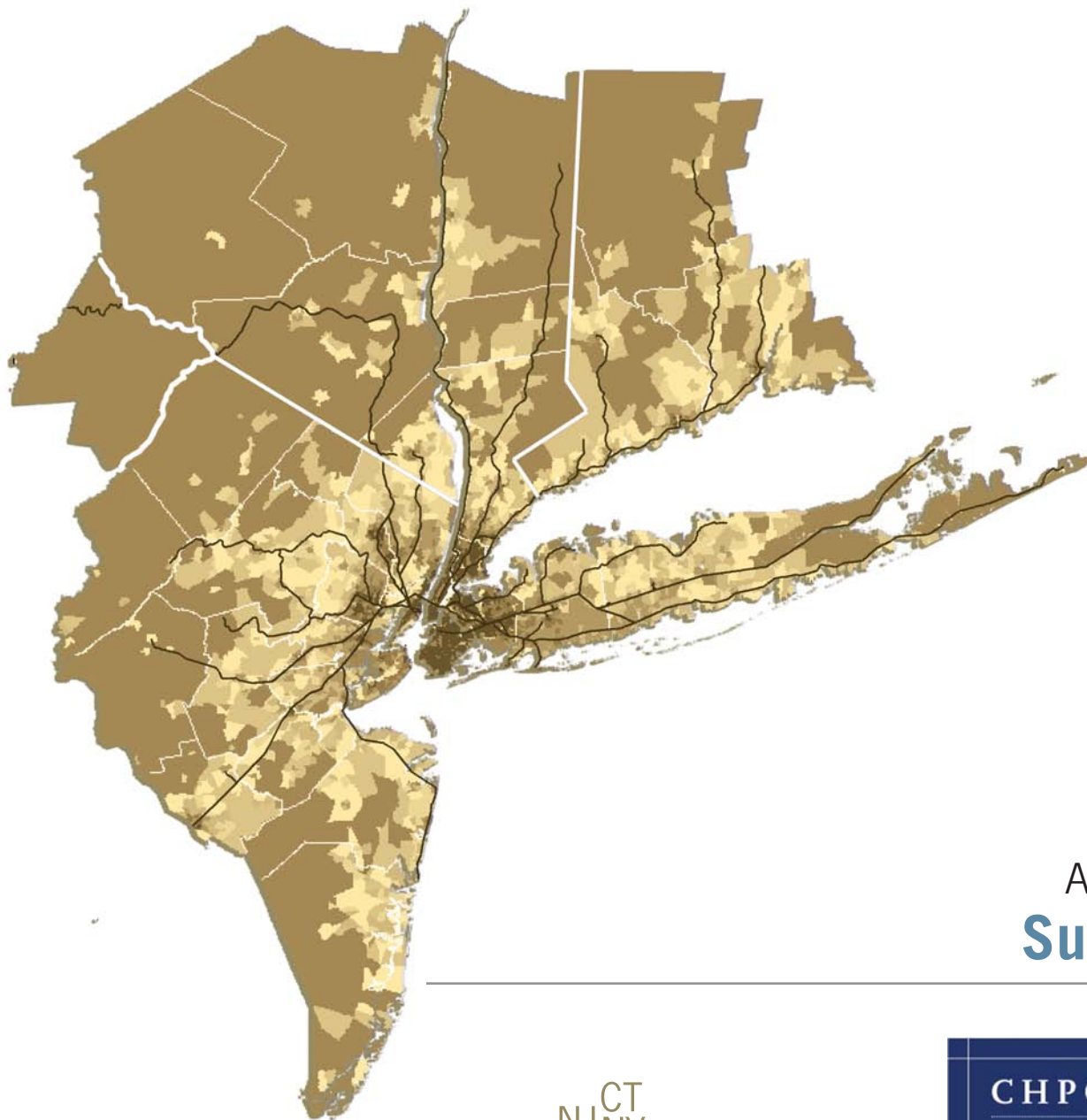


# OUT OF BALANCE:

The Housing Crisis from  
a Regional Perspective



April 2004  
**Summary**

Regional <sup>CT</sup><sup>NJ</sup><sup>NY</sup> **Plan** Association



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# Out of Balance: The Housing Crisis from a Regional Perspective

is part of a collaboration between Regional Plan Association (RPA) and the Citizens Housing and Planning Council (CHPC) to analyze housing issues, propose solutions and support policy implementation in the New York-New Jersey-Connecticut metropolitan area. This partnership will provide a regional, interdisciplinary perspective on a challenging set of issues that cut across political and geographic boundaries. Future work will focus more specifically on housing policies and actions with regional implications.

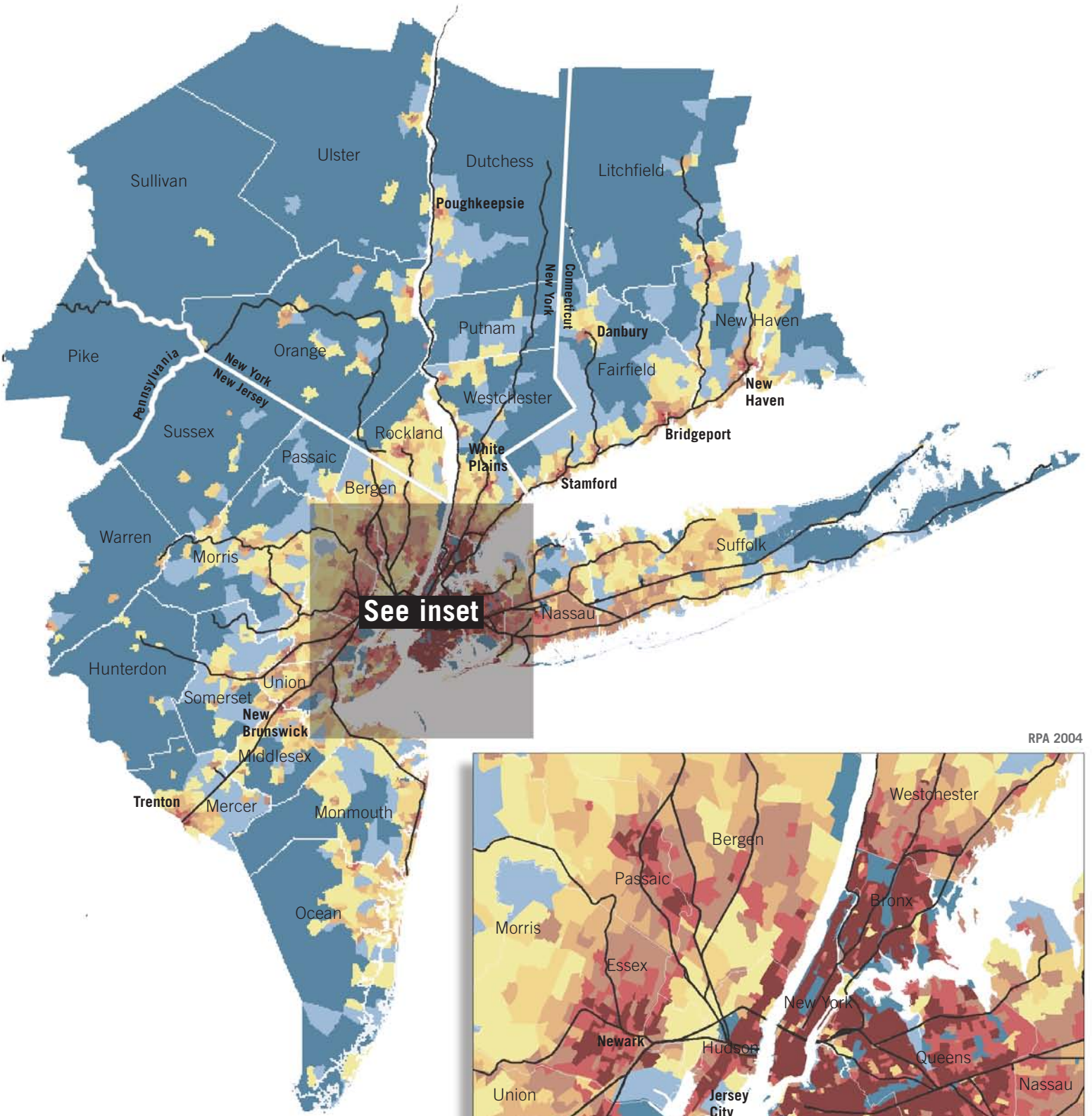
This report was written by Alexis F. Perrotta, Associate Planner at Regional Plan Association, with the assistance of Christopher Jones at RPA and Frank Braconi, Elaine Toribio, and Paul Stern at CHPC. The report was designed by Jeffrey Ferzoco of RPA; maps were designed by Jennifer Cox and Alexis Perrotta of RPA.

We extend our gratitude to the Ford Foundation, Fannie Mae Foundation, Washington Mutual, Surdna Foundation, Independence Community Foundation, GreenPoint Foundation, Wachovia Foundation, and Bank of America for their crucial financial support for this study.

In addition, the design and publication of this report were made possible by a grant from the

**MetLife Foundation**

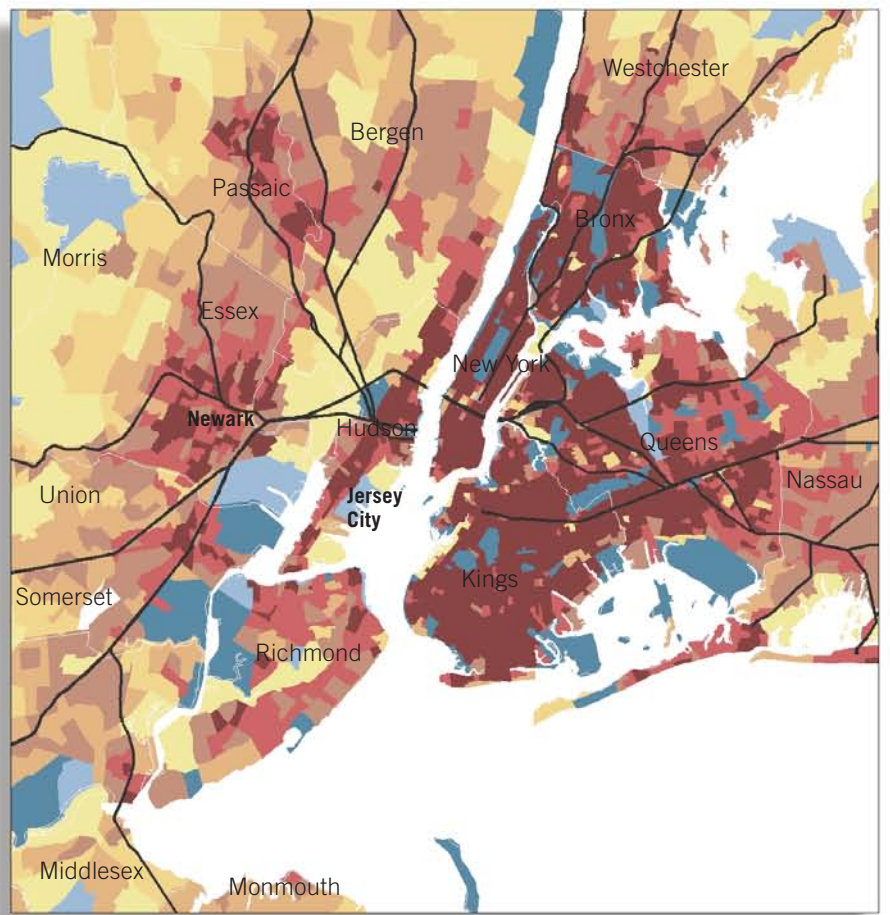
This summary, the full report and appendices are available online at [www.rpa.org](http://www.rpa.org).



RPA 2004

**PEOPLE PER SQUARE MILE**  
(BY CENSUS TRACT, 2000)

- LESS THAN 500
- 500 - 1000
- 1001 - 3000
- 3001 - 10000
- 10001 - 20000
- MORE THAN 20000
- RAIL LINE



## INTRODUCTION

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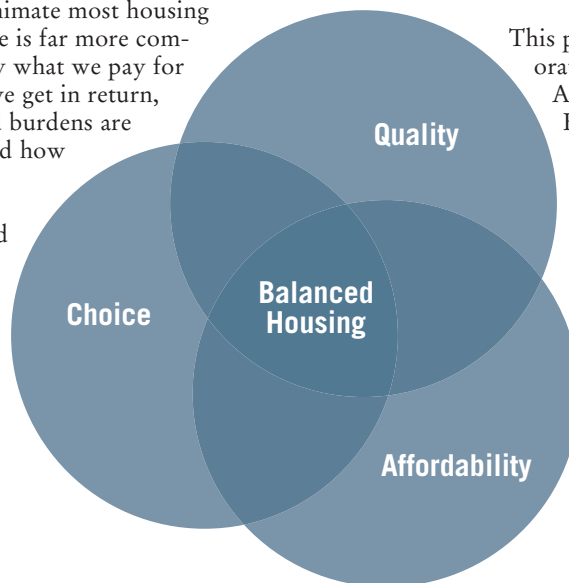
**Housing is a regional issue that is crucial to economic competitiveness.** Metropolitan regions across the country compete as population, cultural and employment centers; they are judged by residents and employers alike according to economic, environmental and social justice concerns. Advocates and researchers tend to compartmentalize these issues: smart growth initiatives generally emphasize environmental and quality of life issues, while housing advocates pay greater attention to urban poverty and social mobility. Yet all these factors are profoundly affected by housing policies and development.

**Although concerns over the cost, quality and availability of housing are pervasive throughout the region, the issues are seldom addressed on a metropolitan scale.** This obscures the reality that housing choices are intra-regional. Residents' choices are not constrained by state or county lines, but rather are based on a wide variety of issues, including cost (direct housing costs and taxes), amenities such as schools and parks, proximity to work, transportation options, and perceptions about the future of neighborhoods. Similarly, employers make business location decisions partly based on the ability to attract talent from the surrounding region. Housing conditions and affordability have a large impact on employee recruitment and retention.

While high prices animate most housing discussions, the issue is far more complex. It is not simply what we pay for housing, but what we get in return, whether choices and burdens are equitably shared, and how the housing market affects economic growth, land use and travel patterns. Fundamentally, a healthy housing market provides a balance of affordability, choice and quality with limited disparities among those of different

income levels, races, tenure, and age. A low-cost housing market with an old, deteriorating stock and limited diversity may be affordable, but hardly desirable or competitive. The opposite extreme is a region with a broad range of high-quality housing that is unaffordable or unavailable to large parts of the population. A balanced housing market is, by contrast, one that provides satisfactory housing options affordable to all residents.

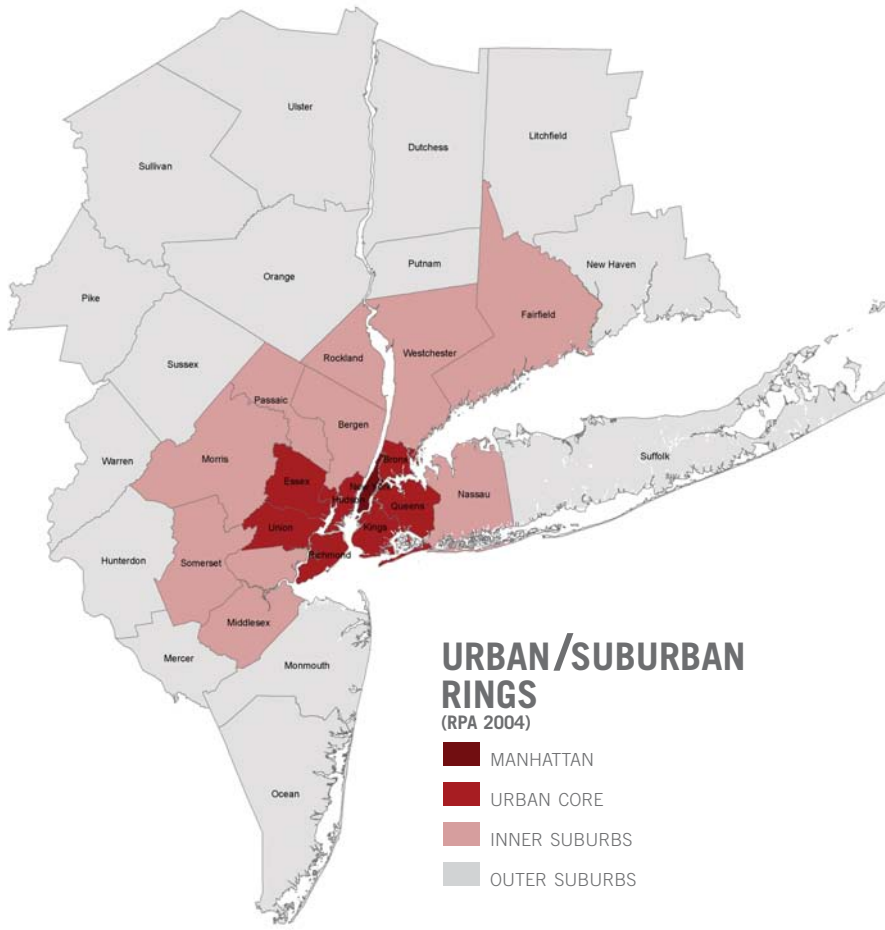
The region's hundreds of political jurisdictions can have an enormous effect on housing price, quality and attainability, by implementing policies that are favorable to housing creation, or by maintaining policies that are adverse to it. Local jurisdictions can aggressively utilize federal and state funding for affordable housing, and even add their own resources to the effort, or create obstacles to affordable housing through restrictive zoning or other regulatory barriers. Because residential and commercial location decisions are intra-regional, housing policy in one state or city affects the housing market throughout the region. The map (Page 3) shows the region stratified by urban and suburban rings. Primarily consistent with population densities, these rings are used throughout the paper to elucidate intra-regional comparisons of housing market conditions. Likewise, the nine largest metropolitan regions in the United States are compared to the NY-NJ-CT region throughout the paper.



This paper is the first phase of a collaborative effort of Regional Planning Association and the Citizens Housing and Planning Council to survey regional housing trends and identify housing problems that pose obstacles to regional development or diminish the quality of life. We intend it to provide a springboard for further discussion of the policy options facing the states, counties and municipalities that comprise our region. RPA and CHPC will be exploring those policy options in a forthcoming report.



## PRINCIPAL FINDINGS



**By three key standards—Affordability, Choice and Quality—both urban and suburban areas of the region are failing to provide the housing necessary to support the goals of economic competitiveness, social equity and environmental sustainability.**

The overall picture is complex. The region performs relatively well on some measures and quite poorly on others. However, several trends indicate that the housing market is becoming increasingly out of balance.

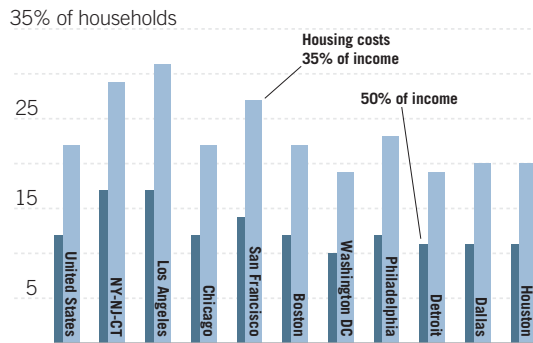
**There is a crisis in the housing market for the region's lower income residents, with serious implications for both social equity and economic competitiveness.**

Affordability, choice and quality are severely limited in all parts of the region for lower income households. By several measures, this crisis is intensifying, creating an even wider social divide. Because of a geographic imbalance between poorer households and low wage jobs, labor shortages in occupations ranging from retail sales workers to health care aides can also inhibit economic growth. At the same time, lower income individuals often work more than one job and/or commute long distances to afford adequate housing, diminishing both quality of work and quality of life.

**For moderate-and-middle-income households, the combination of high costs, long commutes and inferior housing quality are leading to growing competitive and environmental challenges for the region.** While housing prices and affordability are not that far out of line with other high-wage, coastal metropolitan areas, commutes are longer and the housing stock is older. The combination represents a competitive disadvantage for attracting talented workers. By forcing many to move further from their jobs to attain affordable, quality housing, it also tends to exacerbate open space depletion, congestion and other challenges to the region's quality of life.

## AFFORDABILITY

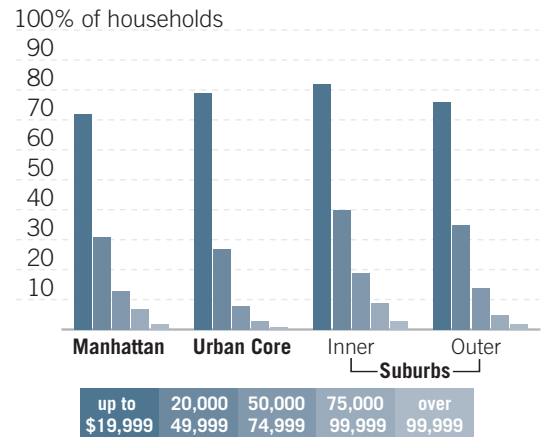
**29%** of the region's households are paying more than 35% of their income for housing, one of the highest proportions of all large metropolitan areas in the United States. Over half of these households pay more than 50% of their income for housing. Only Los Angeles has a higher percentage. High costs and low wages are combining most dramatically for those in the Urban Core, for renters, people of color, very young and very old householders, and lower income households. In the 1990s, the share of homeowners paying over 35% increased everywhere in the region; in most places, the share of renters in this category increased as well.



**Housing Cost Burden:** Percent of households pay 35 and 50% of income for housing costs, 2000 (SOURCE: US CENSUS OF POPULATION)

In both urban and suburban areas, more than three of every four households with incomes of under \$20,000 pay more than 35% of their income for housing. Housing cost burden declines sharply in all parts of the region as income increases. Housing burden also disproportionately affects households

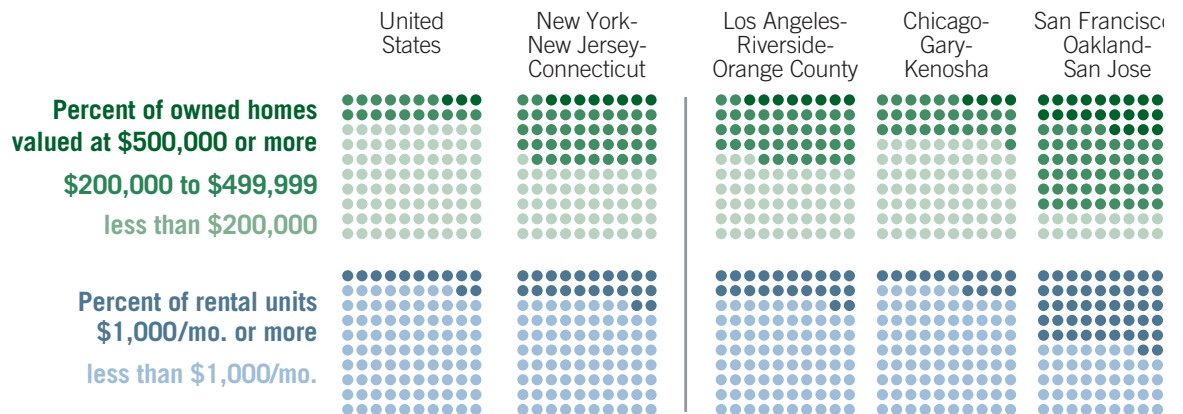
headed by younger and older householders and people of color. Housing costs have always been a problem for the nonworking poor and the elderly. In an economy characterized by a polarizing income distribution, however, even working families are finding it difficult to enter the private hous-



**More than 35%:** Percent of NY-NJ-CT region households pay more than 35% of income for housing costs, 2000 (SOURCE: US CENSUS OF POPULATION)

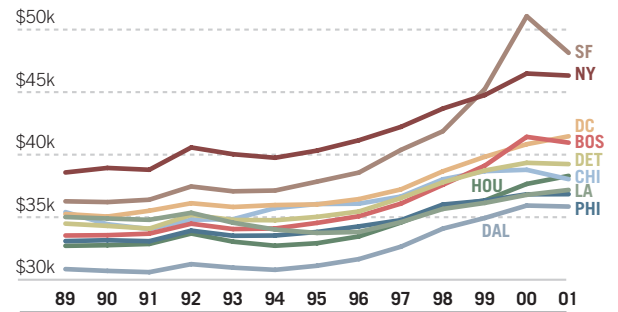
ing market. As a result, more households are turning to informal housing options, and illegal housing is proliferating throughout the region.

**Nearly 40% of moderate income households in the suburbs do not have affordable housing.** While the lowest income households experience the most severe effects of the housing crisis and are concentrated in the Urban Core, a greater share of moderate income suburban households has a high housing cost burden than do similar households in the



**Average wage per job: Adjusted to 2000 dollars**

(SOURCE: US BUREAU OF ECONOMIC ANALYSIS)



Urban Core. Among households earning \$20,000 to \$50,000 per year, 40% in the Inner Suburbs and 35% in the Outer Suburbs has a high housing cost burden. The affordability issue in the suburbs significantly affects even higher income groups. More than one quarter of households in the suburbs who earn \$50,000 to \$75,000 per year pays more than 35% of income on housing costs.

Like Los Angeles, there are more households in the NY-NJ-CT region paying more than \$1,000 per month for rent than every large metropolitan area other than Washington DC. Only the San Francisco region has higher owned home values, while the NY-NJ-CT region and Los Angeles are similar and considerably higher than other regions. Real housing prices throughout the country and the region spiked in the late 1980s and then fell during the early 1990s. By 2000 prices had not yet recovered to early 1990 levels. However in the last three years (2000 to 2003) housing prices have risen dramatically again. Adjusted for inflation, median home sale prices in some parts of the region have risen over 30% between 2000 and 2003.

	Change in number of rental housing units with rents under \$540 (\$410 in 1990)	Change in number of renter households earning less than \$21,600 (\$16,394 in 1990)	Affordable Housing Deficit
<b>Manhattan</b>	-40,005	-19,619	-20,386
<b>Urban Core</b>	-72,804	55,480	-128,284
<b>Inner Suburbs</b>	-11,627	7,596	-19,223
<b>Outer Suburbs</b>	19,886	14,005	5,881
<b>Region</b>	<b>-104,550</b>	<b>57,462</b>	<b>-162,012</b>

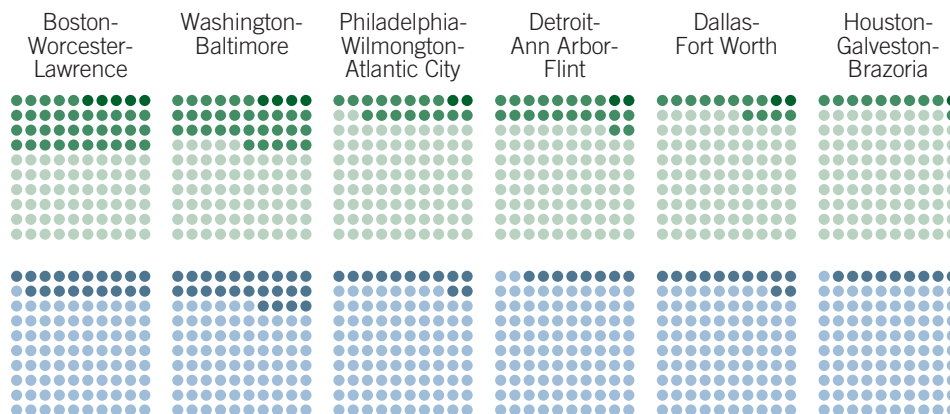
(SOURCE: US CENSUS OF POPULATION; PUBLIC USE MICRODATA SERIES; AUTHOR'S CALCULATIONS)

**The region is losing affordable housing units while gaining more households that need those units. The gap between need and supply for lower income housing increased by 162,000 units during the 1990s, resulting in more homelessness, illegal housing and overcrowding, and long waits for subsidized housing.** Cooks, librarians, housekeepers, teaching assistants, among many other essential workers, often head households that qualify as low or very low income. If these lower income households were to pay just five percent less of their income for housing that would represent \$2.3 billion each year that could be spent on other household necessities, such as education and healthcare.<sup>1</sup>

**As with housing prices, the NY-NJ-CT region has high wages, but not everywhere and not for everyone.**

High wages largely offset—in fact, contribute to—the region’s high housing costs. For most of the last 30 years, the NY-NJ-CT region had the highest average wages in the country, overtaken by San Francisco only during the technology boom of the 1990s. The difference between these two regions and the other major US metropolitan regions has been increasing as well. Likewise, the fastest growing occupations in the NY-NJ-CT region tend to be higher paying than those in the country overall. A closer look shows that the NY-NJ-CT region’s high average wage is primarily due to very high average wages in the region’s main employment center, Manhattan. Outside of Manhattan, average wages are much more similar to wages in the rest of the country. Manhattan has a large effect on both income and prices in the rest of the region, however, as workers who commute to Manhattan bring an estimated \$62 billion in wages to communities outside of New York City.

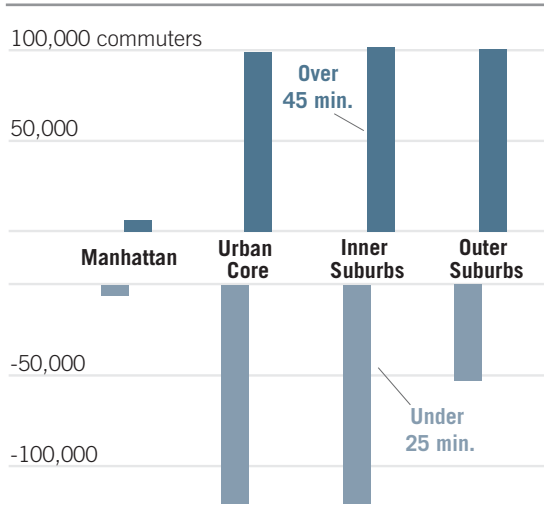
**Housing prices and rents in the NY-NJ-CT region are among the highest of any major US metropolitan region, and appear to be becoming more volatile.**



(SOURCE: US CENSUS OF POPULATION, 2000)

## CHOICE

On one level, the region offers a wider variety of residential environments than almost any other place in the country. However, choice is limited not only by the ability to pay for it, but also by a growing mismatch between housing and job locations and housing and household characteristics. These mismatches force individuals and families to make increasingly difficult choices between neighborhood quality, commuting time, housing type and quality.

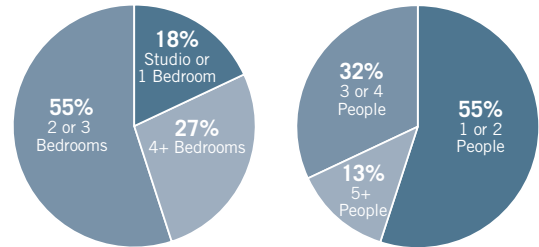


**Commuter Change:** Change in number of commuters with long and short trips, 1990 to 2000 (SOURCE: US CENSUS OF POPULATION)

**Workers in the NY-NJ-CT region have the longest commutes in the nation and commutes are getting longer in all parts of the region.** Given that housing costs are increasing relative to income everywhere in the region, its very long and lengthening commutes are evidence of a location mismatch between jobs and housing. The average commute time to Manhattan is 48 minutes and the average commute in the region overall is 33 minutes, longer than other metropolitan regions. During the

1990s, the number of residents in the region spending more than 45 minutes to get to work grew by over 300,000.

**The housing being built does not match the need for lower cost, smaller, more centralized housing.** Most building permits are issued for single-family detached units in the Outer Suburbs, while the greatest needs are for smaller, less expensive hous-



**Mismatch in the NY-NJ-CT region:** Housing units (left) and Household size (right), 2000 (SOURCE: US CENSUS OF POPULATION)

ing units and more units closer to employment centers and in the Urban Core. There are only 2.3 million studio and one-bedroom units for the 4.4 million one- and two-person households in the region. Even allowing that many small households desire larger units and single-family houses, this is a large gap in a region that has difficulty producing multifamily housing. This trend is showing some signs of change, however. Between 2000 and 2003 more building permits were issued in the Urban Core and more of these are for multifamily housing.

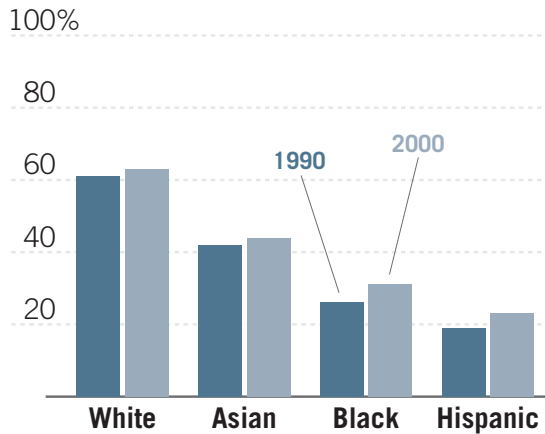
**Income disparities are increasing while poverty remains concentrated, isolating many from suitable housing choices.** With the exception of Manhattan, the share of the region's working adults who are in very low and high income groups is growing, while the share of those in the middle is shrinking. In the 1990s, poverty decreased in Manhattan but remains very much concentrated in the Urban Core. Sixty

	up to \$30,000	\$30,000 to \$75,000	\$75,000+
<b>United States</b>	-2%	0%	1%
<b>Region</b>	1	-3	2
<b>Manhattan</b>	-3	-1	3
<b>Urban Core</b>	3	-4	1
<b>Inner Suburbs</b>	0	-3	3
<b>Outer Suburbs</b>	1	-3	2

**Shrinking Middle:** Change in salary and wage income, 1990 to 2000 (SOURCE: US CENSUS OF POPULATION; PUBLIC USE MICRODATA SERIES; AUTHOR'S CALCULATIONS; MAY NOT ADD TO 0 DUE TO ROUNDING)



## QUALITY



**Homeownership by Race:** Percent share of households which are homeowners, 1990 and 2000  
(SOURCE: US CENSUS OF POPULATION)

percent of the region's poor lives in the Urban Core, which is home to only 39% of the region's population. Data indicate that concentrations of poverty did not diminish during the 1990s.

**There are fundamental disparities in homeownership rates by race and ethnicity.** While Blacks saw the largest gains in homeownership rates during the 1990s, there remains a large homeownership gap between Whites and others. While 63% of Whites owned their own homes in 2000, only 31% of Blacks and 22% of Hispanics were homeowners. The gap between Whites and others decreased during the 1990s, but at a very slow rate.

	median structure age	with washer	with dishwasher
<b>United States</b>	1971	74%	54%
<b>New York City</b>	1946	51	36
<b>Los Angeles</b>	1960	58	46
<b>Chicago</b>	1960	67	48
<b>San Francisco</b>	1953	57	52
<b>Boston</b>	1948	70	59
<b>Washington D.C.</b>	1969	75	74
<b>Philadelphia</b>	1956	81	55
<b>Detroit</b>	1962	84	53
<b>Dallas</b>	1981	74	82
<b>Houston</b>	1976	71	72

**Housing:** Housing quality indicators (SOURCE: AMERICAN HOUSING SURVEY 1994-2000)

**The NY-NJ-CT region's housing stock is the oldest of any metropolitan area in the country.** In the region as a whole, 57% of the housing stock was built before 1960; in the US, only 35% of housing was built prior to 1960. The median housing unit in New York City was built in 1946. The size, amenities and overall quality of the housing that NY-NJ-CT residents get for their dollar is inferior to what they could get elsewhere. Much of the inventory lacks modern amenities and design features while some does not even meet minimal maintenance standards. For example, in Dallas, 74% of dwelling units have washer/dryers and 82% have automatic dishwashers, compared to only 51% and 36% in New York, respectively. The growing obsolescence of our region's most centrally located housing stock places the whole region at a competitive disadvantage, especially with cities in the south and southwest.

## REGIONAL HOUSING POLICY

**Over time, policies and programs have been developed to counter the trends which describe an unbalanced housing market.** They range from traditional subsidies to tax credits to empowerment zones. Within the last ten to fifteen years there have been some noteworthy efforts in which environmentalists, real estate developers, affordable housing advocates and business leaders worked together toward solutions that benefited entire regions. Examples include tax base sharing in Minnesota and Oregon; inclusionary zoning in Maryland; regional housing trust funds in Vermont; location efficient mortgages in California and Washington; and employer assisted housing in Chicago and Silicon Valley. Future work of the collaboration between RPA and CHPC will focus more specifically on both the causes and policies that can be addressed on a regional level.

## ENDNOTES

<sup>1</sup>SOURCE: US CENSUS OF POPULATION PUBLIC USE MICRODATA SERIES 2000 AND BUREAU OF ECONOMIC ANALYSIS; AUTHOR'S CALCULATIONS; INCLUDES HOUSEHOLDS EARNING UNDER \$35,000.

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Regional Plan Association (RPA) is an independent regional planning organization that improves the quality of life and the economic competitiveness of the 31-county New York-New Jersey-Connecticut region through research, planning, and advocacy. Since 1922, RPA has been shaping transportation systems, protecting open spaces, and promoting better community design for the region's continued growth. We anticipate the challenges the region will face in the years to come, and we mobilize the region's civic, business, and government sectors to take action.

RPA's current work is aimed largely at implementing the ideas put forth in the Third Regional Plan, with efforts focused in five project areas: community design, open space, transportation, workforce and the economy, and housing. For more information about Regional Plan Association, please visit our website, [www.rpa.org](http://www.rpa.org).

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Founded in 1937, Citizens Housing and Planning Council (CHPC) is a non-profit policy research organization dedicated to improving housing and neighborhood conditions through cooperative efforts of the public and private sectors. CHPC's large and diverse Board of Directors is comprised of for-profit and not-for-profit real estate developers, bankers, attorneys, architects, planners and academics. The organization's activities include formulating policy recommendations for financing affordable housing and community revitalization, developing zoning and land use proposals to facilitate

economic growth and neighborhood cohesiveness, and exploring methods of improving the environmental context of urban communities. To disseminate its policy research and advocacy, CHPC sponsors forums and seminars, publishes newsletters and book reviews, and issues working papers and studies. In all of its activities, CHPC seeks to combine the professional expertise of its Board with the sophisticated research capacity of its staff to provide solutions to community problems that are pragmatic, equitable and effective. For more information, please visit [www.chpcny.org](http://www.chpcny.org)

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