20housing%20new%20york%20city%202019&tid=ACSDP1Y2019.DP04&hidePreview=false
2 Analysis by Katherine Key of NYC Housing and Vacancy Survey 2017.
New York City includes an unusually diverse array of homeownership models. The single family detached home is an uncommon form of ownership housing, with only 24% of all New York City homeowners living in that type of structure. Nearly 60% of ownership units are in two- to four-family homes or (as condominiums or cooperatives) multifamily buildings.³ Some owners of 2-4 family homes are owner-occupants; others may be small or large institutional investors. And yet (based on a national study), these buildings are often a source of naturally occurring affordable housing; the properties are more likely to be located in low-income neighborhoods, and the owners of these buildings are more often low-income and Black or Latinx.⁴

The New York City homeownership rate varies widely by borough, from 19% for the Bronx to 66% for Staten Island.⁵ Regardless of location, the ownership housing stock in New York City is old: fully 84% of all units, and 94% of all single-family units, were built more than 50 years ago and nearly 40% of all ownership units were built more than 80 years ago⁶. As we will see, there are few public resources to help owners maintain this stock in good repair.

Demographics of New York City Homeowners.
Like most of the country, New York City has a sizable and tragic gap between white and minority homeownership. Half of all homeowners are white; 20% are Black; 13% are Hispanic and 17% are Asian. In general, New York City homeowners have more income than their renter counterparts. Nevertheless, one in five New York City homeowner households earns less than $50,000 per year, and more than a quarter million homeowners, or one in four, spend more than 35% of their monthly income on housing costs.⁷

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**BENEFITS OF HOMEOWNERSHIP**

For some households, ownership offers certain advantages including a fixed house payment and forced savings through the 30-year, fixed-rate, self-amortizing mortgage. In addition, homeownership confers financial benefits through the tax

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³ ACS 2019. In addition, there are forms of subsidized ownership housing, such as Mitchell-Lama and other limited equity cooperatives, mutual housing associations, inclusionary housing, community land trusts, and other types where the deed restricts the nature of the ownership (typically requiring the owner to be below a certain income level, to limit profit on resale, and to reside in the unit). The author has been unable to locate a count of the number of subsidized ownership housing units in New York City.
⁵ ACS 2019
⁶ ACS 2019
⁷ ACS 2019
code and the possibility of home price appreciation. Home price appreciation, while not guaranteed, is often monetized by families through a home equity line of credit or the refinance of a mortgage to pay for a new business, medical bills or a college education. Homeownership is the single greatest source of wealth for Americans and can lead to generational wealth. Yun and Evangelou, in a 2016 metastudy of the social benefits of homeownership, found that homeowners moved far less often than similar renters, and that homeownership or the associated stability was correlated with improvements in education achievement, more engaged parenting practices, civic engagement, physical and psychological health, lower the likelihood of experiencing crime, and even lower teenage pregnancy rates. Ownership can also protect residents from the threat of displacement due to gentrification.

### HOMEOWNERSHIP CHALLENGES

The mortgage crisis of 2008 taught an entire generation of homeowners that equity could be lost or stripped from the home. COVID also threatens homeownership stability and equity. Fortunately, Federal policies have extended forbearance periods and foreclosure moratoria, providing at least a temporary safety net for owners. In addition, homeowners in New York are challenged by a number of ongoing issues, especially the age of their buildings and the amount of debt carried by owners today. While homeownership tends to be more affordable than rental housing, more than 40% of homeowners with mortgages are cost burdened. The solution to the mortgage crisis and to COVID for many owners is to refinance or extend the term of their loans, with the result that the loans will not be fully paid off after 30 years or when family members are nearing retirement.

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9 [https://blog.firstam.com/economics/homeownership-remains-strongly-linked-to-wealth-building#-text=Homeowners%20are%20wealthier%20than%20renters.renter%20households%20it%20%20only%20%291%2C500](https://blog.firstam.com/economics/homeownership-remains-strongly-linked-to-wealth-building#-text=Homeowners%20are%20wealthier%20than%20renters.renter%20households%20it%20%20only%20%291%2C500) and [https://www.urban.org/research/publication/intergenerational-homeownership](https://www.urban.org/research/publication/intergenerational-homeownership) (2018).
13 Today, 348,000 seniors in the New York metropolitan area aged 65 and older have mortgages on their properties according to the 2019 American Housing Survey. Note this data is for the New York Metropolitan Statistical Area, going beyond the 5 boroughs of New York City.
Homeownership is also both a cause and effect of systemic racism as expressed through discriminatory programs and practices. Historic redlining by the Federal Home Owners Loan Corporation in the 1930s and subsequently by the Federal Housing Administration prioritized lending via federally-insured mortgages to white neighborhoods. A comparison of HOLC redlining maps and single-family residential zones shows the connection. (see Map 1 here: https://www.arcgis.com/home/webmap/viewer.html?webmap=1flf932af7534845b0fdec85f0b168b4&extent=-74.0653,40.5804,-73.6894,40.7957)

Exclusionary preferences of some neighborhoods are expressed through downzoning petitions that found particular favor during the Bloomberg administration.14 Today, fifteen percent of the land area of New York City is zoned exclusively for detached single family homes.15 Racial discrimination is alive and well in the New York City homeownership market where real estate agents have been known to steer clients to homes and loan products based on race. Redlining, discrimination and exclusionary zoning throughout the region are reasons that New York City remains persistently segregated by race, ethnicity and income.17 The cumulative effect of these policies has been particularly harmful for Black homeownership in New York City.18

WHAT POLICIES ARE BEING DISCUSSED OR ADVANCED?

While most candidates have stated some policies to address New York City’s housing crisis, few address the issues and inequities associated with homeownership policies.19 Three of the candidates (Eric Adams, Andrew Yang and Kathryn Garcia) do not mention homeownership at all; Dianne Morales and Maya Wiley briefly mention the value of ownership housing. Scott Stringer, Ray Maguire and Shaun Donovan include much more robust discussions of homeownership in their platforms. All three support an expansion of down payment assistance for first-time homeowners, and Stringer and Donovan propose programs to help existing homeowners while Maguire focuses on expanding the supply of ownership housing.

14 How Have Rezonings Affected NYC’s Ability to Grow? NYU Furman Center 2010 (https://furmancenter.org/files/publications/Rezonings_Furman_Center_Policy_Brief_March_2010.pdf) page 9
17 Where We Live page 56.
18 https://bhp.cyncn.org/findings/
19 Analysis based on research by Katherine Key, separate attachment.
PROPOSAL: RE-CALIBRATE PUBLIC INVESTMENT TO SUPPORT OWNERS FAIRLY

This proposal envisions a re-calibration of policies rightsized to the scale of ownership housing in New York City and especially to the needs of low-income and minority homebuyers and homeowners. Surely the essential workers that rose to the occasion of the COVID-19 pandemic should have the opportunity to live near the hospitals, stores and transportation services where they work. City policies should help to redress a history of structural racism in ownership housing by promoting racial and economic opportunity, affirmatively furthering fair housing, and adjusting the rules governing the built environment to favor inclusive access to homeownership opportunities. At the same time, where policies excessively favor homeowners over renters, those policies should be rightsized as well.20

As a simple rule of thumb, where one-third of the City’s households live in owned housing, the rights and responsibilities of ownership, and the City’s investment in ownership housing, should reflect a similar one-third/two-thirds balance between ownership and rentals. But policies should be targeted to the greatest needs: those who have been excluded from the opportunity to own a home, the aging housing stock, and low-income and senior homeowners. Proposed reform areas fall under two categories: (1) Resources for first-time homebuyers and owners; and (2) zoning changes to address historic and systemic racism in ownership housing.

Supportive resources for first-time homebuyers and existing owners

A basic service for homeowners and first-time homebuyers is housing counseling meeting standards set by the US Department of Housing and Urban Development. Trained, independent advisors working for public or nonprofit organizations provided

20 In particular, the New York City property tax system is significantly skewed to favor owners of 1-3 unit buildings as well as cooperatives and condominiums. The owners of one-, two- and three-family homes pay relatively little in taxes as a result of caps and low percentage valuations; and condominium and cooperative owners pay too little because the units are valued as if they are rental units. Numerous commissions and think tanks have found the City’s tax system to be inequitable and opaque. See for example https://taxequitynow.nyc/issues/.
information in 2020 to more than one million new and existing homeowners about budgeting, credit, savings, types of loans, and home maintenance. New York City offers no financial support for housing counseling, unlike many cities across the country. And yet housing counseling meeting HUD standards has demonstrated success in creating and sustaining successful homeownership.

New York City’s down payment assistance program, HomeFirst, provides up to $40,000 in down payment assistance for eligible first-time homebuyers in New York City. The amount of down payment assistance is small compared to other high-cost cities, again signaling a reluctance on the part of New York to help new homeowners. While the program can be used to acquire cooperatives, condominiums or single-family homes, the amount of subsidy does not increase if the purchaser buys and occupies a 2-4 unit home.

Moreover, the city’s financial commitment to programs to aid existing homeowners appears to be well below commitments made by other cities. New York City has a fragmented and underfunded set of home repair programs owners despite the age of its owned housing stock. The Home Improvement Program, the Section 312 Home Repair Program and the Small Home Loan Program have all ended (and were never robustly funded). Back in 2017, Mayor de Blasio announced two programs to assist NYC homeowners, Open Door and HomeFix. The combined impact of both programs was estimated to be 2,100 homes built or preserved over an eight-year period, far less than 1% of the owned housing stock. While ownership housing has always been part of the City’s capital commitment to produce and preserve new units, the number of homeownership starts under the de Blasio administration appears to be well under the one-third level suggested here as a benchmark.

21 Philadelphia, Chicago, Baltimore, and Denver are just a few examples of cities that use municipal or federal pass-through funding to support local housing counseling programs to help residents make informed decisions about homeownership. See for example https://www.phila.gov/departments/division-of-housing-and-community-development/neighborhood-resources/housing-counseling/ Information about the Federal housing counseling program is available at https://www.hud.gov/program_offices/housing/sfh/hcc/hcc_home.


23 https://www1.nyc.gov/site/hpd/services-and-information/homefirst-down-payment-assistance-program.page

24 Seattle for example offers up to $55,000 for purchase of homes on the open market https://www.seattle.gov/housing/renters/buy-a-home#downpaymenteligibility Washington DC offers up to $84,000 https://dhcd.dc.gov/service/home-purchase-assistance-program-hpap and San Francisco offers a whopping $375,000 https://sfmohcd.org/dalp Some are loans, some are forgivable, and all are income-restricted.

25 https://furmancenter.org/coredata/directory/entry/section-312-rehabilitation-loan-program


27 For example, Mayor de Blasio’s Housing New York Plan accounts for 224,000 units assisted by New York City, of which 44,000 or 20% were ownership units—and most of these appear
There appear to be far more resources available to owners of rental buildings. For example, New York City announced a new Landlord Ambassadors program in August 2020 which provides free technical assistance to an owner of any size apartment building. There is no similar hub within City government for homeowners, and especially owners of 2-4 family homes, to find these services and resources yet one-stop homeownership centers sponsored by local governments are a common model outside of New York City. The City should review all City and State resources available to homeowners and renters, especially in the area of down payment, new production and home repair assistance, and address any gaps or equity issues so that information and resources are available to homeowners when needed.

Zoning Changes and Incentives for Inclusion and Integration

The State and the City should amend the New York City zoning code to address historic exclusionary barriers to integration. Single-family zoning limits the supply of housing despite New York’s 70-year old housing emergency. Unlike other cities, New York City infrastructure was built to handle higher density in single-family neighborhoods. Because of these limits to legal growth, much of it today is taking place in illegally occupied basements. Unfortunately, New York City policy has gone in the opposite direction, downzoning neighborhoods especially during the to be the refinancing of multifamily cooperative mortgages for existing owners. Analysis of Housing New York by Katherine Key.

28 https://www1.nyc.gov/site/hpd/services-and-information/landlord-ambassador-program.page

Several nonprofits do provide services to homeowners, including the Center for NYC Neighborhoods, the New York Mortgage Coalition, and Neighborhood Housing Services of NYC. While these organizations are supported by the City of New York, it is not clear that these programs receive support for owners comparable to the groups and programs providing assistance to landlords and residents of rental buildings.

30 In New York City, R-1 and R-2 zones are for single family residences. Other zones permit single family homes but do not exclude higher density housing.
31 https://therealdeal.com/2020/02/04/citys-basement-apartment-crackdown-ramps-up/
Bloomberg era and creating contextual zoning areas that result in communities that are shrink-wrapped by zoning to protect against any type of change or growth.\textsuperscript{32}

One way several jurisdictions have addressed this fundamental inequity is to rezone exclusively single-family neighborhoods for up to four-family units as-of-right. Minneapolis, Seattle, Portland and the State of California have implemented these rezonings to address housing shortages and in part to remedy the structural racism contained in the zoning code. Some jurisdictions have created extensive technical assistance for owners who wish to add an Additional Dwelling Unit (ADU) or increase the number of units on their properties.\textsuperscript{33}

Allowing for slightly higher density in single family neighborhoods can benefit the owners, who can realize greater value and income from their property and can also benefit new renters who could not previously find suitable housing in the neighborhood. With appropriate protections against gentrification and displacement, city policy could allow for more housing opportunity in zones that are historically and exclusively single family.

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CONCLUSION

New York City is overdue to review and balance its policies supporting homeownership and rental housing. A balanced policy has a number of benefits for the health of New York City’s neighborhoods and economy.\textsuperscript{34} Housing policy should support the benefits of homeownership, including financial stability, stable housing, and wealth building. By balancing homeowner and renter policies in New York City, the next Mayor has an opportunity to address systemic racism, promote economic mobility, improve the functioning of the New York City housing market, and create greater stability in our neighborhoods.

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\textsuperscript{33} For example: https://www.planetizen.com/news/2021/03/112509-los-angeles-streamlines-adu-permits-high-design-templates; https://www.sandiegocounty.gov/content/sdc/pds/bldg/adu.html html#text=An%20ADU%20attached%20to%20a%20size%20of%20a%20residence.