



**Nowhere
to Go**

*A Crisis of Affordability
in the Bronx*

University Neighborhood Housing Program
30th Anniversary Report • May 1, 2013

Nowhere to Go

A Crisis of Affordability in the Bronx

Preface

University Neighborhood Housing Program celebrates its 30th Anniversary in the Northwest Bronx this year. Our roots run deep into the community reinvestment movement, which came out of neighborhood organizing work in the 1970s. This work transformed the Bronx from a borough with burnt-out buildings and vacant lots to a vibrant community that hundreds of thousands of working families call home.

University Neighborhood has transformed itself a few times to adapt to the needs of our neighborhoods. While our earliest work was as a community development lender, we evolved to incorporate loan packaging, technical assistance for community controlled housing, and support for current and prospective homeowners. As we worked with local homeowners at-risk of foreclosure, we were alarmed by the extent of predatory financial products in our neighborhoods. In response, we now provide a range of services to residents including free tax preparation and financial education through the Northwest Bronx Resource Center. The people who use our programs helped inspire and inform this report as we see more and more residents working hard, but unable to make ends meet.

In the last decade, we have kept up our technical assistance work including serving as a development partner for new or renovated affordable housing, and taken on neighborhood based research as a key component of our activities. This research extends from multifamily

pricing trends to our acclaimed Building Indicator Project database, to the demographic data that provides the foundation for this report.

Since our founding, we have witnessed the resilience of the people of the Bronx as they fought to bring their borough back from the brink, battling a host of issues including negligent landlords, private disinvestment, reduction in city services, and speculative investors. Despite the many victories won by community leaders, negative economic indicators not only persist, but have pushed the Bronx to a point of crisis. The rising cost of living coupled with declining real income is unsustainable. As in the past, only organizing efforts by Bronx residents and community groups will catalyze the widespread structural changes needed to preserve our neighborhoods. This report is part reflection on how and why indicators in the Bronx have evolved over time and part recommendation on policies to reverse negative trends moving forward.

The state of affordability in the Bronx has *Nowhere to Go*. The Bronx is in a full out crisis of affordability. *New data reveals that more than half of all households in Bronx Community District 5 now pay more than 50% of their income on rent, something unprecedented in the history of New York City.* This trend of percent of income spent on rent cannot go any higher without a significant increase in overcrowding and homelessness. Costs of living have increased much more than inflation, and Bronx incomes are in decline. What can and most likely will increase is the percent of families

paying half of their income on rent and headed toward homelessness.

If the Bronx is not affordable, then New York City's working poor have *Nowhere to Go*. The Bronx has taken on the role of the last "affordable" borough, with the lowest asking rents in the City. However, the Bronx has the lowest median income in New York City, and despite the occasional article to the contrary, the Bronx is not gentrifying. Newcomers to the Bronx, from abroad and from other New York counties, actually earn less than the people who live here now. Given these realities, the borough is in fact the *least affordable* when it comes to percent of income spent on rent.

A growing number of homeless families also have *Nowhere to Go*. As affordability disintegrates, Bronx housing court cases have exploded, evictions have skyrocketed, and New York City's shelter system is bursting at the seams. Furthermore, there are no new rental subsidies to move homeless families into permanent housing, creating, among other problems, a backlog of residents in transitional shelters. Meanwhile, the City's answer has been to contract with landlords and service providers to convert permanent rent stabilized buildings and units into shelters

reducing the market availability of lower rent units.

Finally, as a positive expression, *Nowhere to Go*, harkens back to the late Northwest Bronx leader Anne Devenney's cry to "Don't Move - Improve!" Thirty years later and the Bronx is still worth fighting for. It is a home for working families with a range of housing from single family homes to art-deco multifamily buildings. It is a place for traditional businesses, home businesses and street businesses and a place to worship, work, commute, shop and play. The community work in the 1970s and '80s created the housing that provided an affordable place for the growing number of people who came to New York City in the 1980s and '90s. This population growth in the Bronx and throughout New York City helped to revive the City economically. If Anne Devenney were here today she might be the first to say, "We ain't going nowhere!" The answer to this crisis is not to abandon the Bronx, and not to cede it to forces of displacement, nor to let things continue in the direction they are going. Rather, it is time to recognize the importance of all workers to our local economy and fight to make sure they can afford to live in decent, safe, affordable housing in a livable, vibrant New York City borough like the Bronx.

Acknowledgements

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Abrahamson and supported by Johanna Kletter, Jessica Castro, Michelle Virgin and Fernanda Campos—coincided with and greatly influenced this report and our connection to the residents of the Bronx. We also acknowledge our Board of Directors, nonprofit neighborhood partners, and funders for their support and combined efforts to create an affordable and livable, thriving Bronx.



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Introduction

Economic hardships and growing income inequality are well documented nationally, and are especially acute in the Bronx. The 2008 recession highlighted the growing incidence of poverty in the United States, although real incomes among middle and working class families began falling decades ago. The paradox of the recovery is that more people are on food stamps and out of work. The National Low-Income Housing Coalition's *2013 Housing Spotlight* documents the unsettling trend of the affordable housing gap across the country. As incomes for the working class stagnate or decline, the cost of living continues to rise, and as a consequence, growing numbers of Americans are spending increasing proportions of their income on rent. Even what is accepted as affordable has changed over the decades. In 1981, the Department of Housing and Urban Development raised the affordability threshold from 25% to 30% of income spent on rent. About half of all renters nationally, and nearly two-thirds of renters in the Bronx, live in unaffordable housing, and both of those numbers are increasing.

Here in New York City, the data shows that household incomes have declined faster in the Bronx than in any of the other boroughs. As a result, although the Bronx has the lowest rent levels, renters here face the highest rent burdens in the City. Rent burden is the percentage of income allocated to rent, and the national standard of affordability is still 30%. The median rent burden in the Bronx is 40% for all renters, and 50% for low-income unsubsidized renters. The consequences of these high rent burdens include an increased risk of homelessness, overcrowding, families going without essentials such as health care, and dependence on public assistance. The high concentration of households with heavy rent burdens fuel other negative indicators in the Bronx, such as public health problems and poor educational opportunities, interconnecting factors that contribute to low earnings.

What we seek to find in this report is why these negative trends persist and how we can reverse them. University Neighborhood Housing Program's main focus is affordable housing, and we continue to believe that affordable

housing is the cornerstone to economic stability for families and individuals. The demographic data combined with our work on the ground with neighborhood residents has given us a heightened sense of urgency. The Bronx is now at another critical juncture just as it was in the 1970s.

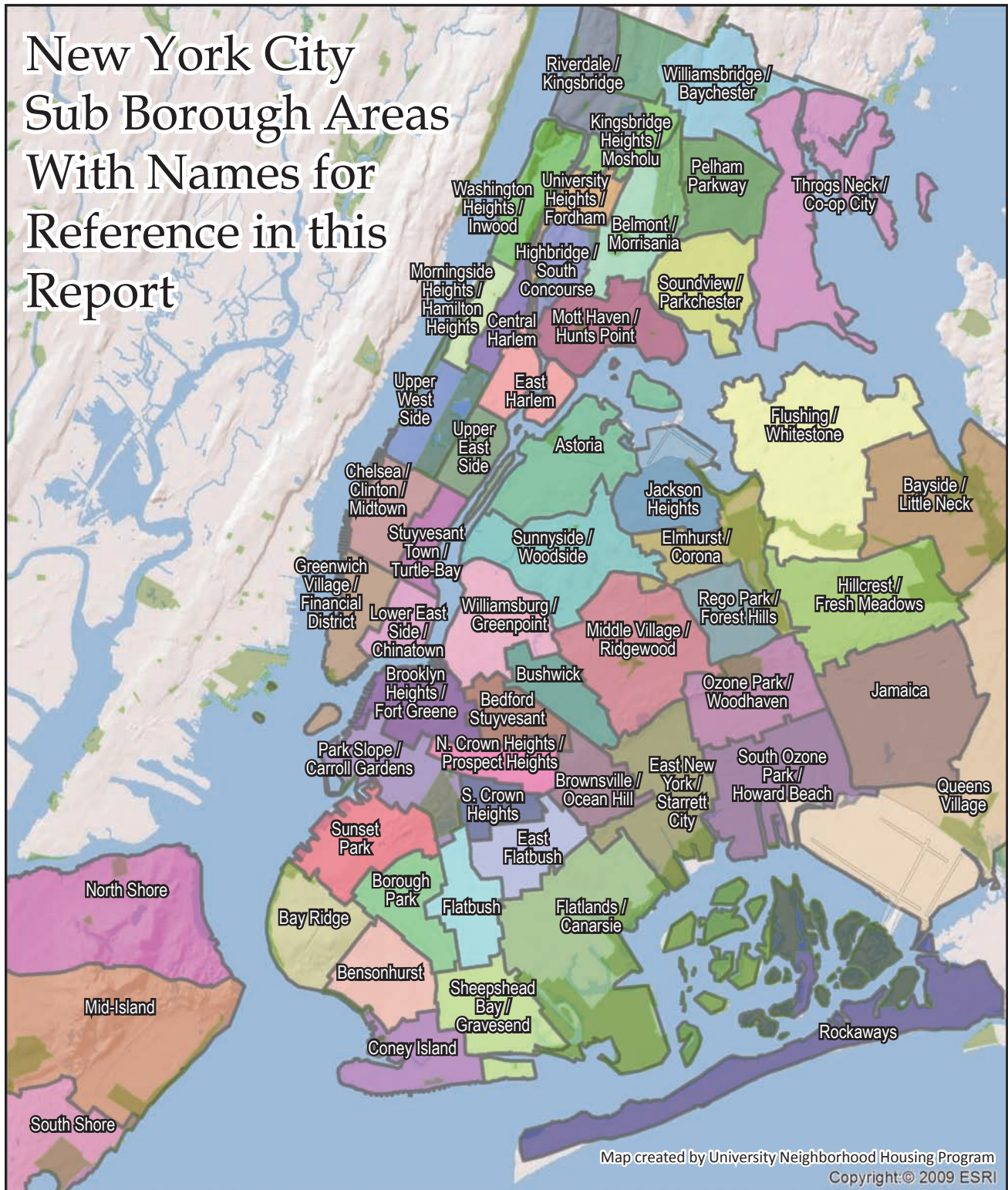
Rising housing costs are an important piece of the affordability gap, but so is the problem of low wages. "*They put more money on the rent and never give you a raise,*" said one tenant interviewed in front of his deteriorated Bronx building by *Bronx News 12* as a follow up story to University Neighborhood Housing Program's 2007 Shrinking Affordability Forum. Things have only gotten worse since 2007 with further increases in rents and declines in incomes and housing quality.

The Bronx and the people who live here are an essential part of the New York City economy. The legacy of redlining and disinvestment has had an enormous impact on the Bronx and contributed to poor housing conditions and poverty. Reinvestment work starting in the 1970s thwarted the threats for planned shrinkage in the Bronx and created the housing that became home to immigrants and others seeking to live in New York City. Just as community-led reinvestment by the public and private sectors transformed the old Bronx, investment is still needed today to preserve the new Bronx. Investment is especially needed in the low wage workers that keep the five boroughs running so that these workers can afford to live and thrive in New York City.

The organizing work in the Bronx was part of a national movement that led to the passage of the Community Reinvestment Act as well as widespread reinvestment in neighborhoods across America. Martin Gruenberg, Chairman of the FDIC, recently said, "If [reinvestment] can be done in the Bronx, I think it's fair to say it can be done anywhere."¹ The Bronx again has an opportunity to lead.

1 American Banker. "Gruenberg Gets Personal in NCRS Speech." March 22, 2013. <http://www.american-banker.com/people/gruenberg-gets-personal-in-ncrc-speech-1057789-1.html>

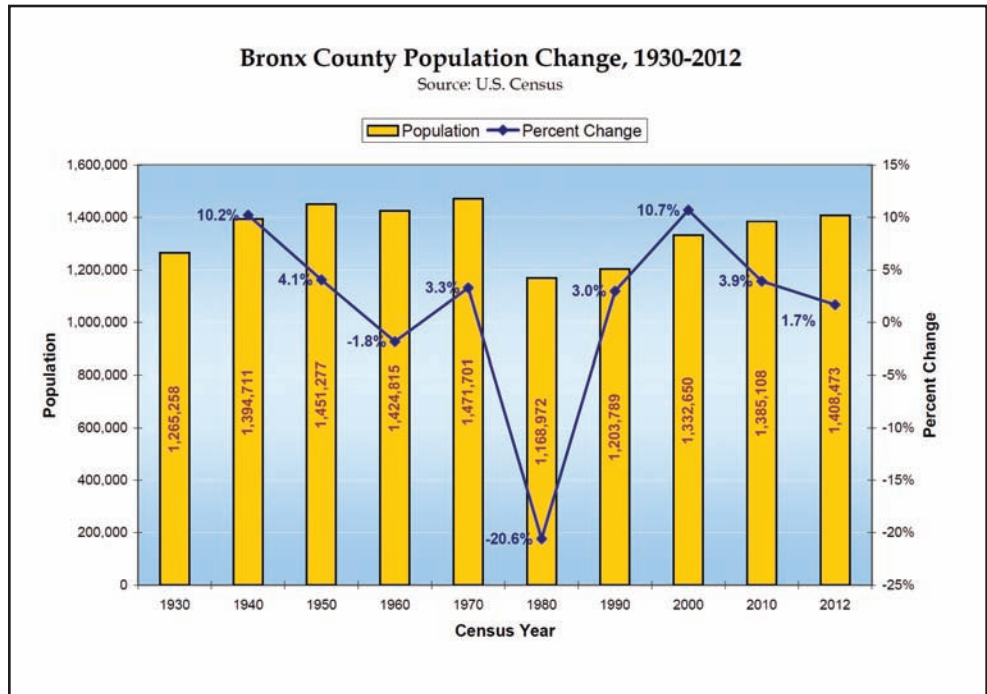
New York City Sub Borough Areas With Names for Reference in this Report



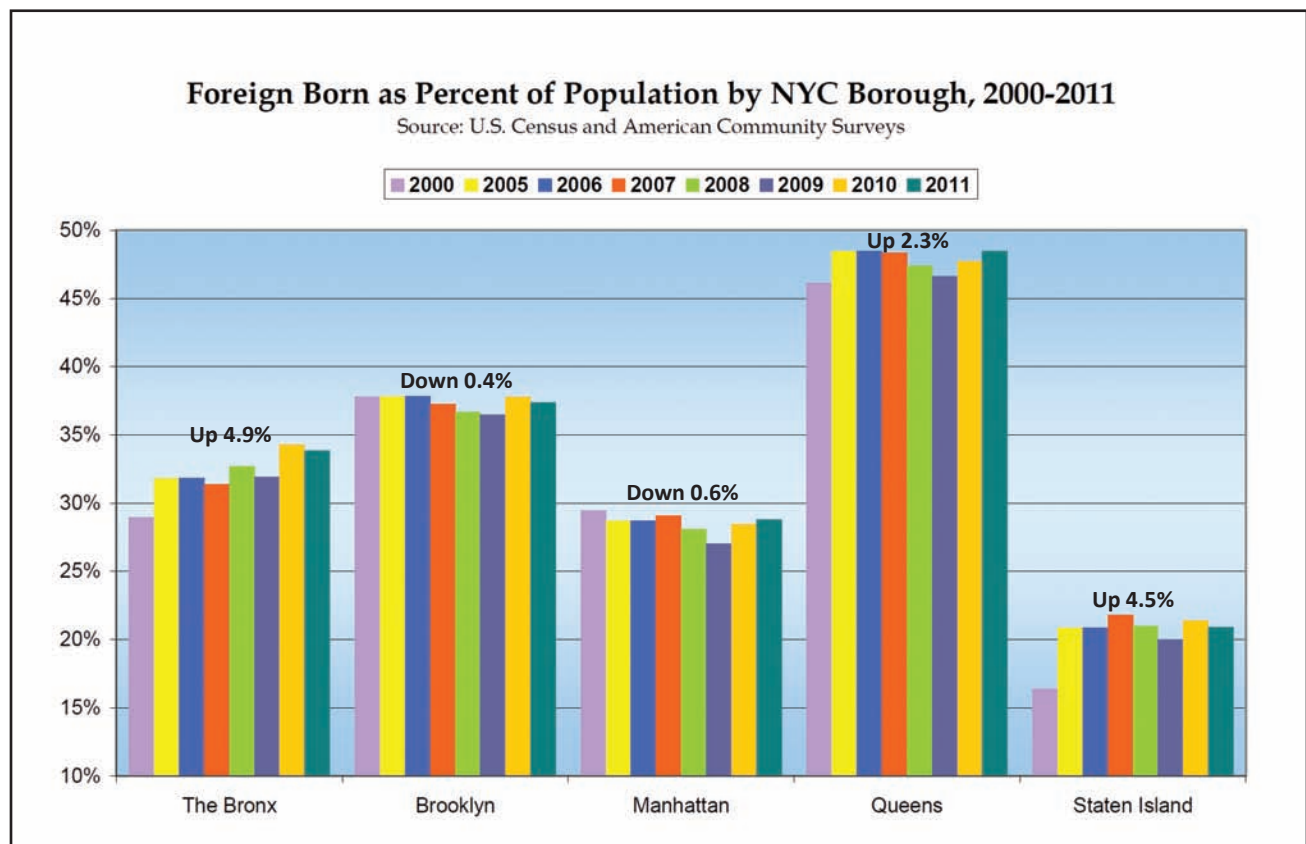
Map created by University Neighborhood Housing Program
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Data Analysis

This section highlights trends in the data to explain the current economic situation in the Bronx and to help inform policy decisions from a community based perspective. Bronx neighborhoods are diverse, well-populated, and vibrant thanks to a growing population and revitalization of housing stock and commerce. The engine of reinvestment in New York City, beginning in the 1980s and 1990s drove a 20% growth in population in the Bronx. During the last decade, the Bronx added more people than any other borough, and is almost back to its peak population in 1970.

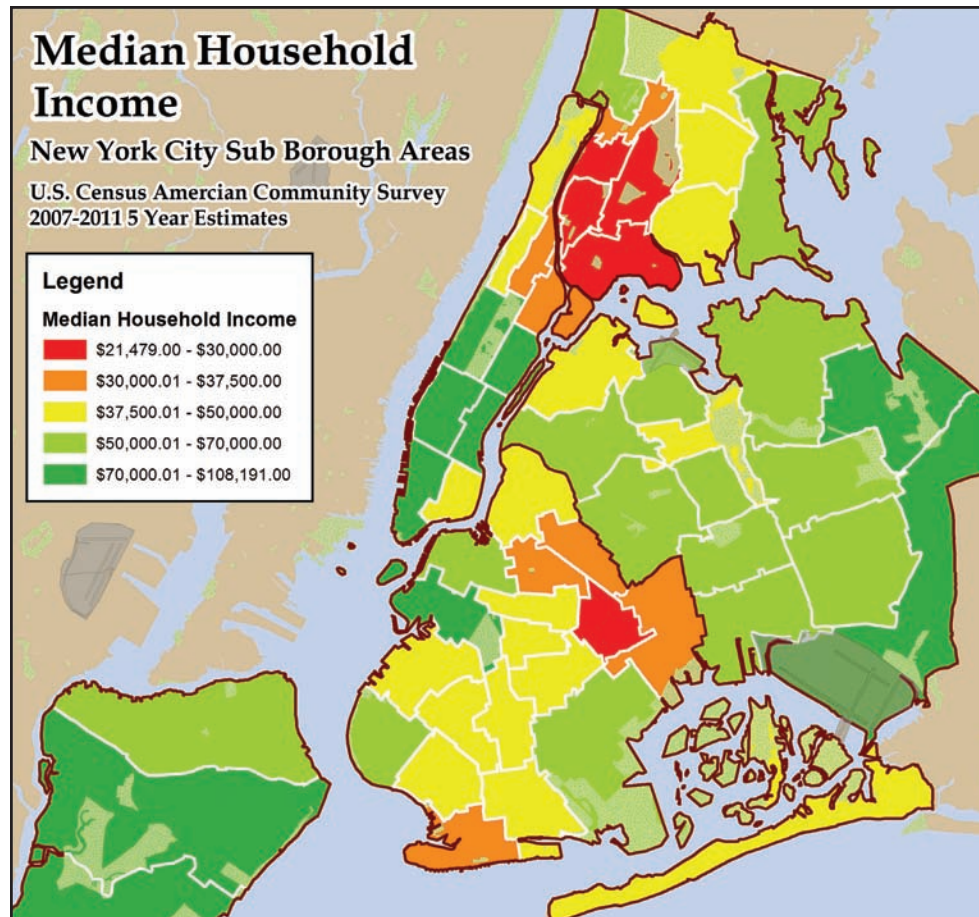
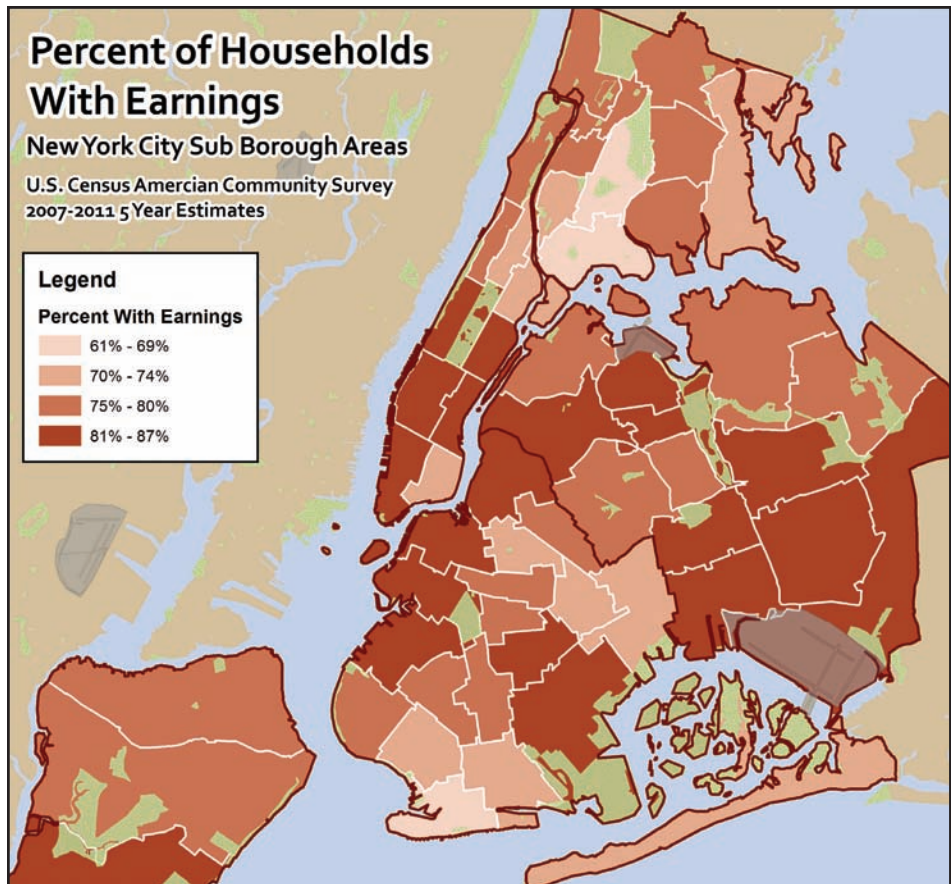


The population increase in the Bronx is due in part to a rising pace of new immigrants moving into the borough. The increase in percentage of foreign born population is steepest in the Bronx, due in part to lower asking rents.



The Bronx is full of working class neighborhoods. Seventy-four percent of Bronx households have at least one person with wage or salary earnings, which is near the national average of 79%. Many Bronx Community Districts, including those with severe affordability issues, have even higher proportions of the population working for a wage or salary.

Despite the fact that people in the Bronx are working, they typically earn less than workers in other boroughs, and more households in the Bronx are dependent on only



one wage earner. A majority of these households are led by women who are more likely to be employed part time, and because of the wage gap, earn less than men.

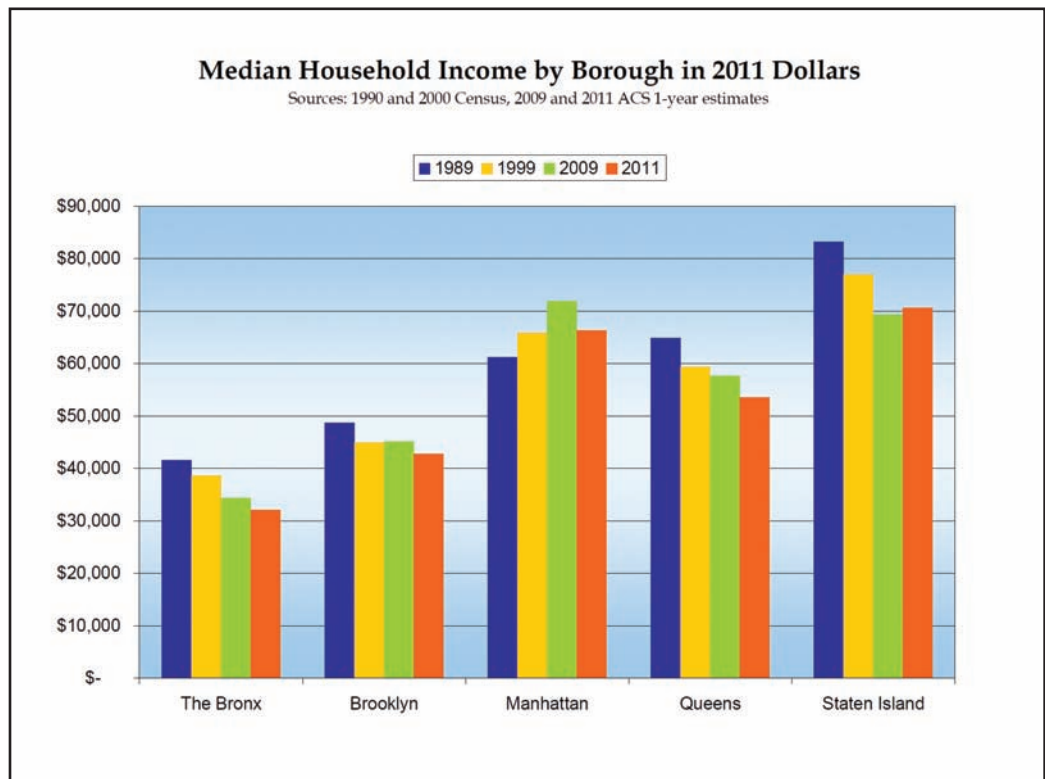
What are the trends in Bronx incomes?

From 1989 to 2011, the nominal median income in the Bronx increased by only \$10,000. When adjusted for inflation, the real median income has actually declined by 23%. Brooklyn, Queens, and Staten Island also experienced real declines of 12%, 17%, and 15% respectively,

while Manhattan saw an increase of more than 8%.

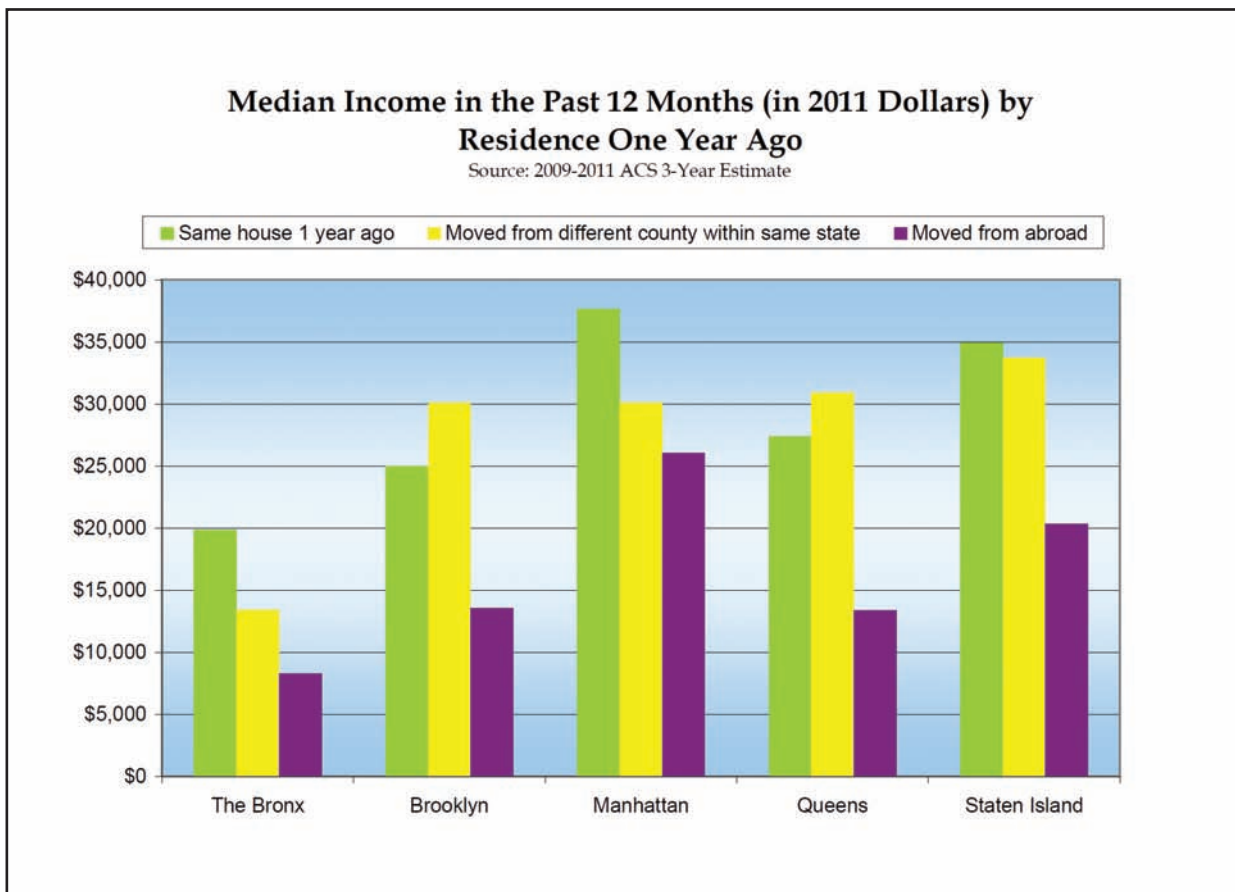
This dramatic decline in real income is shocking. To make matters worse, families now often use more of the most expensive services such as child care, health care and education than two decades ago.

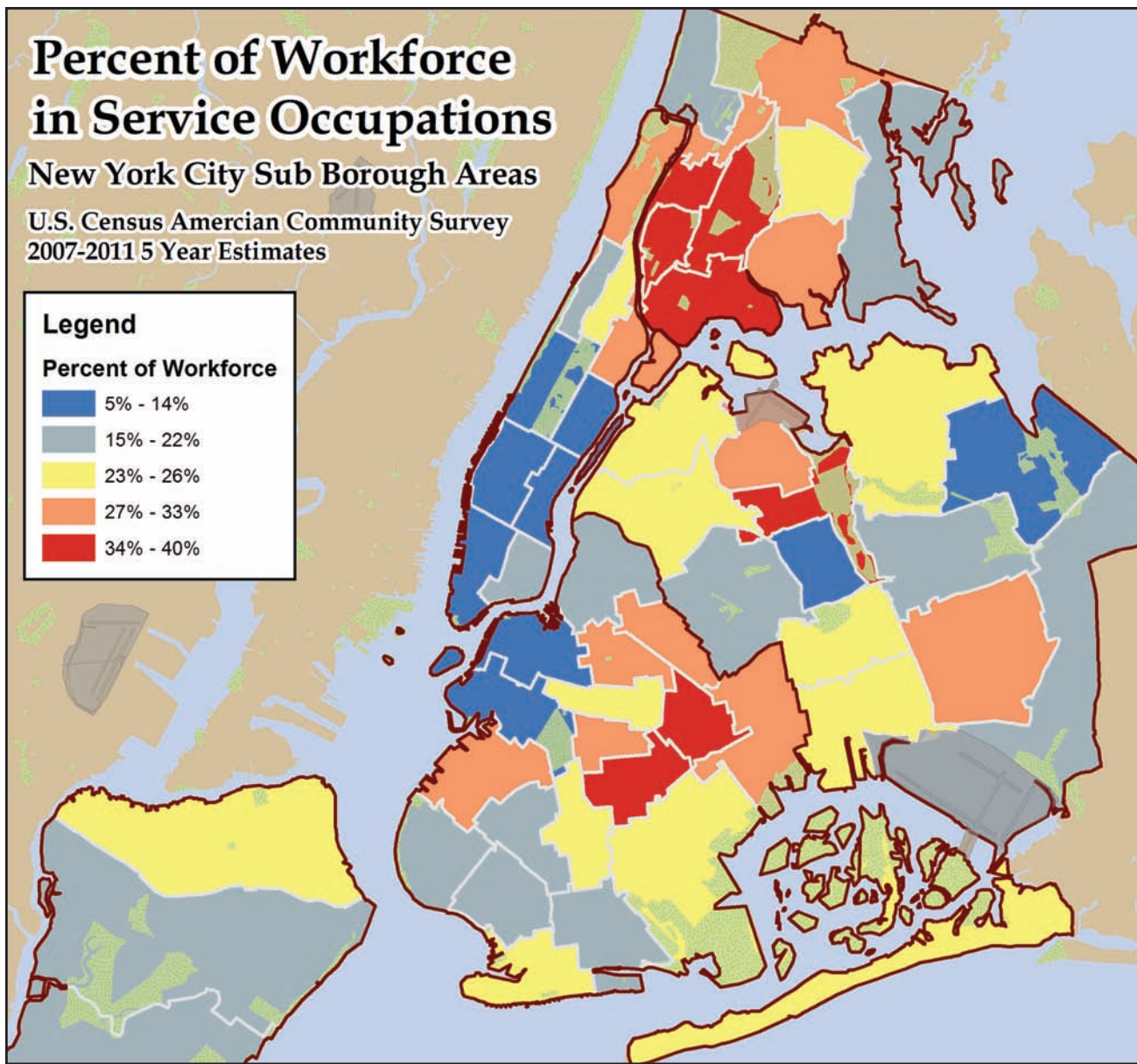
Why have real incomes declined faster in the Bronx?



The opposite of gentrification is happening in the Bronx. People moving to the Bronx from abroad and from other places in New York State

have lower incomes than current residents. Newcomers arriving in the Bronx also have lower incomes than those moving to other parts of the City, widening the income gap between





the Bronx and other boroughs. Creating and preserving affordability is thus important not only for current residents, but also for low-income families priced out of other areas or newly immigrating to the United States.

Another explanation for the rapid decline in real income is that the Bronx has a high proportion of working poor residents employed in the service sector. Service sector jobs include those in retail, food service, hospitality, security and health care assistance, and have typically low wages and involuntary part time work.

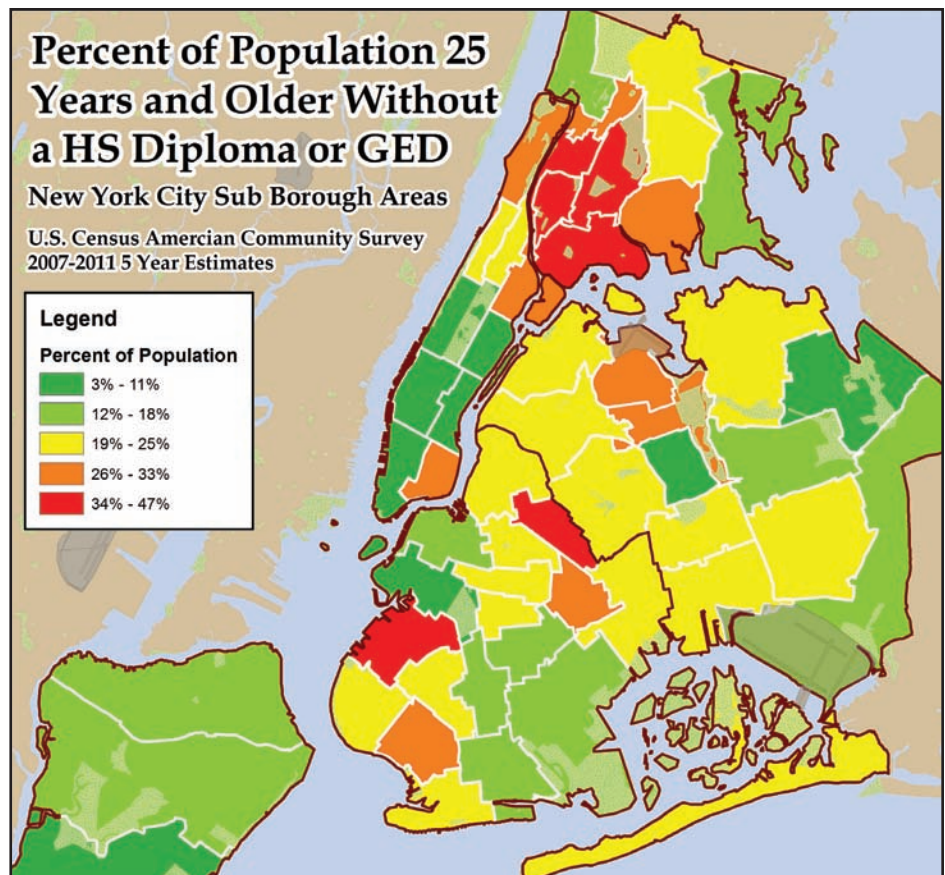
Thirty-five percent of Bronx workers are employed in the service sector, compared to the citywide average of 24%. These jobs are

essential to keep our City functioning, but the pay is low and the hours are often unpredictable. Although people are employed, they may not be able to meet their most basic needs, let alone build wealth. For instance, nearly one in four Bronx workers does not have health insurance coverage, and many are forced to turn to public assistance to compensate for low wages. *The number of Bronx households receiving food stamps increased from 23% in 2007 to 35% in 2011.*²

² U.S. Census American Community Survey (ACS) One Year Estimates, 2007-2011.

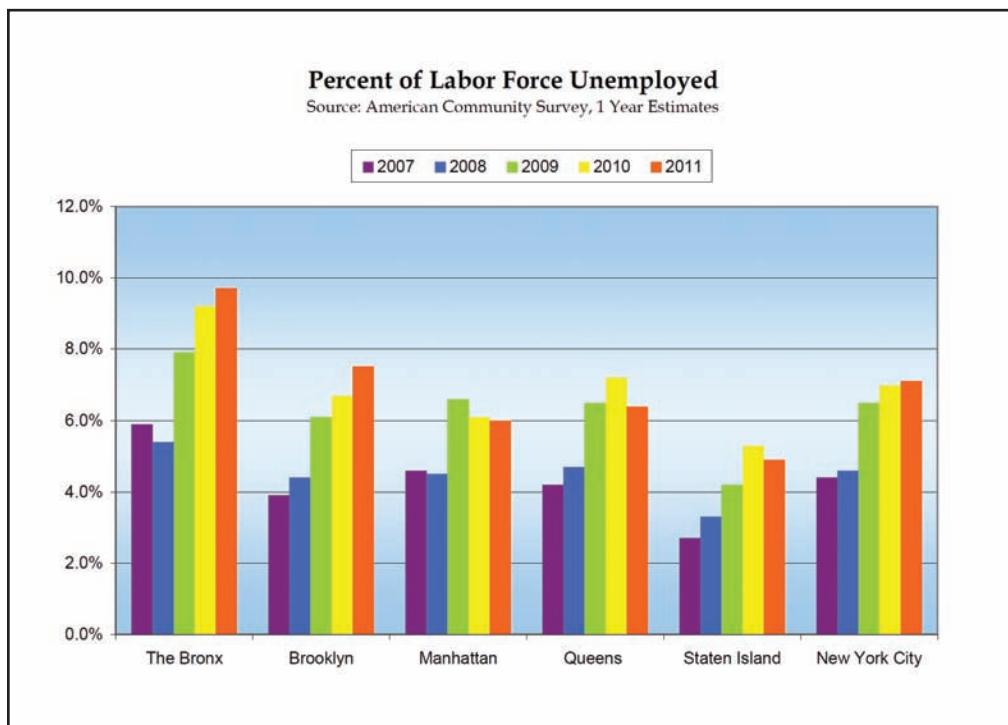
Why are so many Bronx residents employed in the service sector or low wage jobs?

Low levels of educational attainment and the high percentage of new immigrants limit employment options available to Bronx residents. Educational attainment directly relates to employment opportunities and earning potential. The Bronx has the lowest proportion of the population with a high school diploma or equivalent at 68% and only 18% of Bronx residents hold a bachelor's degree. As shown earlier, 34% of the Bronx population is foreign born, and education systems and opportunities abroad differ. This, in addition to potential language barriers, create obstacles to employment for immigrants.



There has been a shift in the United States economy from manufacturing to service. Several decades ago, unionized factory jobs with decent wages and benefits were available to unskilled

laborers. These medium wage jobs have been replaced with low wage jobs often in the service sector. The National Employment Law Project reports³ that in the recession of 2008, low-wage jobs accounted for only 21% of jobs lost, but 58% of new jobs created in the recovery. Medium wage jobs



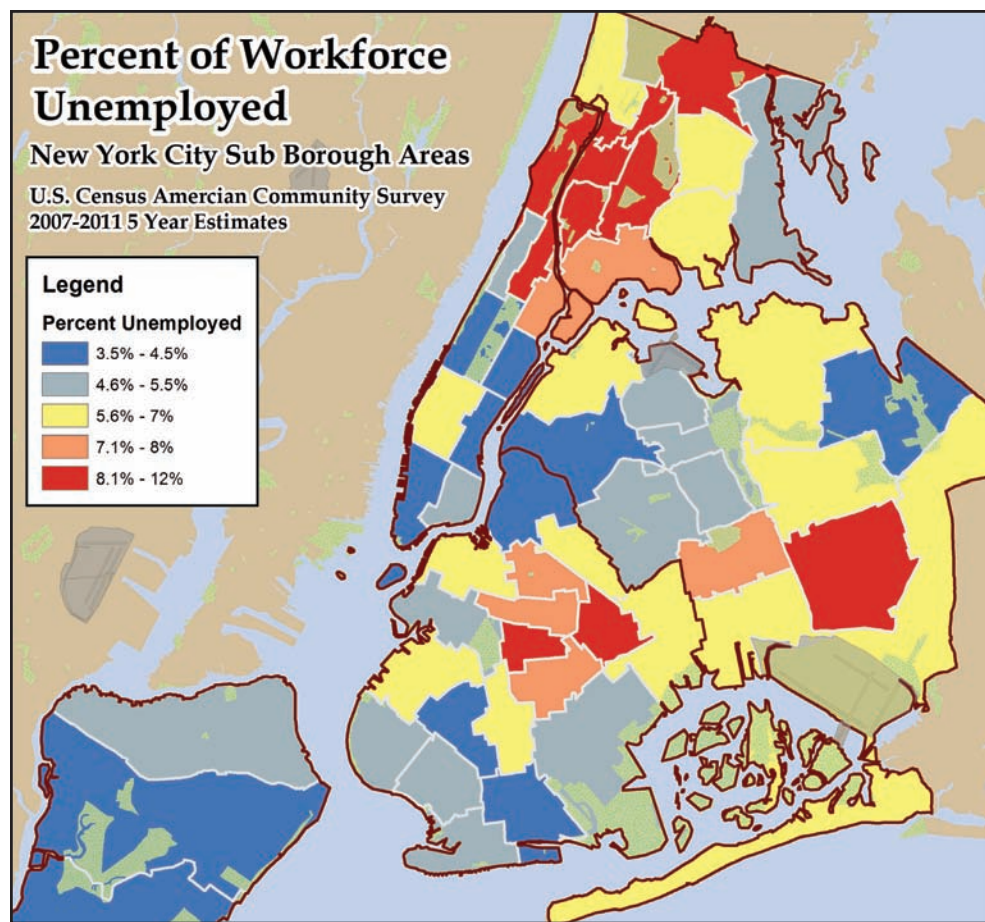
³ "The Low Wage Recovery and Growing Inequality." August, 2012.

accounted for most of the jobs lost in the recession at 60%, however only 22% of jobs recovered are medium wage. Given the national numbers and demographics in the Bronx, the shift to the low wage sector has a bigger impact here.

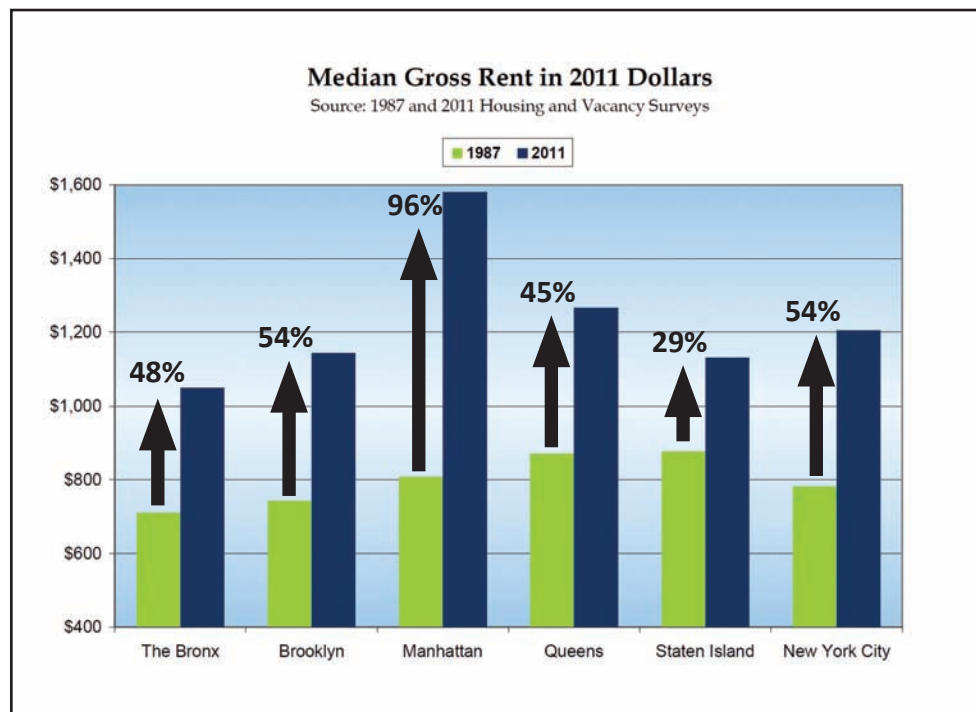
What about people who are out of work entirely?

On top of the wage issues, the Bronx has had higher levels of unemployment than the rest of New York City for decades, and unemployment rates everywhere remain higher than pre-recession levels.

These numbers do not include underemployed workers, those working multiple part-time jobs to make ends meet, and discouraged people who have left the workforce entirely.



Unemployment remains higher in low and moderate income communities of color.



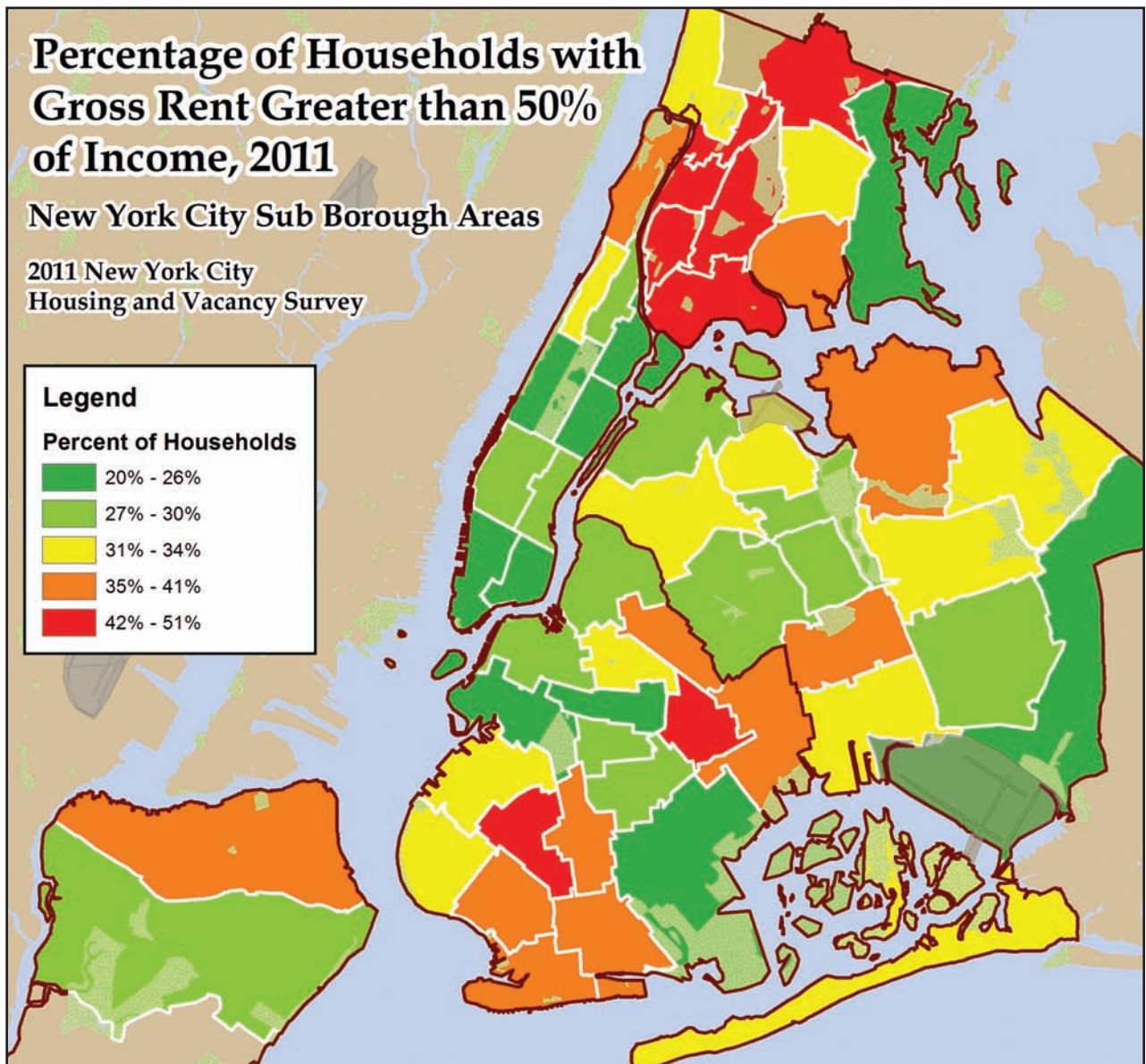
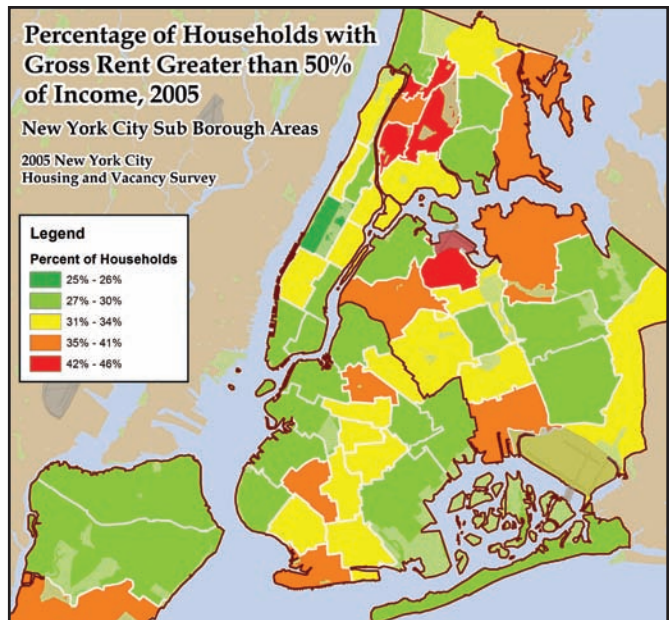
What is the impact of low-wage jobs and low incomes on housing affordability?

Increases in rent have greatly outpaced inflation throughout New York City. The chart below shows the difference between rents in 1987 adjusted to 2011 dollars and actual 2011 rent levels. (The steep difference between the two represents the increase in rents over inflation.) These are

median gross rents, which include apartments where people have been living for a long time. Asking rents can be significantly higher in each borough given the nature of rent regulation and loosening of these regulations since the mid 1990s.⁴

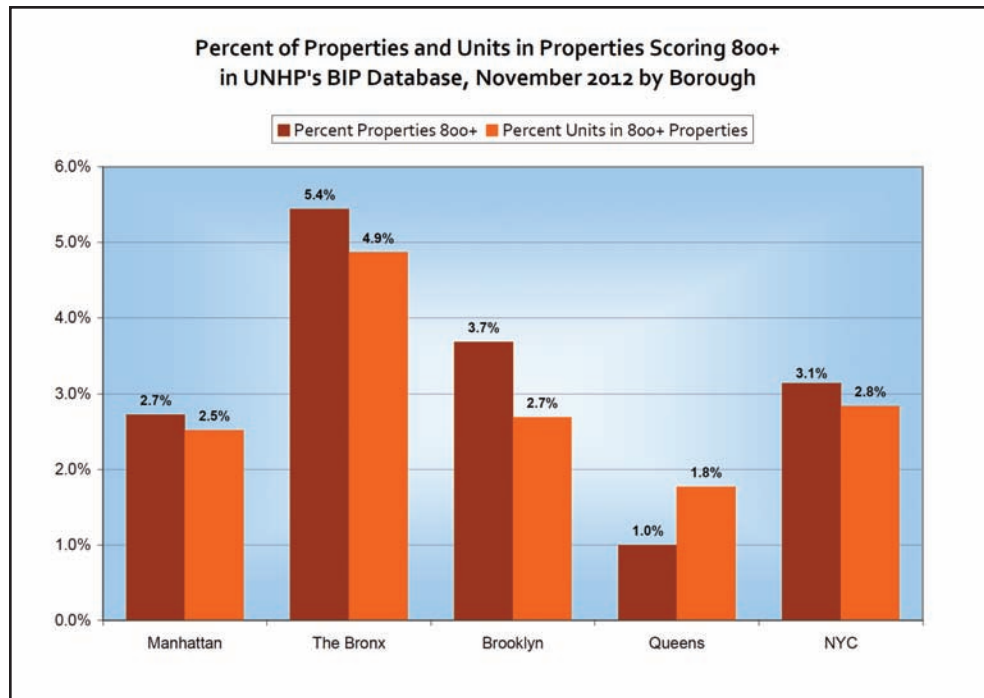
One might think that having the lowest median and asking rents in the City would make the Bronx the most affordable borough. *In fact, the Bronx is the least affordable borough!* In Community District 5, for example, over 50% of households pay more than half of their income on rent, and neighboring districts are

4 The Rent Regulation Reform Act of 1997 allowed additional rent increases upon vacancies and allowed for complete deregulation of high end rents.



close behind. *This represents a full blown crisis of affordability.*

The percent of households spending more than 50% of their income on rent has been rising throughout much of the City, as shown in the maps on the preceding page. Rent burdens can only go up so far before a family is at a greater risk of homelessness. This trend has been happening for many years, but we are now at a point where more and more families can no longer make their rent.



Poor housing quality also contributes to rising rents. Tenants are driven to leave deteriorating apartments, and high turnover leads to larger and more frequent rent increases. UNHP's Building Indicator Project database shows the highest concentration of physically distressed apartment buildings in the City continues to be in the Bronx. Buildings scoring at or above 800 points in the BIP database are identified as being likely distressed.

How much does it take to afford rent in the Bronx?

The median monthly contract rent in the Bronx, according to the 2011 Housing and Vacancy Survey, is \$942. When the cost of heating and fuel is included, the monthly gross rent is \$1,050. In order for a single person to afford a housing expenditure of \$1,050, meaning they would spend 30% of their income on rent, they would need to make nearly \$20 per hour and be employed full time for the entire year.⁵ This is close to what the federal minimum wage would be if it kept pace with increases in

⁵ Affordable rent levels were calculated by finding 30% of monthly income, assuming the employee worked 8 hours per day for 22 days each month.

worker productivity. Below is a chart calculating affordable rents at different hourly wage rates.

Table: Affordable Rents at Various Wages⁶

	Hourly Wage	Rent Affordable at 30% of Income
Current Federal Minimum Wage	\$7.25	\$383
New York State Minimum Wage in 2015	\$9.00	\$475
Living Wage	\$11.50	\$607
Productivity Wage	\$22.00	\$1,161

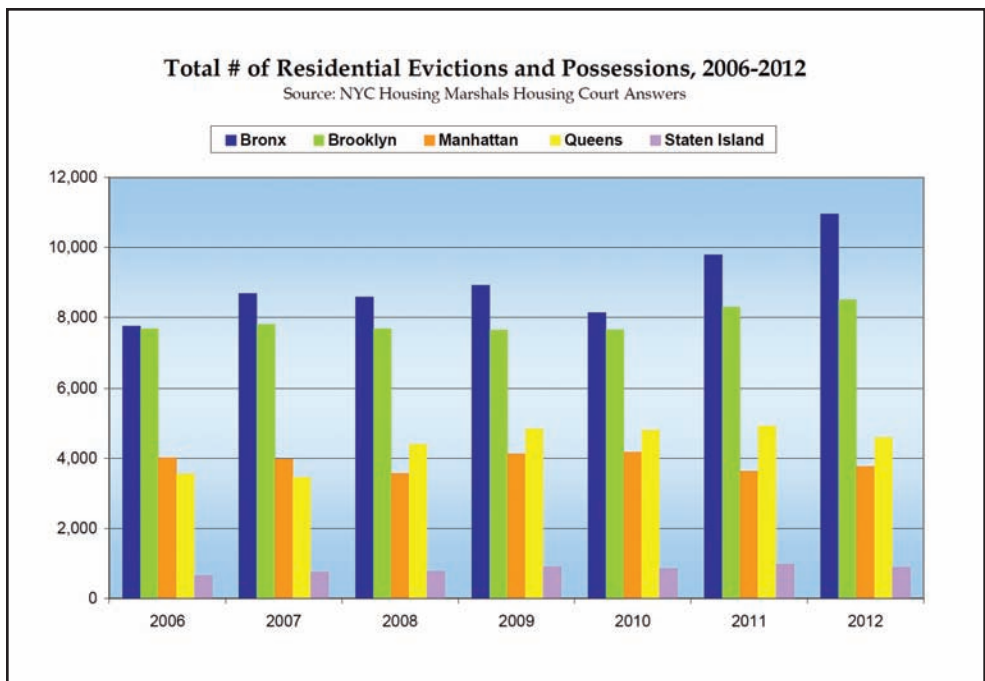
What happens when people can not afford their rent?

The minimum wage in New York State is set to increase to \$8.00 per hour in December 2013, \$8.75 in December 2014, and \$9.00 in 2015. Minimum wage workers will see some benefit over the next few years, but there is still a huge

⁶ Living Wage is defined as \$10.00 per hour with benefits, or \$11.50 without benefits. Productivity wage is minimum wage from 1960 adjusted for increases in worker productivity, as cited by Senator Elizabeth Warren (D-MA) in March 2013.

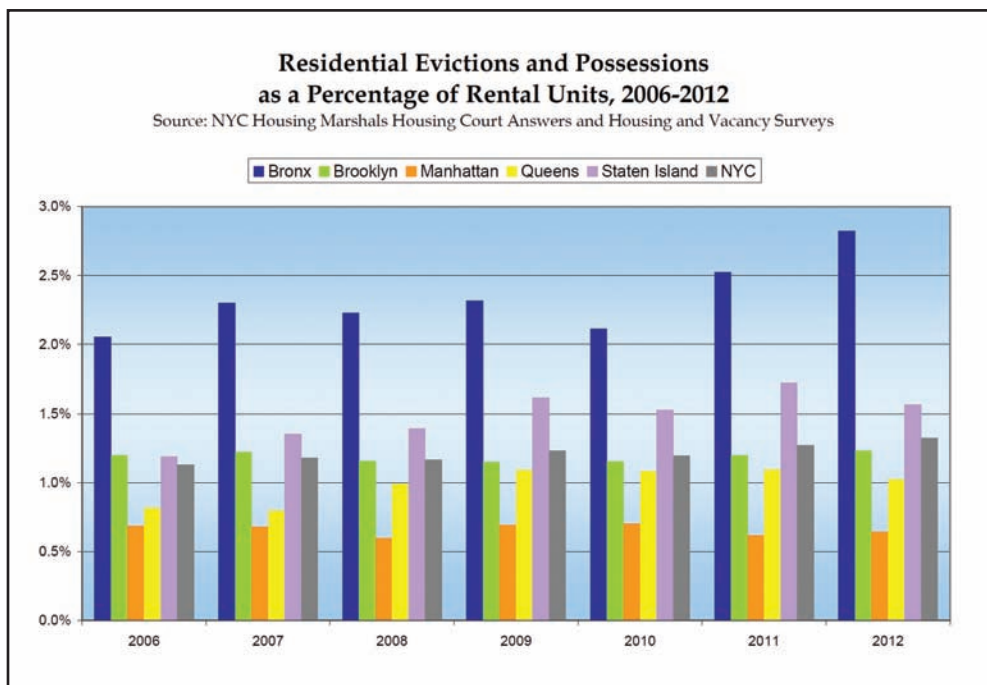
gap between what is affordable at the increased wage level and the cost of rent. The result could be a greater portion of the population vulnerable to homelessness. City-wide, the number of homeless families in New York City has increased 66% since 2002, according to the Coalition for the Homeless.

The step before a family becomes homeless is often an eviction or possession. Both evictions and possessions are actions by the landlord to remove tenants usually for non payment of rent. The difference is that in cases of eviction, the tenants' belongings are removed from the home and in possessions, the belongings remain in the home. The chart above shows the total number of residential evictions and possessions over time in each borough. The Bronx has a much higher number even though we have fewer renters than Brooklyn, Manhattan, and Queens.



The chart below shows the number of evictions and possessions adjusted for the number of rental units. In 2010 and 2011 combined, there were evictions or possessions in more than 5% of Bronx rental units.

When the landlord gains possession of an apartment through eviction or possession, the tenant can appeal the action in housing court and potentially get back into the apartment. However, housing court is increasingly backlogged with the uptick in evictions and possessions, and the tenant is not allowed back into the apartment until the case is resolved. Additionally, a 2013 report by CASA⁷ found that 83% of Bronx tenants in housing court did not have legal representation. Tenants without representation are much more likely to be evicted.



7 "Tipping the Scales." New Settlement Apartments' Community Actions for Safe Apartments and Urban Justice Center. March 2013.

What happens once a family becomes homeless?

There is no longer a reliable path back to permanent housing for currently homeless families. The Coalition for the Homeless reports that in 2005, the City of New York stopped providing Section 8 rental vouchers to homeless families leaving transitional housing and shelters and created a new program known as Housing Stability Plus, later replaced by the Advantage Program, a two-year voucher program. Due to a refusal of the State to continue funding and the failure of the City to fill in the gap, the Advantage Program was discontinued in 2011 for both current and prospective recipients. The Coalition for the Homeless also reports that 6,500 families that had been in the Advantage Program returned to the shelter system by the end of 2012. While housing advocates were critical of aspects of Advantage, the loss of the program and the failure to provide any similar rental assistance leaves homeless families with little to no chance of finding affordable, decent apartments.

In the current budget year, the City is projecting an expenditure of \$955 million for shelter and services for the homeless.⁸ One of the programs supported by New York City's Department of Homeless Services is the Cluster

8 "State of the Homeless, 2013." Coalition for the Homeless. March 2013.

Site program, which allows a homeless services provider to rent a large portion (or all) of the units in a conventional apartment building to house homeless families. The services provider is paid a per diem rate by the City of up to \$115 a day and the provider then pays the landlord a substantial percentage (65%–80% by some estimates) of that money to rent the apartments.

The City spends an average of over \$3,000 a month to shelter one homeless family in an apartment in a conventional building, creating financial incentives for owners to remove permanent units and replace them as temporary shelter. The most recent available data on the location of these sites in the City indicates that a substantial number of these units are located in the Bronx. DNAinfo.com reported in January 2013 that there were 2,011 cluster site apartments last year and 1,424 of those, or 71%, were located in the Bronx.⁹ While requests for updated information directly from DHS have not been answered, conversations with tenants in a number of northwest Bronx area buildings would strongly suggest that the Bronx number has continued to rise in the first part of 2013.

9 "City Sends More Homeless Families to Shelters Inside Apartment Buildings." January 8, 2013. <http://www.dnainfo.com/new-york/20130108/new-york-city/city-sends-more-homeless-families-shelters-inside-apartment-buildings>

Policy Recommendations

After 30 years, our goal remains to have livable, affordable neighborhoods with high quality housing and services for Bronx residents. Our borough is home to 1.4 million people, many of whom are new arrivals from abroad or gentrifying neighborhoods in other parts of the City. As the last expanse of neighborhoods accessible to working poor New Yorkers, the future of our borough and our city are threatened by this affordability crisis. The policy recommendations below are intended to contribute to the discussion of the root causes of the crisis and what can be done to help reverse these negative trends so that New York City's working class families can both survive and thrive.

Wages must increase, especially in the service sector.

The affordability gap must be closed. Wages are too low to afford current rents, even in the least expensive borough. Since we have many residents working for the minimum wage to support their household, we know that changes to the minimum wage could have a much larger impact in the Bronx than in places with more high wage earners. Since the Bronx has the highest percentage of households with children of any borough, policies such as sick leave will also likely make a huge difference for Bronx families. And since we have a growing number of immigrants, a path to citizenship would ensure that their wages are protected by law.

Telling people to just get better jobs fails to recognize the reality of the current job market. Low levels of educational attainment mean that many Bronx residents have fewer options for employment outside of the service sector. Additionally, the New York City economy depends on service workers to keep hotels, restaurants, and stores open for business. Our City's success depends on the ability of these workers to support themselves and their families.

Move towards less dependence on subsidies.

Subsidies are masking the widespread structural problems in the Bronx. The Bronx is heavily dependent on subsidies in the form of food stamps, housing vouchers, and publicly funded health insurance. These subsidies are vital to keeping families afloat, but are subject to political whims and fail to address the root cause of the affordability crisis. A short term infusion of public funds for permanent housing for the homeless, job creation, and education would decrease reliance on subsidies in the long term.

The Department of Homeless Services' Cluster Site Program is a perfect example of the misallocation of public subsidies. Cluster sites compound homelessness in two ways—by not providing real permanent housing solutions to homeless families and converting the existing housing stock to homeless shelters. Our recommendation is to shift funding away from cluster sites and into a program that will provide a pathway to permanent housing for homeless families. If there is a judicious allocation of resources to affordable permanent housing programs, along with increased job opportunities and higher wages, we would need less subsidies in the Bronx in the long run.

Fund community organizing.

Current funding sources for non-profits focus on number driven outcomes in specific issue areas, without enough emphasis on overarching change. There is great societal benefit to social services and charity, but these do not produce the kind of system change our situation demands.

We recommend more funds be made available for community organizing efforts, like those that helped bring the Bronx back from the brink in the 1970s. Community organizing uses participatory approaches to get local residents involved in the transformation of their neighborhoods. These approaches lead

to individual empowerment, more personal responsibility, and community ownership—which are often not as easy to measure, but can catalyze fundamental, systemic transformation.

Create and support new economic initiatives.

There are many recent positive examples of community driven changes with incredible potential here in the Bronx. For instance, the recent Community Benefits Agreement (CBA) signed by Kingsbridge National Ice Center, the new developers of the Kingsbridge Armory, promises living wages for all employees, local hiring, opportunities for minority and women owned businesses, and community space. This agreement offers more benefits to the local community than any other in the history of the United States, and it was accomplished right here in the Bronx. This historic success came out of the community organizing efforts of the Northwest Bronx Community & Clergy Coalition, their partner organizations, and residents in our neighborhoods. We would like to see the types of benefits included in the CBA become the norm, not just for special projects like the development of the Armory.

The Bronx Cooperative Development Initiative (BCDI) offers an alternative economic model altogether. This initiative seeks community involvement in creating cooperatively owned

businesses that offer good jobs, benefits, and profit sharing to our neighborhoods. BCDI harnesses the purchasing power of large Bronx institutions to create socially minded, environmentally sustainable, and/or worker-owned businesses.

These dynamic initiatives, along with many others, can potentially be replicated and expanded to have large scale impact. They can also inspire us to think outside the box to create further innovative solutions to the affordability crisis.

Always think about the Bronx.

In the same way that making community reinvestment work in the Bronx 30 years ago resulted in vibrant neighborhoods across the country, creating policies and structures that work for the Bronx today will translate into livable neighborhoods and thriving communities across our nation in the 21st Century.

The Bronx is essential to New York City and can once again serve as a model on the national scale. As the Bronx continues to highlight national issues at an acute level, keeping the needs of the Bronx in the forefront of broader policy decisions will lead to a nation where economic opportunity exists for all of its residents.