

Hundreds of thousands of low-income New Yorkers excluded from mayor's affordable housing plan

By Philip Guelpa
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New York City Mayor Bill de Blasio's latest housing plan, which is supposed to "create or preserve" 300,000 units of affordable housing by 2026, would fall far short of the actual need, according to a newly released report by New York City Comptroller Scott Stringer.

The city's critical lack of housing that is affordable to millions of its working-class residents has been growing increasingly acute. Mayor de Blasio, touted as a "progressive" Democrat, now in his second term, was originally elected in 2013 on a promise to address the city's ever-increasing economic inequality—the "Tale of Two Cities." Instead, inequality, including as manifested in the rising cost of housing, has continued to worsen.

A 2016 report by the Economic Policy Institute (EPI) found that New York State had the greatest degree of income inequality in the US. The study found that the top 1 percent accumulated 45 times the income earned by the bottom 99 percent. The peak of income inequality in the state was found, not surprisingly, in the New York City borough of Manhattan, the home of Wall Street. The average income of the top 1 percent (\$8.1 million) was 116 times that of the bottom 99 percent (\$70,500).

A 2017 report by the city's Independent Budget Office corroborated this pattern. Comparing data from 2006 to 2014, it found that, based on an annual sample of 770,700 tax returns, the share of total income received by the bottom half of earners dropped from 7.4 percent to 5.6 percent. The hyper-concentration of wealth was even greater at the very top. Over the same period, the income of the uppermost one 10th of 1 percent, about 3,700 tax filers, in a city of over 8.6 million, received 24 percent of total income.

This extreme inequality in wealth among the city's residents is starkly expressed by the lack of affordable housing. One gauge of the yawning gap between the

city's elite and the bulk of the population is the number of people living in the city's homeless shelters. It is now over 60,000, having increased by roughly 10,000 during de Blasio's tenure. This does not include many thousands more who are unsheltered, living in the rough. This marked increase in homelessness highlights the growth of inequality, illustrating an acceleration in the rate of deteriorating conditions that stretches over decades.

According to Stringer's report, entitled *NYC For All: The Housing We Need*, 580,000 city households are severely rent-burdened, paying more than half of their income for housing (the rule of thumb for affordability is no more than 30 percent of income). The great majority of those, roughly 90 percent, have incomes below \$47,000 per year for a family of three. Stringer calculates that for a quarter of these de Blasio's housing plan is inadequate to meet their needs.

De Blasio's plan relies on what is called "inclusionary zoning" which requires developers receiving certain considerations from the city to include a percentage of supposedly affordable units along with those at market rates. In order to assure profitability for the developers, the ratio of affordable to market rate units must be maintained at a level that effectively displaces many of the former working-class residents. Furthermore, the gauge of what is affordable is set so high that the poorest segment of the population is excluded.

The mayor's plan provides for the construction of as many units for middle-income families—those making \$155,000 per year—as those making \$28,000.

The plan has been roundly criticized as promoting gentrification.

Stringer's report also points out that the city has not even met its stated goal of creating permanent housing for 5 percent of its homeless population, having so far

reached only 1 percent.

Stringer's proposed solution to the extreme lack of affordable housing consists of having the city provide loans to developers. It represents a slight modification to previous approaches that have proven utterly inadequate to address the problem. His proposal would include requiring an increase of the proportion of the most affordable units, to be funded by making some adjustments to real estate taxes. These would supposedly raise an additional \$400 million from the city's wealthiest residents, while leaving the basic structure of the housing industry in private hands.

The city's affordable housing agency has estimated that the cost of Stringer's proposed subsidy to private developers could approach \$10 billion. And, in any case, the chance of enacting such a tax increase on the city's elite is effectively nil.

Scott Stringer, also a Democrat, is rumored to be considering a run to replace de Blasio, who is term-limited.

Real estate developers are major donors to the campaigns of both Democrats and Republicans. A 2016 study by ProPublica, *The Real Deal* and the National Institute on Money in State Politics found that the real estate industry had made \$83 million in political donations since 2000. Another report indicated that since the late 1990s, donations to city and state political campaigns using the "Limited Liability Corporation (LLC)" tax loophole amounted to over \$188 million, much of that from real estate interests.

In the recent election, several "progressive" Democrats ran pledging not to take donations from real estate interests. The idea that this will somehow allow them, once elected, to promote policies that will truly benefit the working class is laughable, since the rights of developers and landlords to maximize profits remains intact. Others made verbal criticisms, but accepted money anyway. De Blasio, who won with the support of many who believed that he would fight inequality, has himself come under scrutiny for accepting large donations from developers who may have received favors in return.

The reality is that under capitalism, developers' sole interest is the maximization of profit, which can be achieved most effectively by the construction of high-end housing for the wealthy. Decades of schemes to entice the real estate industry with various incentives to build an adequate quantity of housing that is affordable to the working class, such as the now-defunct 421-a tax abatement, have been an abysmal failure.

Pressure on working class tenants is growing at every level. Another recent study, this one by the Urban Institute, a Washington, DC-based think tank, funded by the US Department of Housing and Urban Development (HUD), found that landlords are increasingly refusing to accept rent subsidy vouchers for low-income tenants under the federal program known as Section 8, because they can charge much higher rates in the open market. The federal government is simultaneously tightening its regulations for the program, making the vouchers even more difficult to obtain.

At the same time, the city's public housing system, the New York City Housing Authority (NYCHA), the largest in the country, which was once considered a major success, has been allowed to deteriorate to the point where tenants are subjected to a virtual hell on earth. Decades of decreased budgets have led to rampant mold and vermin infestations, persistently leaking plumbing, and repeated, sometimes prolonged outages of heat and hot water. It is estimated that the NYCHA has a current capital needs deficit of \$32 billion.

De Blasio's proposed solution is again based on the private sector, which is notorious for the poor and exploitative conditions in the working-class housing it already owns. The mayor's plan to raise revenues includes turning over management of some NYCHA complexes to private firms, selling air rights, and permitting the construction of new apartment buildings, including a significant proportion of market-rate units, on open space within existing complexes—all of this inevitably leading, ultimately to the privatization of the entire system. A similar scheme had been proposed by the previous mayor, Republican Michael Bloomberg.

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