

New York City mayor de Blasio's housing plan will do little or nothing for the working class

By Philip Guelpa
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Earlier this month, nearly a year and a half after taking office, New York's "progressive" Democratic mayor, Bill de Blasio announced a series of proposals supposedly intended to address the housing crisis in the city. One is the modification of an existing tax abatement program known as 421a, which provides incentives to developers who include a proportion of affordable units in new construction. Another is a proposal to modify the city's rent regulations, which are due to expire in June.

This follows by a year the unveiling of the mayor's comprehensive "Housing New York: A Five-Borough, Ten-Year Plan." According to this plan, 80,000 new affordable housing units would be constructed and another 120,000 preserved over the next decade.

The mayor has declared that housing and homelessness are a major focus of his administration, but his proposals are pathetically inadequate or, worse yet, benefit the big developers, who have indicated their approval of major elements of the plan. During de Blasio's tenure, conditions for the city's working class population have deteriorated further. He continues to preside over rising homelessness and a desperate struggle on the part of working families to obtain affordable housing.

The population in the city's homeless shelters has increased by more than 4,000 since de Blasio took office. According to the Coalition for the Homeless, the number of shelter residents has reached the record level of more than 60,000, including nearly 25,000 children. That does not include the uncounted thousands more living on the streets. Many choose to do so because of the intolerable state of the city's facilities.

Conditions are so bad that, in a thoroughly hypocritical move, the state Office of Temporary and Disability Assistance (OTDA) recently threatened to withhold funds from the city until plans were developed to address the abysmal state of 16 of the city's homeless shelters.

State officials reported that "The violations range from severe electrical, gas, and plumbing issues that have gone uncorrected for a significant period of time and in direct violation of local building codes. Further, several buildings are housing individuals and families despite serious structural

issues that could endanger the health of those individuals and families."

Following some face-saving political maneuvers, the state's threat was withdrawn. The mayor has promised to dispatch "SWAT teams" of city officials and workers to address the problems. However, based on the years of neglect in the New York City Housing Authority (NYCHA) public housing complexes, neglect that has continued under the de Blasio administration, little fundamental change can be expected.

The 400,000 tenants in NYCHA buildings live with a range of unsafe, unhealthy and disgusting conditions, including leaking pipes, rampant mold and vermin infestations. Requests for repairs go unfulfilled for months or even years. Even when done, they are often only cosmetic. It is estimated that there is a backlog of \$18 billion in necessary maintenance work, and the administration's proposals to address these problems have been entirely inadequate.

The rapidly worsening housing situation in the city reflects the ever-widening economic gap between the super-rich and also layers of the upper middle class on the one hand, and the mass of the working class population on the other. In recent years, the building boom has primarily focused on high-priced condos, squeezing the available housing stock for the city's growing population and driving prices ever higher, even in more marginal neighborhoods. This is behind the growing homelessness and the evaporation of affordable housing.

Recent data from the federal Census Bureau estimates that in 2014 the New York City population reached nearly 8.5 million, an increase of almost 4% in the four years since the last full census in 2010. The combined pressures of population growth, stagnant or declining wages, and totally inadequate construction of affordable housing have deepened the already existing crisis. Half of the city's population is living at or near the official poverty line.

In a city where 70 percent of residents rent rather than own their homes, one third pay more than half their incomes to keep a roof over their heads. Since 2000, rents have risen at a rate more than twice that of wages. Median rental prices in the borough of Brooklyn, for example, rose almost 6 percent last

year alone, to nearly \$3,000 per month. Under such circumstances, the increase in the city's homeless population is inevitable.

De Blasio's plan to build or preserve 200,000 affordable housing units over the next 10 years does not even compensate for the double that number of apartments that were lost over the last dozen years. By the city's own estimate, released last year, 550,000 new apartments are needed to fill the current shortfall for people who cannot afford to pay more than \$1,050 per month in rent.

The mayor has also proposed, as part of his recently announced measures, the renewal of a tax giveaway for city landlords. The program of tax abatements, known as the 421a, which must be approved by the state legislature, would reduce half the property taxes owed on subject buildings for another 15 years beyond their current expiration, provided that an additional 5 percent of the apartments in those properties have "affordable" rents. Affordability is gauged on the basis of 130 percent of the area's median income. By that calculation, a family of four would be expected to pay \$2,800 in rent per month, a figure that is wildly unrealistic for much of the city's population.

In effect, landlords would be getting a substantial tax break for a minimal contribution to the city's housing shortage, and reaping a substantial return paid for by the city. Without the extension, rents for units that were built under the expiring program would be allowed to jump to "market rates" (i.e., unaffordable for most working class New Yorkers) after a fixed period from their original construction, ranging between 10 and 25 years. Either way, the real estate industry, which has enthusiastically backed the proposal, stands to make substantial monetary gains.

In addition to the tax breaks for developers, a recent article in the publication *Citylab*, entitled "Why Billionaires Don't Pay Property Taxes in New York," reveals that the 421a program also results in the purchasers of ultra-high priced luxury apartments paying taxes on only a tiny fraction of the real value of their property, usually in the tens of millions of dollars. The city, which derives a major portion of its revenue from property taxes, is effectively giving the super-rich a virtually free ride. Owners of more modest buildings and, by consequence, their tenants, are left to shoulder a much higher tax burden.

As a fig leaf meant to burnish his liberal credentials, de Blasio has proposed a so-called mansion tax, which would add a 1% tax on residential property sales over \$1.75 million, with an additional 1.5% on the amount over \$5 million. This proposal must be approved by the Republican-dominated state legislature and has little chance of passage.

Another measure, continued from the Bloomberg administration, consists of zoning changes that would allow the construction of greater numbers of units on a given building footprint than had previously been permitted. The loosening of

regulations would be in exchange for the inclusion of a small number of units that are "affordable." This has lately taken the form of notorious "poor door," class-divided buildings, with separate entrances and other amenities, or lack thereof, for the lower-income residents.

The Bloomberg program was supposed to result in 20 percent of new housing units being offered at below market rate. In fact, only 1.7 percent were created. The de Blasio administration is proposing to tighten oversight of the program and to increase the proportion of affordable units to between 25 and 30 percent, but the plan leaves gaping loopholes due to the income formulas used to calculate "affordability."

In a further threat to housing affordability, the city's rent regulations, dating back to World War II, which have some limited effect in moderating the spiral of rent increases in older buildings, expire in June. Under the existing regulations, rent-stabilized and rent-controlled apartments are priced at rates considerably below current market value. Real estate interests are pushing hard to substantially weaken or eliminate them altogether. In another cosmetic gesture, de Blasio has proposed a number of measures, including an end to provisions that allow controls to be lifted under certain circumstances. Again, these proposals have no chance of being approved by the state legislature.

Meanwhile, the luxury housing boom continues unabated. A new residential building at 432 Park Avenue is now the tallest building in New York after One World Trade Center, marking the unbridled dominance of wealth and staggering inequality. The de Blasio administration was elected under a "progressive" banner, promising to make affordable housing one of its top priorities. In fact, after nearly a year and a half in office, this administration has shown itself to be just as much an instrument of the city's real estate interests and Wall Street as those that preceded it. In the richest city in the world, despite de Blasio's rhetoric, workers continue to face relentless attacks on their living conditions and basic social rights.

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