

NEW YORK'S RISING AREA MEDIAN INCOME A GROWING CONCERN FOR NYC'S LOWEST INCOME RENTERS

NOVEMBER 2022

SUMMARY

Every year, the U.S. Department of Housing and Urban Development (HUD) sets the Area Median Income (AMI) for regions across the country. AMI is used by the federal government to determine eligibility for federally assisted housing programs and by city and state housing agencies to set affordability levels in local income-restricted housing programs. In 2022, however, HUD's AMI for the New York Metro area is wildly out of sync with the modest income increases experienced by renters, increasing by 16 percent year-over-year and 34 percent over the past four years. These significant increases threaten to make subsidized affordable housing out of reach to the lowest-income New Yorkers at a time of great crisis.

BACKGROUND

New York renters are experiencing dramatic market pressures amid an already severe housing crisis: after an early-pandemic dip, New York City rents came soaring back. Over the past year, rents increased 13.4 percent, according to August data, adjusted for inflation.ⁱ

Incomes for renters have not kept pace. In 2020, the median income for renters in New York City was just \$50,000ⁱⁱ – a meager 6 percent increase since 2017, when renter income was just over \$47,000.ⁱⁱⁱ And with the recent rapid rise in year-over-year inflation, reaching 9 percent in June – the largest monthly increase since April 1986^{iv} – New Yorkers have even less buying power to afford basic needs.

HUD AREA MEDIAN INCOME ON THE RISE

AMI for metro areas is determined by the Department of Housing and Urban Development (HUD) based on a calculation of median family income (MFI) that determines eligibility for assisted housing programs including the Public Housing, Section 8 project-based and Housing Choice Voucher, Sections 202 and 811 for the elderly and disabled, and low-income housing tax credit (LIHTC) properties. HUD defines the New York City metro area to include many wealthy suburbs surrounding New York City, including Long Island, the Hudson Valley, northern New Jersey, and one county in northeastern Pennsylvania.

In 2022, the New York City metro area AMI levels increased by 16 percent. These new AMIs set low-income (80% AMI) limits for a family of three at \$96,080, while very low-income (50% AMI) is \$60,050, and extremely low-income (30% AMI) is \$36,030. At the higher levels, \$144,120 is now considered moderate income while \$198,165 is middle income. As rents continue to increase, the AMI will also likely increase in future years. The 2023 Fair Market Rent (FMR), which will be one factor in next year's AMI levels, increased by 5 percent year-over-year.^v

HIGHER LIMITS WILL EXCLUDE MANY WORKING FAMILIES

Using these new figures in New York City will exclude many working families from accessing federal, city, and state-subsidized affordable housing. For example, a three-person family with one adult working full-time making minimum wage (\$15.00 per hour), with an annual income of \$31,200, earns \$403 less each month than HUD's extremely low-income standard.

NEW YORK CITY METRO AMI LEVELS

	AMI	2021	2022
MEDIAN FAMILY INCOME	–	\$81,700	\$94,500
EXTREMELY LOW INCOME*	30% AMI	\$32,220	\$36,030
VERY LOW INCOME*	50% AMI	\$53,700	\$60,050
LOW INCOME*	80% AMI	\$85,920	\$96,080
MODERATE INCOME*	120% AMI	\$128,880	\$144,120
MIDDLE INCOME*	165% AMI	\$177,210	\$198,165

*Family of three

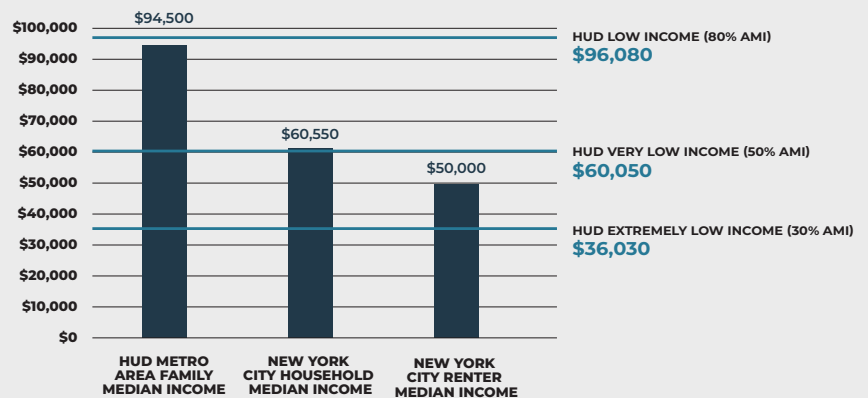
Typically, the lowest AMI used in underwriting affordable housing, without rental assistance or for the homeless, is 30% AMI – HUD's extremely low-income level. At the current income standard – \$36,030 for a family of three – New York City's Department of Housing Preservation and Development (HPD) programs would not cover anyone earning minimum wage and working 40 hours per week.

NEW AMI LEVELS ARE OUT OF STEP IN NEW YORK CITY

The increase in AMI levels is not aligned with actual incomes in New York City. According to the New York City Housing and Vacancy Survey of 2021, the median income in New York City is \$60,550 and the median income of New York City renters is only about \$50,000^{vi}, both far below the HUD median family income for the region of \$94,500.

In fact, HUD's very low-income AMI threshold is \$10,000 higher than the median income of New York City renters. If we used the city median income of \$60,050 or the renter median income of \$50,000 instead to determine rent levels in affordable housing, we would see affordability levels much more in line with reality.

COMPARING METRO AREA AND NEW YORK CITY MEDIAN INCOMES



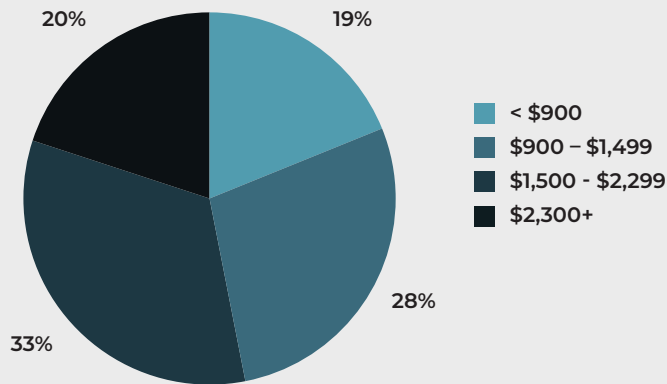
Note: AMI comparisons for family of three

Another way to think about the new AMI levels is to look at the related affordable rents. An affordable rent (30 percent of their income) for someone earning the HUD median income would be over \$2,300, while an affordable rent for someone earning the median income in New York City would be \$1,500, and an affordable rent for someone earning the median income for renters would be \$1,250.

The HUD AMI rents are out of sync with what we would think of as rents affordable to the lowest incomes and are well above what many New Yorkers pay. In the city, nearly half of renters are paying less than \$1,500 while 80 percent of renters are paying less than \$2,300.

THE NEED TO TARGET DEEPER AFFORDABILITY

WHAT RENTS NEW YORKERS PAY



Source: 2021 Housing and Vacancy Survey

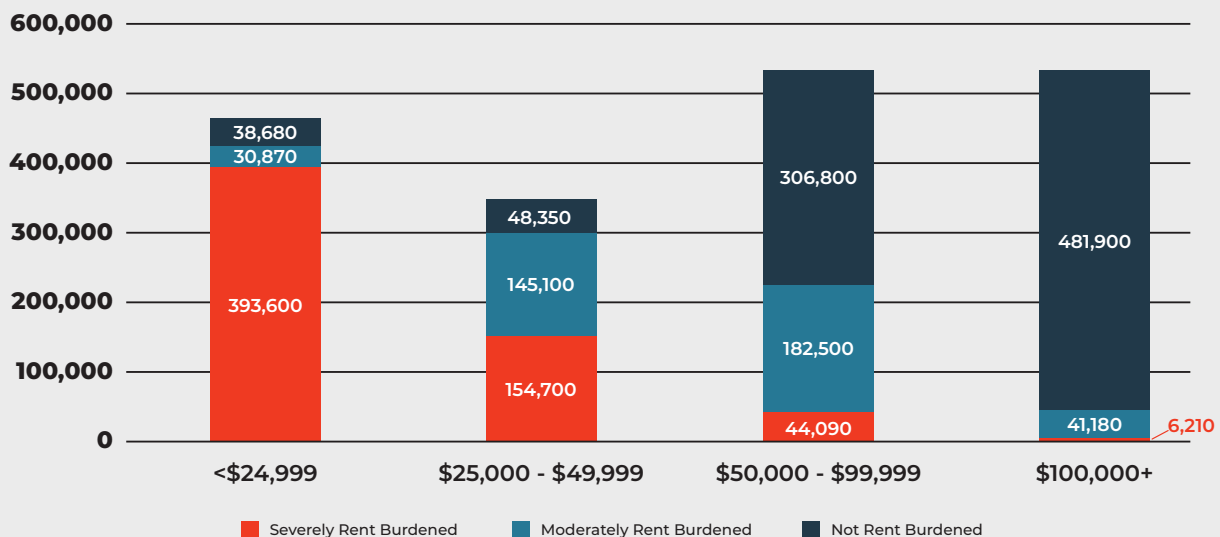
Federal AMI levels are a measuring stick, and affordable housing receiving federal funds must be below HUD standards. But local agencies can provide housing below the HUD standard, which often will require more subsidy. If affordable housing produced and preserved in the city is tied to AMI, especially using higher AMI levels like 80% or higher, then the city will continue to leave the lowest income New Yorkers with the greatest need behind. Instead, the city can and should target much deeper affordability levels.

Data shows that the households with the lowest incomes make up the bulk of people that are severely rent burdened. The most recent Housing and Vacancy Survey found that 393,600 households that make less than \$25,000 per year were severely rent burdened, far more than any

other income group. There were another 154,700 households earning between \$25,000 and \$50,000 that were severely rent burdened. In total, nearly 725,000 NYC renter households earning below \$50,000 pay more than 30% of their income on rent.

In addition, there is an acute shortage of supply for housing affordable to renters at the lower end of the income scale. The vacancy rates for lower-cost apartments are less than 1 percent, making it extremely difficult for lower-income New Yorkers to find housing they can afford. Apartments renting for less than \$900 per month, which would be affordable to a household making \$36,000, have a vacancy rate of 0.86 percent, while apartments renting for less than \$1,500 (affordable to households making \$60,000 per year) but more than \$900 have a vacancy rate of 0.93 percent.

RENT BURDENS IN NEW YORK CITY



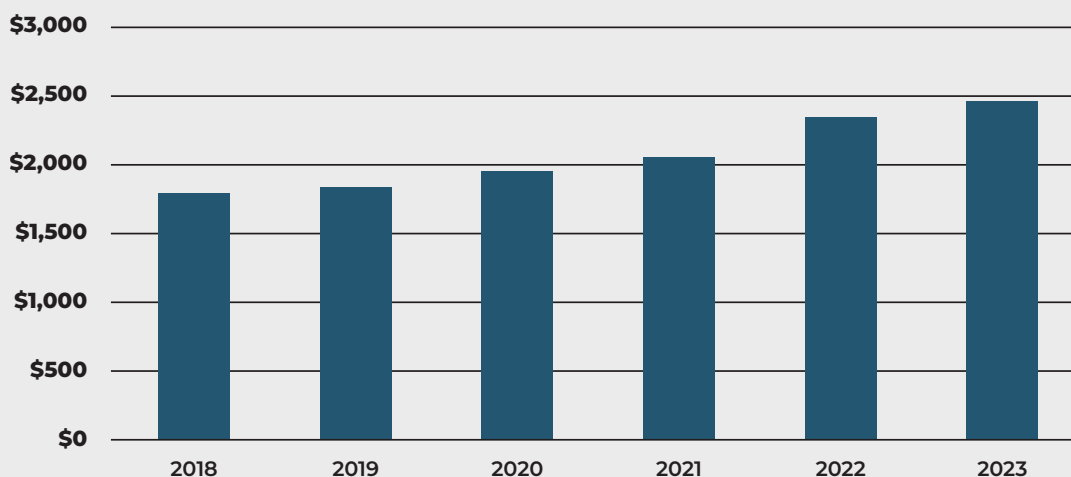
BENEFITS TO RISING FAIR MARKET RENTS

Increases in FMR have some important advantages for housing policy, even though they factor into the formula driving increases in AMI. FMR has increased by 37% since 2018. For a 2-bedroom apartment, the FMR in HUD's metro area for NYC is \$2,451 compared to \$1,789 in 2018.^{vii} FMRs are set by HUD to establish limits for utilization of federal rental subsidies. In NYC, there are significant benefits to higher FMRs.

A higher FMR allows Section 8 Housing Choice Voucher holders access to higher rent housing and thereby expanding housing options in more of the rental market. Research shows that rental opportunities in neighborhoods with better schools, jobs, and transit have important economic benefits for families.^{viii} Approximately 130,000 households use Section 8 to help pay their rent in NYC.^{ix}

Higher FMR also benefits the preservation of public housing as higher rent levels will support additional financing for repairs. This is especially important for NYCHA's Public Housing Preservation Trust and their PACT program. As construction costs increase and scopes expand to include environmentally sustainable upgrades, increased FMRs will benefit both programs which leverage Tenant Protection Vouchers to finance repairs. NYCHA is slated to preserve 25,000 units through the Trust and 62,000 units through PACT.^x

NEW YORK CITY METRO AREA FAIR MARKET RENT



Source: U.S. Department of Housing and Urban Development

CONCLUSION

While there has always been some disconnect between HUD AMI standards and the incomes of NYC renters, the current discrepancy represents a widening chasm that must be addressed in NYC's affordable housing plan. **The housing crisis, with low vacancy rates and high-cost burdens, is most severely impacting New Yorkers with the lowest incomes.** To serve these renters, NYC's housing finance program term sheets must be updated to better target the needs of NYC renters, or a new generation of affordable units will be out of reach to those most in need. On the bright side, higher FMRs will expand housing opportunities for some assisted renters and public housing financing programs.

APPENDIX – HOW THE AMI IS CALCULATED

This year, HUD used a special tabulation of 2019 1-year Census American Community Survey (ACS) estimates of median family income that was available and statistically reliable. Then, an inflation factor of 1.1116, which is the cumulative change in the consumer price index (CPI) from annual 2019 to February 2022 was added. Inflation contributed almost an additional \$10,000 to New York's AMI.^{xi}

HUD also adjusted the AMI upward in New York because of the High Housing Cost Adjustment. HUD increases the AMI for areas where rental housing costs are unusually high compared to median income – comparing a share of the Fair Market Rent to the Very Low-income AMI. If the measure of FMR is greater, it becomes the Very Low-income AMI and the rest of the AMI levels are adjusted upward accordingly. In 2022, this calculation increased the Very Low-income AMI by 44 percent from the original calculation.

The Very Low-income AMI was then adjusted down using a ceiling adjustment, so that the increase is not greater than twice the increase in family median income using the ACS change from 2018 to 2019. This decreased the new Very Low-income AMI by 2 percent.^{xii}

The HUD Median Family Income for New York City is tabulated for the metro area, which includes many wealthy suburbs surrounding New York City, including Long Island, three Hudson Valley counties in New York, 12 counties in northern New Jersey and one county in northeastern Pennsylvania.^{xiii} This creates a median income calculation that is much higher than the median income in New York City. However, the high rent adjustment, which ultimately increases the final AMI figure, is driven by high housing costs in New York City.

ENDNOTES

- i StreetEasy, “Gap Between NYC Wage Growth and Rent Growth Widens,” Oct. 6, 2022. <https://streeteasy.com/blog/nyc-wage-rent-gap-widest-since-2008/>
- ii NYC Department of Housing Preservation and Development, “2021 New York City Housing and Vacancy Survey Selected Initial Findings,” May 16, 2022. <https://www1.nyc.gov/assets/hpd/downloads/pdfs/services/2021-nychvs-selected-initial-findings.pdf>
- iii NYC Department of Housing Preservation and Development, “Selected Initial Findings of the 2017 New York City Housing and Vacancy Survey,” February 9, 2018. <https://www1.nyc.gov/assets/hpd/downloads/pdfs/about/2017-hvs-initial-findings.pdf>
- iv U.S. Bureau of Labor Statistics, “Consumer Price Index Summary,” July 13, 2022. <https://www.bls.gov/news.release/cpi.nr0.htm>
- v HUD Publishes FY 2023 Fair Market Rents, September 1, 2022. U.S. Department of Housing and Urban Development. https://www.hud.gov/press/press_releases_media_advisories/HUD_No_22_161
- vi NYC Department of Housing Preservation and Development, “2021 New York City Housing and Vacancy Survey Selected Initial Findings,” May 16, 2022. <https://www1.nyc.gov/assets/hpd/downloads/pdfs/services/2021-nychvs-selected-initial-findings.pdf>
- vii Fair Market Rents, U.S. Department of Housing and Urban Development. <https://www.huduser.gov/portal/datasets/fmr.html> Accessed Sep 27, 2022.
- viii Chetty, Raj and Nathaniel Hendren. The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates. May 2015, https://scholar.harvard.edu/files/hendren/files/nbhds_paper.pdf
- ix FY 2022 NYC Mayor’s Management Report. <https://www1.nyc.gov/site/operations/performance/mmr.page>
- x Mayor de Blasio Announces 62,000 NYCHA Apartments To Receive Comprehensive Repairs, November 19, 2018. NYC Office of the Mayor. <https://www1.nyc.gov/office-of-the-mayor/news/565-18/mayor-de-blasio-62-000-nycha-apartments-receive-comprehensive-repairs#/0>
- xi HUD User, “Median Family Income Calculation Methodology,” <https://www.huduser.gov/portal/datasets/il/il2022/2022MedCalc.odn>
- xii FY 2022 Very Low-Income (50%) Income Limits Calculation for the HUD New York Metro Area, U.S. Department of Housing and Urban Development. <https://www.huduser.gov/portal/datasets/geotools.html>
- xiii Metropolitan Area Look-Up Tool, U.S. Department of Housing and Urban Development. NY-NJ-PA Metropolitan Statistical Area. <https://www.huduser.gov/portal/datasets/geotools.html>