

University Neighborhood Housing Program

Addressing the Ongoing Need for Affordable Water for Affordable Housing

June 14, 2017

Report Summary:

UNHP's June 2017 report entitled "Addressing the Ongoing Need for Affordable Water for Affordable Housing" calls for the enactment of the Multi-family Water Assistance Program in Fiscal Year 2018 (FY 2018). The stress that the cost of water places on affordable housing continues to grow and this program begins to address this critical problem.

The cost of water continues to be a substantial portion of the operating costs for buildings currently providing affordable housing in New York City. Income and expense data for multi-family buildings from the New York City Rent Guidelines Board and a set of community controlled, affordable housing properties in the Bronx show the disproportionate impact of the cost of water in affordable housing buildings. The report states that the Multi-family Water Assistance Program represents an important first step in addressing the issue in apartment buildings providing affordable housing.

Released: June 14, 2017

UNHP, 2751 Grand Concourse, Bronx, NY 10468, www.unhp.org

Background:

In April of 2015, UNHP released its report “Affordable Water for Affordable Housing”. The report made the case that the impact of the rising costs of water had a disproportionate impact on housing affordable to lower income New Yorkers. UNHP documented the impact using a combination of NYC Rent Guidelines Board data, and water and sewer expenses from a range of buildings operated by affordable housing managers throughout the city and a smaller set of community controlled affordable housing buildings in the Bronx. UNHP proposed a water and sewer rate cap for currently affordable multifamily buildings whose operators made a long term commitment to providing affordable housing and water conservation.

In the spring of 2016, the New York City Department of Environmental Protection (DEP) proposed and the New York City Water Board approved a new program for multi-family buildings as part of its rate proposal: the Multi-family Water Assistance Program. The new program offered a \$250 credit per residential unit per year in buildings that had an affordability agreement with at least 15 remaining years with the Department of Housing Preservation and Development or the Housing Development Corporation and rent affordable to those earning no more than 60% of the Area Median Income for New York City. The Board budgeted \$10 million to the program to assist up to 40,000 multifamily units. UNHP endorsed the new program in the rate hearings in May of 2016. The Department of Housing Preservation and Development (HPD) developed an application for the program and UNHP worked with HPD to publicize the program and encourage owners to apply.

However, the new program was shelved in June of 2016 when the Water Board’s entire rate proposal which also included a 2.1% water and sewer rate increase and a \$183 credit for private homeowners was stopped by an injunction based on a lawsuit brought by the Rent Stabilization Association (RSA). The lawsuit questioned the legality of offering a credit to homeowners while imposing a 2.1% rate increase on everyone. The City appealed, but in February of 2017, the [court ruled against](#) the City thereby knocking out the rate increase proposal including the Multi-family Water Assistance Program.

While the lawsuit stopped the implementation of the rate increase proposal, the cost of water continued to be a major part of the operating costs for providers of affordable housing in New York City. To maintain attention on the issue, UNHP began preparing this update to our 2015 “Affordable Water for Affordable Housing” report. As this report was being finalized, the New York City Water Board at its May 2017 meeting set aside money in the 2018 budget for the program and indicated that it would consider a resolution to proceed with the program at a future board meeting.

The Affordability Crisis Has Worsened in the Past Two Years

The recently released Furman Center report, "[State of New York City's Housing and Neighborhoods in 2016](#)", states, "Low income New Yorkers were the most likely to be rent burdened in 2015. Almost 90% of extremely low income renter households, 78.7% of very low-income renter households and over half of low-income renter households were either moderately (households paying between 30 and 50% of pre-tax income on gross rent) or severely (those paying more than 50% of their income on gross rent) rent burdened in 2015." Additional data on the Bronx confirm that the affordability crisis has only gotten worse in the borough since our first report. According to a [recent Regional Plan Association \(RPA\) report](#), 70 percent of Bronxites are vulnerable to displacement.

Our 2015 "[Affordable Water for Affordable Housing](#)" report made the case that reducing the cost of water in affordable housing would assist affordable housing providers struggling to provide housing for lower income New Yorkers and that the cost of water and sewer charges is one operating expense where price can be directly affected by modifications in public policy. The combined water and sewer rate has nearly tripled between 2000 and 2016 increasing from \$3.37 to \$9.87 per 100 cubic feet. Water and sewer charges now represent a substantial percentage of the operating costs of affordable multi-family buildings in New York City.

City Efforts to Address the Impact of Water Costs:

The de Blasio administration has acknowledged the impact of water costs in several ways in its first few years: a) It has implemented and proposed the three smallest rate increases in more than 10 years.

b) The Home Water Assistance Program (HWAP), a program to provide low income seniors a financial break on water costs, was created in FY 2015 and eligibility for HWAP was expanded in FY2016.

c) The administration extended the freeze on the minimum water charge which impacts more than a half a million accounts.

d) In the spring of 2016, the Mayor ended the practice of taking the rental payment made by the Water Board for city general operating funds. The Mayor's decision to no longer request a rental payment was [projected to save the Board](#) \$244 million in Fiscal Year 2017 (FY17) and \$268 million in Fiscal Year 2018 (FY18). This move had been long sought by advocates [opposing rising water and sewer rates](#).

e) The FY17 rate increase package, which was stopped by the RSA lawsuit, included an expansion of HWAP and the creation of the Multi-family Water Assistance Program.

The Multi-family Water Assistance Program offered a \$250 credit per residential unit per year in buildings that have an affordability agreement with at least 15 remaining years with the Department of Housing Preservation and Development or the Housing Development Corporation and rent affordable to those earning no more than 60% of the Area Median Income for New

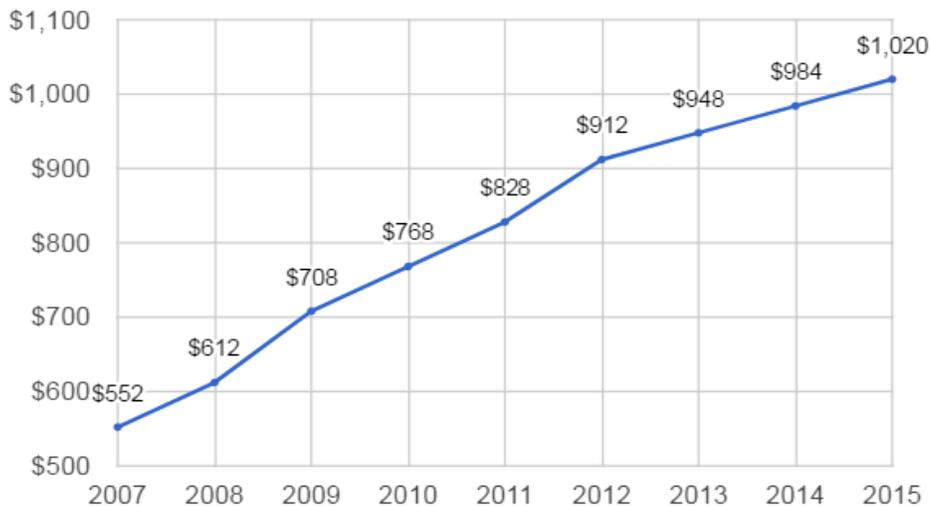
York City. The Board budgeted \$10 million to the program to assist up to 40,000 multifamily units. The new program received support in the public testimony at the Water Board’s hearings last spring from UNHP, other local and citywide non-profit organizations, and a number of private owners and managers of affordable housing.

Balancing Fairness, Affordability and Water Conservation:

Our 2015 report noted the importance of achieving balance between supporting affordable housing through lower rates and efficient use of water. The Department of Environmental Protection’s Multifamily Conservation Program (MCP) was an attempt to do that. However, the MCP cap has risen from \$424 per apartment per year at its inception in 2001 to \$1,004 in 2017; this cap has not been enough to keep the cost of water from consuming a large portion of the income of affordable housing buildings and represents a significant portion of the expenses in those buildings.

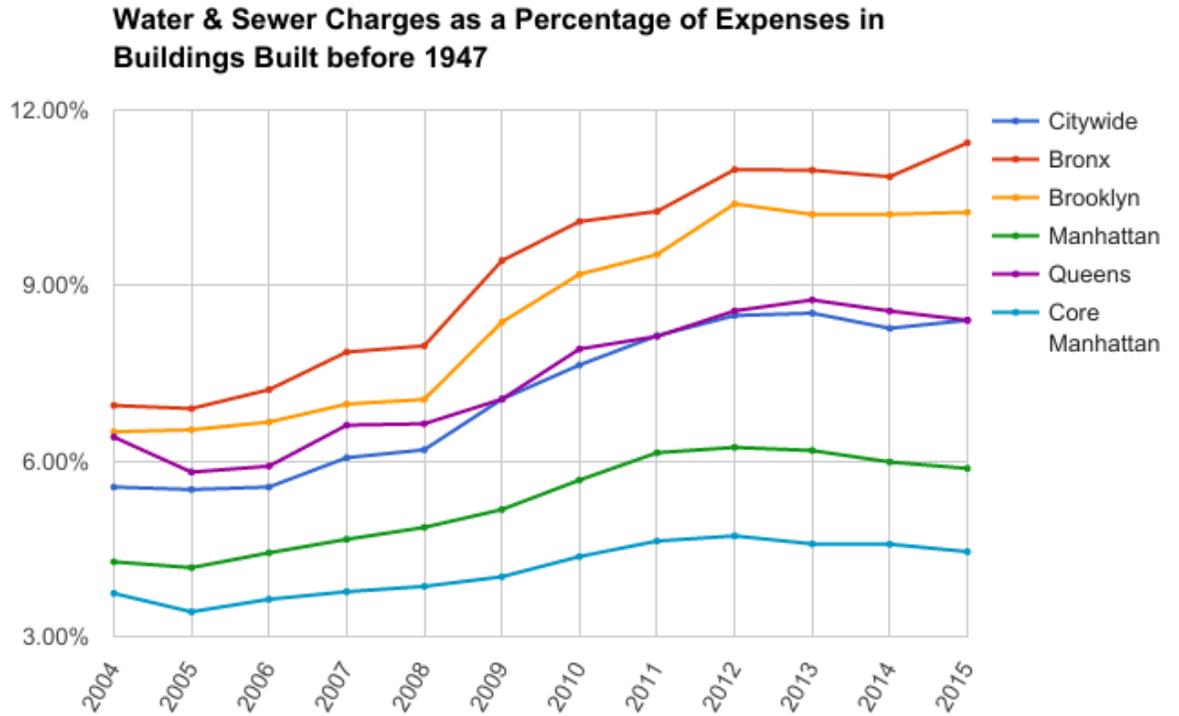
This report updated the aggregate data gathered annually by the Rent Guidelines Board (RGB) on actual expenses of multifamily buildings throughout the City. The RGB annual Income and Expense Study collects and averages income and expense information then analyzes it on a citywide and 5 borough basis; the report also divides Manhattan into Core Manhattan and Upper Manhattan using 96th Street on the east side and 110th Street on the west side as boundaries. The Annual Income and Expense Study documents the steady increase in the cost of water in multifamily buildings in the Bronx. Between 2007 and 2015, the per apartment per year cost of water in pre-1947 Bronx buildings steadily increased from \$552 to \$1020.

Average Cost of Water and Sewer in pre-1947 Bronx Apartment Buildings



Source: NYC Rent Guidelines Board Income and Expense Studies

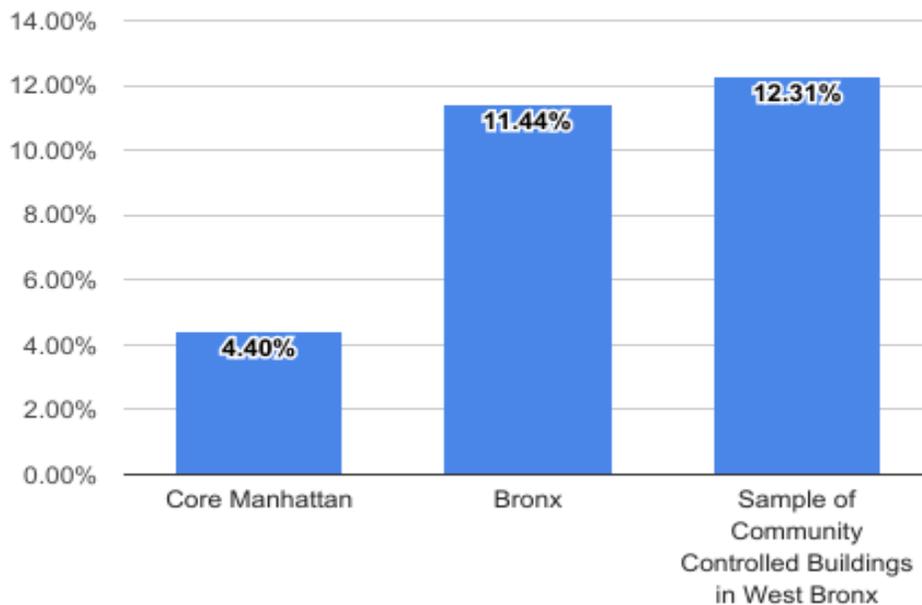
While the whole city experienced the same rate increases, the impact is significantly different when the cost of water and sewer is analyzed as a percentage of operating expenses by borough. On a citywide basis, the cost of water was 6.06% of a building's expense budget in 2007 rising to 8.4% in 2015. During the same time period, in the Bronx the cost of water rose from 7.8% to 11.44% of a building's expenses.



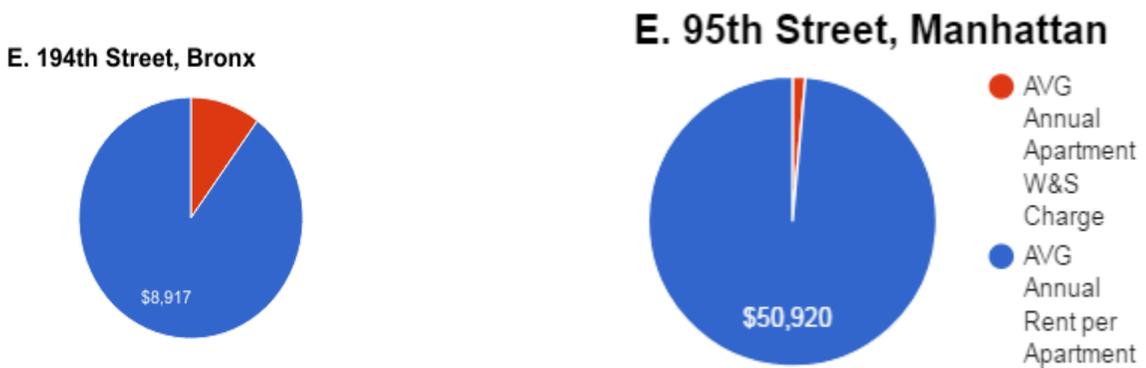
Source: NYC Rent Guidelines Board Income and Expense Studies

From 2007 to 2015, the Bronx has continued to have the highest percentage of operating costs on the water and sewer expense line. Meanwhile, Core Manhattan's water and sewer expenses represented 3.7% of their expenses in 2007 and 4.4% in 2015. The cost of water has had a more significant impact on neighborhoods outside the Core Manhattan area, with its effects felt most acutely in the Bronx.

This update analyzed the 2016 annual operating expense of a sample of 38 community-controlled buildings in the west Bronx. All are rent regulated buildings and provide affordable housing to households and families. The ownership and management have had extensive experience with tracking water and sewer use. The majority of the buildings are in the Multi-family Conservation Program, which capped water and sewer charges in FY 2016 at \$1,004.82 per apartment per year. An analysis of the most recent annual expense budgets for these properties shows the average water and sewer expense budget line to be 12.31% of the buildings' operating expenses. The chart below compares that number to the percentage of operating expenses that water and sewer charges represent in 2015 data on pre-1947 Bronx and Core Manhattan buildings. (The 2015 information is the most recent information currently available from the NYC Rent Guidelines Board.)



In a separate analysis, we compared two properties of similar size, one located in the Core Manhattan section and the other located in the Bronx. The Core Manhattan building was selected from a list of multifamily buildings recently marketed for sale by several online sources. The Bronx property was selected from the group of affordable housing properties discussed earlier. The Core Manhattan building is a 15 unit building on East 95th Street. The cost of water on its listing was confirmed independently on the NYC Department of Finance website. The Core Manhattan building's average per apartment monthly rent was \$4,243, or an annual average per apartment rent of \$50,920. The building's annual average per apartment water and sewer charge was \$750; only 1.47% of the average annual per apartment rent. The Bronx building is a 15 unit building on East 194th Street. The building's average per apartment monthly rent was \$756, or an annual average per apartment rent of \$8,917. The building's annual average water bill per apartment was \$1,004; or 11.25% of the average annual per apartment rent. After paying the water bill, the East 95th Street and the East 194th Street buildings have \$50,170 and \$7,913 respectively per apartment available for building expenses and debt service. Both buildings need the same infrastructure to have water and sewer service. The contrast is clear and illustrates the inequity of current water and sewer charges.



Focus Group Discussions:

As per our 2015 report, UNHP discussed our research with a focus group comprised of non-profit and for-profit real estate managers. All re-affirmed their comments included in the last report about the blatant inequity of the current water charge system. The buildings that they manage are usually buildings with larger size apartments and have the goal of providing affordable housing for families. Managers have observed that many families cope with lack of affordable housing and the resulting rent burden by crowding larger households into their apartments. The American Community Survey 5 Year data supports this point and shows a steady increase in the percentage of rental households with more than 1 person per room in the Bronx. More than 14% of renter households in the Bronx housed more than 1 per person per room. All participants expressed the importance of educating tenants about controlling water use. They also affirmed that a program that reduced water expenses would make money available for other improvements necessary in their buildings.

In the recent discussions, several expressed astonishment that they had reached a point where their buildings' water bills were comparable and in some cases surpassed their heating bills. 2015 Rent Guidelines Board (RGB) data suggest that this is happening. The RGB data showed that in the Bronx the percent of expenses for water had risen from 7.8% in 2007 to 11.44% in 2015 while over the same time period the percent of expenses for heating had dropped from 18.6% in 2007 to 13.9% in 2015.

Report Recommendation:

The urgency of the affordable housing problem has been the reason for UNHP's efforts on water and sewer charges for many years. UNHP supports the creation of the Multi-family Water Assistance Program in the upcoming Fiscal Year 2018. The new program is an important first step in addressing the impact of the cost of water on affordable housing. The program will allow housing providers to balance the needs of maintaining their buildings and efficiently use water. UNHP supports the creation of mechanisms to monitor the effectiveness of the new program and to analyze the need for expansion in future years. UNHP is willing to assist in publicizing the new program and to organize providers and managers of affordable housing to provide assistance and feedback on the implementation of the new program.

Acknowledgements: Thank you to Citi for grant support for this report. There were many people who took time to talk with us about this work. Their assistance should not be taken as evidence that they agree with our conclusions, but their input was very helpful and much appreciated. Thank you to Kevin Alter, Ray Alter, Daniel Bourbeau, Mark Bourbeau, Peter Bourbeau, Pat Logan, Heng Ly, Jim Mitchell, Brendan Mitchell, Danny Ouk, John Reilly, Kevin Thurman and Joe Zitolo. Thank you to Jack Buckley for updating the data from our 2015 report. Finally, thank you to the UNHP team that worked on this report: Jim Buckley, Catherine Clarke, Caroline Kirk, Johanna Kletter, VaNessa LaNier, and Niki Quiterio.