

# A Housing Solution for New York City



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Improvement Program

chip





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## Executive Director's Note:

**It's a new era in New York for housing. Willing partners in City Hall and Albany are laser-focused on the creation of a new affordable housing stock with historic investment.**

CHIP has been engaging in a conversation about this problem for the past 12 months, educating elected leaders, housing advocates, stakeholders, and local and statewide partners to craft a solution. We've built an incredibly diverse coalition who all agree a solution is necessary. Together, we believe we have a policy that the State Legislature will be able to pursue this session.

Our proposal would guarantee that the apartments stay rent-stabilized. It would make sure the apartments meet the highest energy-efficiency standards with electrical upgrades that make them ready to be converted to all-electric. And these apartments would be affordable to working families.

The units we are talking about

were occupied for more than 20 years. In some cases, more than 40 years. They are mostly in buildings that are more than 80 years old. They need to be gut renovated, with plumbing updated, electrical wiring upgraded, and all the doors, windows, walls, floors and ceilings replaced to make sure the apartment is sustainable for decades in the future.

Gut renovating a one-bedroom, one-bath apartment can easily exceed \$100,000. Don't take our word for it: Just look at how much New York City spends to do the same type of work on a NYCHA apartment that has been occupied for several decades. The cost is between \$150,000 and \$200,000. It's important to note that most rent-stabilized buildings are decades older than NYCHA buildings.

**Our solution is the fastest way to get environmentally friendly apartments on the market for New Yorkers who deserve safe, quality and affordable housing.**

Currently there are tens of thousands of vacant rent-stabilized apartments in New York City. CHIP estimates our proposal would create at least \$2 billion in economic activity

over the next 18 months, creating more than \$100 million in additional tax revenue for New York City. Most importantly, we will make an immediate dent in the governor's goal of creating more than 800,000 over the next 10 years.

Our solution is the fastest way to get environmentally-friendly apartments on the market for New Yorkers who deserve safe, quality and affordable housing. Not only does this plan not cost New York taxpayers a dollar, it would add hundreds of millions to the State's coffers, and create thousands of jobs and billions of dollars in economic activity.

**— Jay Martin,**  
*Executive Director of CHIP*





## The Vacant Unit Problem:

**Under the current laws, rents on vacant rent-stabilized apartments can only be increased by less than \$100, no matter how much money is invested into renovating or upgrading the unit. This form of vacancy control is designed to protect tenants in occupancy from being displaced so that the owner can increase the rent.**

The reality is that many renters move for completely natural reasons. And a lot of older renters move out of New York City to retire, be closer to family, or simply because they want to live somewhere else. These are people who live in their apartment for more than 20 years (and sometimes as long as 50 years).

Because of how the rent laws work, the legally chargeable rent in these apartments is incredibly low. Often less than \$1,000. And because the tenants lived there for a long time these apartments tend to need the most renovation work, typically more than \$90,000.

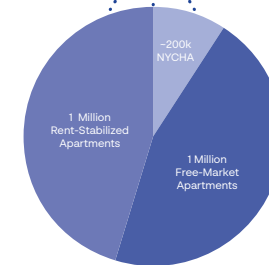
The \$90,000 renovation cost nets the owner a legal rent increase of either \$83 or \$88 depending on the size of the building. Basically it would take 75 years for the rent increase to pay off the renovation. But the rent increase is only temporary. After 30 years the owner has to reduce the rent, with compounded interest.

A rent-regulated apartment with a rent lower than \$1,500 is losing money simply on operating costs. That includes

maintenance, labor, fuel, utilities, insurance, administrative costs, mortgage payments, and a host of mandatory inspections under city laws. And that estimate was before inflation skyrocketed, potentially adding more than 10% to costs. By far the biggest cost for these apartments is property taxes, which is where roughly a third of a rent check goes.

Some may say, "why don't you just rent out the unit without making improvements?" The answer is because it is not legal to do so. Under the current laws, tenants in occupancy can live in apartments where the plumbing, electrical or lead conditions may not be up to the current housing code standards. The owner has no power to make these improvements unless the tenant agrees. But when the tenant leaves, the owner has a responsibility to fix all of these things before they rent the unit back out.

So, when the owner gets these units back, many of them are seeing them for the first time in over 20 years. In some cases, the plumbing and electrical are not up to code. Or the walls and door frames need to be completely replaced to make the unit lead-safe. The renovation work is necessary, not a choice.



## Some NYC Housing facts:

NYC has over 5.5 million renters but only 2.2 million apartments.

Rent Stabilized makes up 1 million and NYCHA makes up another 200k of those units.

That means the NYC rental market only has about 1 million truly free market apartments for 5.5 million renters.

Approximately 3/4 of all rent-stabilized housing in NYC was built before 1974, meaning much of it is in need of renovation, especially after long-term tenants move out.

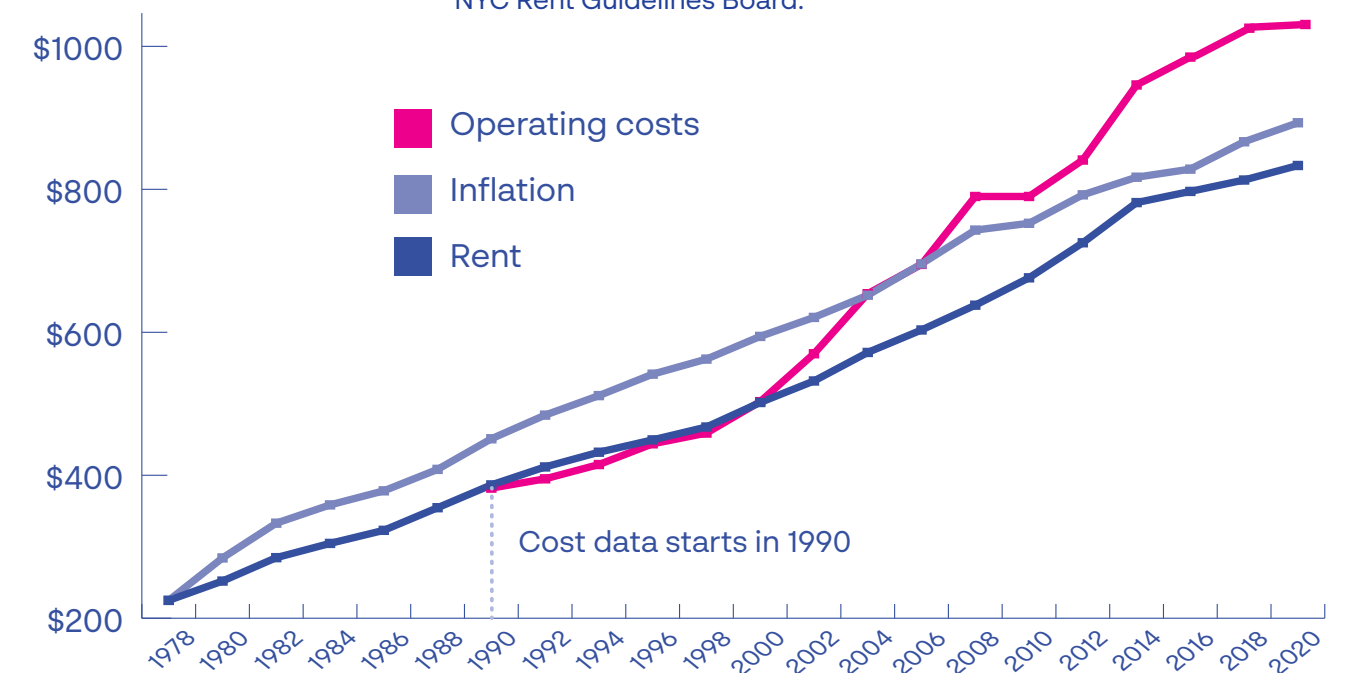
New York City has the highest cost of construction and the highest property taxes in the country.

Roughly 400,000 rent-stabilized tenants have lived in their apartments for more than 20 years. When they vacate the apartment, it likely will need a full gut renovation or at least significant upgrades.

According to their 2019 report the average cost to renovate a NYCHA unit is \$200,000. But private owners are only allowed to charge \$15,000 over 30 years to fix up a rent-stabilized apartment.

## Tracking Rents

Over time rent increases in rent-stabilized apartments have not kept up with inflation and have dramatically fallen behind average operating costs calculated by the NYC Rent Guidelines Board.



## Case Studies: Across New York City there are tens of thousands of units like these that cannot be rented.

The Community Housing Improvement Program has reached out to its nearly 4,000 rent-stabilized owners to document this issue. We have visited, photographed and filmed over a hundred of the thousands of vacant apartments across the city that are in need of repairs and are unable to be rented.

Most of the owners of these units have had long-term tenants that leave after decades. Many of these tenants would not allow entry for renovations. These apartments need obvious cosmetic upgrades, in addition to repairs based on housing codes that were passed since the tenant moved in, such as energy-efficient measures and lead remediation. But because owners cannot be reasonably reimbursed for the repairs the units remain vacant.

### MANHATTAN

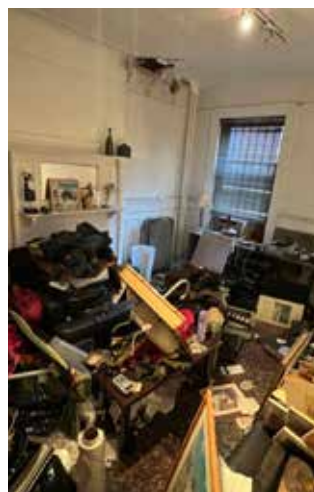


#### 3BR in Hamilton Heights

Current rent: \$852  
Est. Renovation Cost: \$115,000  
New rent: \$965  
Est. 30-year loss: \$126,520

This is a Manhattan apartment coming off of long term occupancy. The rent is well below the area market rent. It's vacant because it needs significant renovations that the rent will not cover. Typical 3-bedroom apartments this size rent for about \$3,000 in the area, which is less than the maximum amount a current Section 8 voucher pays.

### MANHATTAN



#### 1BR on Central Park West

Current rent: \$972  
Est. Renovation Cost: \$110,000  
New rent: \$1,055  
Est. 30-year loss: \$89,120

This is a common condition that property managers find when low-rent apartments are left after long-term tenants have lived there. It needs a large clean up as well as extensive renovations. Market rent for Central Park West, some of the most expensive property in New York City with some of the highest property taxes that will still need to be paid.

### BROOKLYN



#### 2 BR in Bed-Stuy

Current rent: \$577  
Est. Renovation Cost: \$65,000  
New rent: \$660  
Est. 30-year loss: \$187,400

The previous renter had lived in this unit since 1984 and because of regulation the rent is incredibly low, too low to cover needed renovations, including lead remediation and new electrical wiring. The next tenant deserves a lead abated, energy efficient, and still affordable apartment.

### BRONX



#### 4BR in Crotona

Current rent: \$948  
Previous tenants moved in: 1981  
Est. Renovation Cost: \$120,000  
New rent: \$1,031  
Est. 30-year loss: \$107,760

Apartments in Crotona, Bronx rent for a minimum of \$1,000 per bed to break even on operating expenses. This one is \$237 per bed. The prior tenant was content living in an apartment that had not had work done in 40 years because it was inexpensive. When they moved out the unit was no longer rentable.

### QUEENS



#### Studio in Astoria

Current rent: \$826  
Est. Renovation Cost: \$80,000  
New rent: \$909  
Est. 30-year loss: \$111,680

This apartment was left vacant after a long term occupancy. It needs extensive renovations to bring it up to code but the owner would lose even more money each month by doing so. Policy that forces people to lose money to create better housing will lead to more and more vacancies like this will accumulate as this happens.



## New York City is the highest cost of construction market in the U.S.

The cost to renovate a rent-stabilized unit in New York City is not small. Given that much of this stock is old construction, built before 1974, and many of the tenants were long-term, an apartment renovation can easily reach over \$100,000. When owners are expected to invest this money and renovate units to bring them up to current housing codes but not reasonably reimbursed it leads to vacancies.



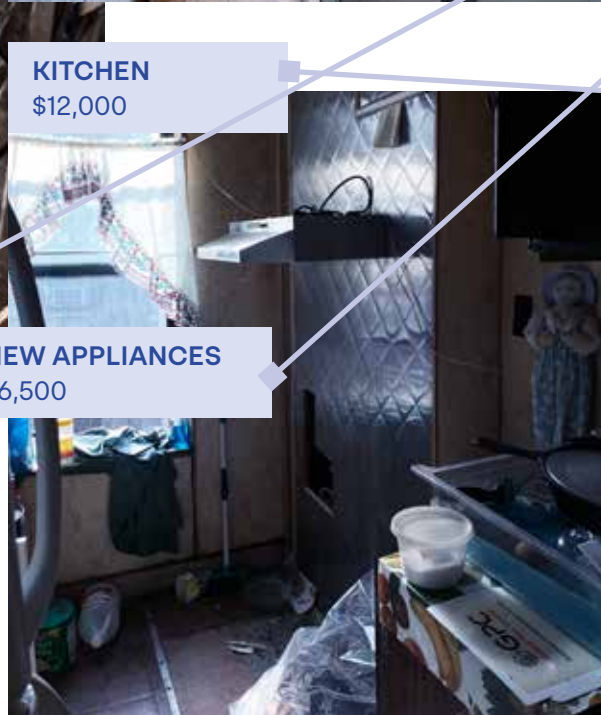
**ELECTRICAL**  
\$9,000



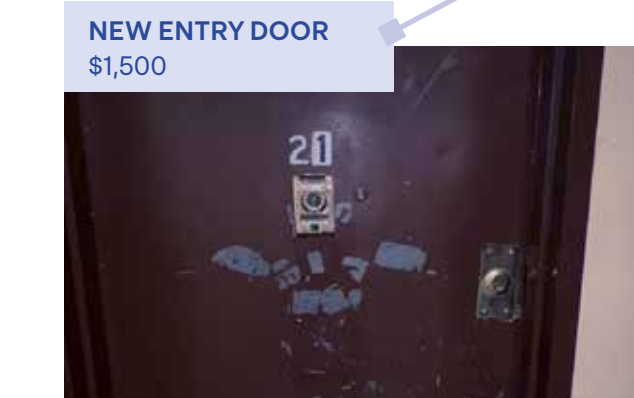
**BATHROOMS**  
\$30,000



**CARPENTRY**  
\$11,500



**KITCHEN**  
\$12,000



**NEW ENTRY DOOR**  
\$1,500

**NEW APPLIANCES**  
\$6,500

**NEW BATHROOMS (2 Bathrooms) \$30,000.00**

- New framing
- New plumbing
- New shower body panels
- New Electrical wiring with two recess lighting
- New cement board
- New porcelains floor tiles
- New porcelains floor
- GFCI outlet and two switch
- New suction vent
- Ceiling waterproof drywall
- New plaster & paint
- New medicine cabinet
- New vanity set
- New paper holder, towel bar & soap dish
- Paint semi-gloss regal super white by Benjamin Moore
- New lead pan for showers
- New wall tiles
- New glass shower doors with 24inch doors
- New window glass (obscure)
- New toilets, lavatories, bathtub with accessories
- New bathroom accessories

**NEW ELECTRICAL \$9,000.00**

- New 24/24 Murray Electrical Panel with increases amperage.
- New wiring per NYC DOB Electrical Code. New Electrical points with fixtures
- New Smoke & CO Detectors
- New outlets and switches

**NEW KITCHEN COMPLETE \$12,000.00**

- Kitchen base kitchen wall kitchen countertop w/4" backsplash
- Install kitchen cabinet and counter top
- Install kitchen plumbing and 3" pipe to basement
- Primer and 2 coatings of paint finish to all walls and ceilings
- Install Kitchen appliances
- Install new gas pipe for stove
- install new porcelain floor
- install new quartz countertop with full black splash
- Install new sink

**Total \$119,700.00**

**Notes:**

- 35% Deposit
- 30% Due once all the floor leveling, framing, electrical rough- in, plumbing rough-in is done
- 20% Due once the apartment is sheet-rocked, bathroom tiles, walls are taped and bathroom fixtures are installed
- 15% Due once the apartment is painted, kitchen installed, wood floor installed, & entry door replaced

**Terms and conditions:**

All work to be completed in a manner according to standard practices unless otherwise directed by client. All work other than above specification will become a change order. All agreement are contingent upon strikes, accidents or delays beyond our control. All agreement are based on straight time and free access to the job premises. All material are under warranty by the original manufactory, one- year labor by Moyal Inc. Working days above works to be completed in 10 working days from starting date.

**NEW APPLIANCES \$6,500.00**

- 27.25" Summit Bottom Freezer S/S Refrigerator -FFBF286SS
- 30" GE Over-The-Range Microwave - JNM3163RJ S/S
- 18" GE Profile Series Dishwasher Stainless Interior Top Control - PDW1860 S/S
- 30" GE 220V FS Self Clean Ranges - JB645ST S/S

**NEW ENTRY DOOR \$1,500.00**

- Fire Rated Entry Door - Painted Black

**CARPENTRY \$11,500.00**

- New base moldings
- Furnish and install new door frame and doors with new hardware.
- (Door 84" high to be solid core flat door 1" 3/4)
- Furnish and install two shelves and one bar in closets
- Furnish and install door trim
- Build a new closet for bedroom #1 and #2 and 3
- New Doors for bedrooms #1 and #2 (closets and bedroom entry door)

**ARCHITECTURAL SERVICES \$6,200.00**

- Site Inspection and Measurements
- Architectural Drawing

**EXPEDITING SERVICES:**

- DOB Application (Alternation Type II)
- Project Sign off
- General Construction Application

**INCLUDED**

- Building Department Fee
- Permit Fee (DOB)

**Actual Contractor Bill**



## Economic Impact

### OVERVIEW:

Currently there are an estimated 20,000 rent-stabilized apartments that are vacant following long-term tenancies. These units require significant renovations in order to meet modern housing code standards. In many cases, they need gut renovations that cost roughly \$100,000 for a one-bedroom, with additional costs for permit fees.

**We estimate that with our proposal there would be:**

### DIRECT ECONOMIC BENEFITS:

- **Labor/Wages:** Gut renovations of apartments require between \$35,000 and \$55,000 in labor costs. Our proposal would create an estimated \$900 million in wage activity over the next 18-24 months. This translates to **roughly \$40 million** in income tax revenue for New York City.
- **Building Supplies:** The supplies for renovating a 1BR, 1 Bath apartment are \$55,000. Larger apartments can get up to \$75,000 in supply costs. Many of these supplies are purchased at local suppliers like Home Depot. This is an estimated \$1.3 billion in supply costs. This would be an estimated \$60 million in NYC sales tax revenue, and an additional \$50 million in state sales and use tax. **Total of \$110 million in tax revenue.**
- **Permit fees:** Under our proposal, owners would require NYC Department of Buildings (DOB) permits for their work in order to be eligible. On average, permit fees are around \$3,000 to \$5,000. This would be an estimated **\$80 million in permit fees.**

### RECURRING ECONOMIC BENEFITS:

- By allowing apartments in need of upgrades to have their rents raised to cover the cost of improvements, the city would see overall rent rolls increased. This would lead to increased recurring tax revenue for New York City. CHIP estimates our program would increase annual tax collection for these apartments by **\$84 million.**
- There are roughly 4,000 naturally recurring vacancies each year from apartments occupied for decades. Allowing a process to reset rents on those units would create an estimated **\$16 million** in annual permit fees. Increasing tax revenue from these properties would add an additional **\$17 million.**



Our proposal would create an estimated:

**\$900 million in wage activity**

**\$1.3 billion in supply costs**

**\$80 million in permit fees**

**\$84 million in annual tax collection**





## CHIP's 2023 Legislative and Policy Agenda:

The Community Housing Improvement Program (CHIP) will be lobbying and advocating for a host of changes to housing laws in 2023 with the goal of significantly increasing the supply of housing in New York City and New York State.

The lack of housing in the state has hit emergency levels and the time for half measures and stale rhetoric is over. Our proposals, if adopted, would create hundreds of thousands of new homes and dramatically reduce the cost of housing for renters.

### 1. Local Regulated Housing Restoration Adjustment (LRHRA):

Our number one priority is to bring tens of thousands of rent stabilized apartments back to the rental market through a proposal we call the **Local Regulated Housing Restoration Adjustment (LRHRA)**. Apartments that have been occupied for the longest time have the lowest rents, but also the highest renovation costs. Most of these apartments are out of date with housing codes once the tenants move out, so they must be renovated. The cost of the renovations would never be recovered by the owner, due to the low rents. Our proposal would allow the rents to be raised to comparable apartments in the area, allowing the owner to make necessary upgrades. The units would stay stabilized, be lead-free, prepared to be in compliance with city and state climate initiatives, and in many cases they would be available to voucher holders.

### 2. Housing Access Voucher Program:

The current vouchers available to low-income New Yorkers are not enough to meet the need. They are also difficult to use for renters, and they are too complicated for owners to navigate due to government bureaucracy. The Housing Access Voucher Program (HAVP) is a thoughtfully designed voucher that would travel with tenants, allowing them more choice about where they live. It is also designed to give owners more certainty that the voucher would be paid by the government without delays. As providers of affordable housing, our members understand first-hand how important vouchers can be to housing security for tenants and to the financial health of a building.

### 3. Transit-Oriented Development & Ending Parking Minimums:

One of the most effective ways to meet our housing needs is to allow more housing to be built in places where people want to live. One of the most effective ways to reduce the cost of providing housing is to end parking minimums for housing development near transit hubs. CHIP supports the transit-oriented development plans put forth by Gov. Kathy Hochul in her 2022 budget proposal, and we hope that she proposes them again in 2023. Additionally, we encourage the governor and the State Legislature to consider using the power of the state government to ban parking minimums near transit hubs throughout the state.

### 4. Accessory Dwelling Units:

The ability to build an accessory dwelling unit (ADU) in the backyard of a single-family home or in the basement of a small apartment building would create thousands of new homes. In many cases, this will allow parents to create a home for their adult kids, or a family to create a home for an aging relative. In most places in the state, strict zoning prevents owners from using their own property more efficiently. These restrictions split up families or force them into overcrowded settings. A strong state policy banning this practice would not only create more housing, but would strengthen families and improve quality of life for many.

### 5. Increasing the FAR Cap:

Currently the maximum allowed floor to area ratio (FAR) for new residential buildings in New York City is 12.0. This cap has been in place since 1961. This means that the largest residential buildings in the city are at least 61 years old and if they were torn down, they would have to be replaced by smaller buildings. By eliminating the cap, New York could unlock thousands of affordable apartments. It would give the city an additional tool to create more homes for low-income New Yorkers, especially through negotiations with private developers seeking a rezoning.

### 6. Comprehensive Rezoning in New York City:

The last time New York City updated its zoning code was 1961. The current system requires any housing project that does not fit into the current zoning to go through a lengthy and exhaustive process that culminates in a vote by the City Council. Not surprisingly, the city has also had a scarcity of housing since the 1960's, which has been confirmed every three years since 1974 through declarations of a housing emergency by the City Council. The emergency declaration only happens if the vacancy rate is below 5%. If the members of the City Council are serious about ending this perpetual emergency through the creation of abundant affordable housing then they must convene a commission to implement a full rezoning of New York City. This commission should look specifically at increasing the as-of-right development of housing near transit hubs, the ending of parking minimums, and the legalization of basement apartments and ADUs.

