

THE TRUTH ABOUT GOOD CAUSE & HOUSING SUPPLY

New York can build & maintain housing while expanding tenants' rights

WRITTEN BY

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New York State legislators have the opportunity to improve the safety, stability, and affordability of rental housing across the state through Good Cause eviction protections. The legislation (A5573/S3082) would prevent no-fault evictions and expand the fundamental right to a lease renewal to almost half of tenants in the state.

Opponents of New York State's proposed Good Cause eviction protections suggest that passing this law will reduce new rental construction or lead to landlord disinvestment around the state, perversely resulting in a tighter and more expensive housing market for renters. Some argue that residents in new buildings are all wealthy and should not be covered by this basic tenants' rights legislation.

In fact, housing can be developed and maintained while ensuring tenants' right to lease renewal with reasonable rent increases.

MYTH Strengthening tenant protections makes building and maintaining new housing financially infeasible

FACT Good Cause accounts for new buildings' costs and finances

When new rental housing gets built, the owner projects their costs – in terms of debt service, taxes, fuel, labor and general maintenance – and can set their apartments' first rents at rates that cover those expenses, plus profit. From there, the rents under Good

Cause can rise up to 1.5 times the Consumer Price Index or 3 percent, whichever is higher, without challenge. Landlords can increase rents above these thresholds if they can demonstrate in court that they have either substantially renovated the unit or have incurred another unexpected cost increase. These rates match traditional multifamily housing underwriting models. While financial models that rely on more aggressive rent increases exist, housing finance experts consider them high risk, because they are highly speculative.

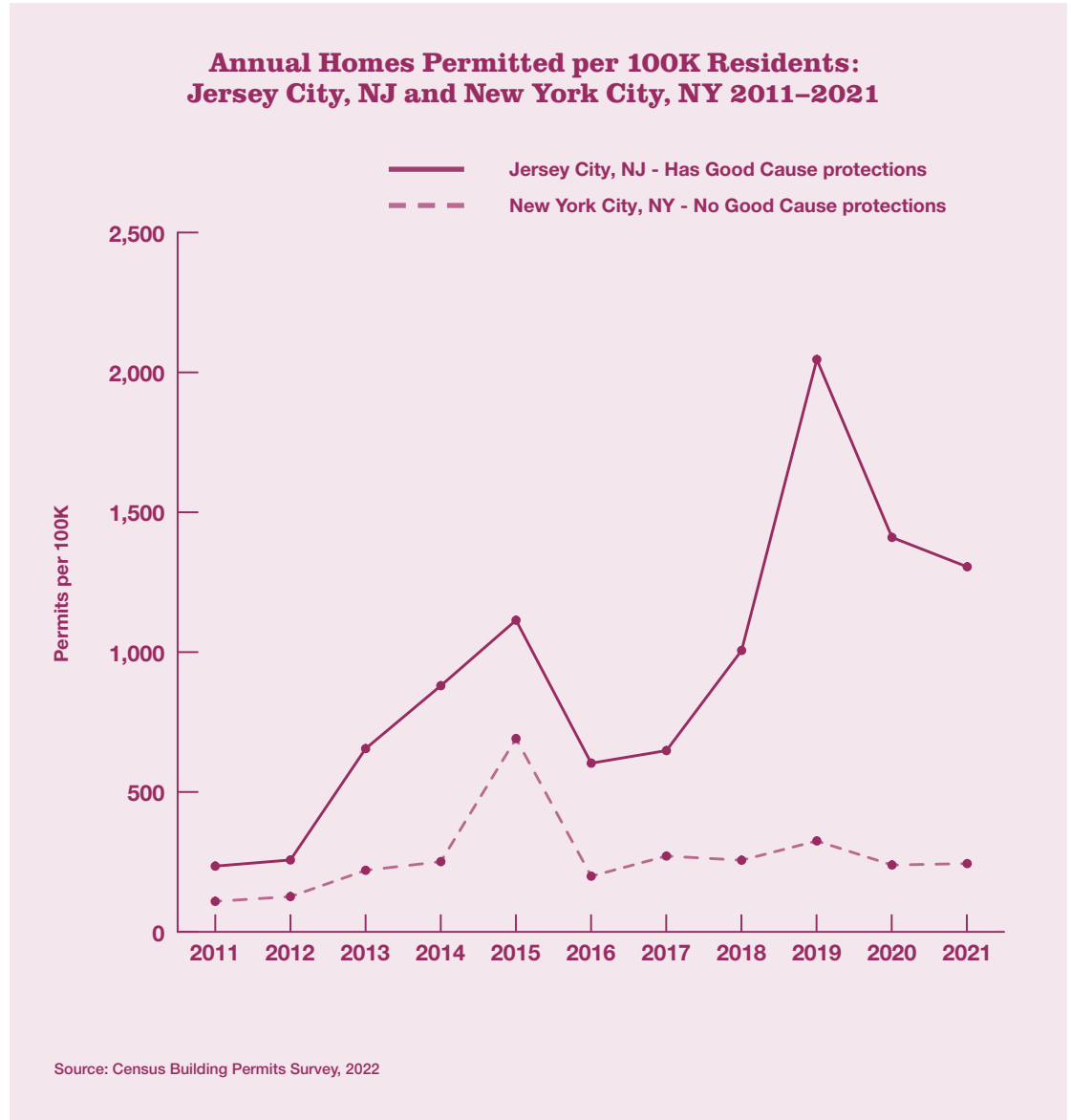
Legislating Good Cause as a universal right across the state would provide clear and consistent regulation that follows best practices in multifamily housing finance while protecting tenants' right to remain in their housing.

MYTH Cities with Good Cause and other tenant protections don't build enough new housing

FACT Cities and states with strong tenant protections continue building rental housing – often at higher rates than New York

The Good Cause eviction regulations proposed for New York State are modeled after the protections New Jersey has had for almost 50 years, which do not exempt new buildings. Throughout that time, New Jersey has outpaced New York State in new housing construction





relative to its population. This trend has been especially pronounced since 2010, and even continued through the pandemic. Cities in Hudson County, New Jersey, such as Jersey City and West New York have *both* some of the strongest tenant protections *and* the fastest rates of housing production in the country; meanwhile, New Jersey suburbs added housing at three times the rate of New York suburbs. Nor has new construction in New Jersey shifted from rentals to condominiums as a result of Good Cause – the proportion of rental and homeowner housing is essentially the same today as it was in 1974, when New Jersey’s Good Cause bill was passed.¹

It’s not just New Jersey – lots of places have Good Cause protections (and even more robust tenant protections) that apply to new buildings while sustaining a high rate of

new housing construction, including Tokyo, Montreal, and Zurich.²

More locally, New York City’s biggest building boom coincided with the establishment of rent controls that did not exempt new construction.³ This simultaneity is essential: protections can shield renters in older buildings from excessive rent increases without improvements, due to speculation. Under Good Cause, a landlord will not be able to hike the rent on a long-term tenant simply because the neighborhood is changing.

Policies that encourage safe and affordable Accessory Dwelling Units, promote transit-oriented development, penalize exclusionary zoning, and boost fair housing enforcement throughout the state have a bigger impact on increasing the housing supply.

MYTH Good Cause isn't needed in new buildings because only rich people live in them.

FACT Tenant protections should apply to all tenants—and tenants in new buildings aren't all rich people, anyway

Good Cause offers tenants the basic right to remain in one's home as long as they are in good standing. All renters should be able to raise legitimate concerns about their housing with protections against retaliation, and to have stable housing with predictable and affordable rents. Rights are not means-tested benefits or selective interventions, but broad protections afforded to all. There is no reason to deny the right to remain to a tenant in a building built after an arbitrary year while extending this same right to their neighbors in older housing – an inequity written into New York's rent stabilization laws that causes tenants in buildings built in 1975 to live with fewer rights and protections than tenants in buildings built just one year prior.

Moreover, newly constructed rental buildings across the state house residents at various incomes. In general, rents for newer buildings tend to surpass those in older buildings, where infrastructure and appliances may be older and first mortgages may have long since been paid. The median rent for units built between 2014 and 2019 across New York State was \$1,734. This is about one third higher than the median for all rental housing, but it is a rent that would be considered affordable for a household making about \$69,000 – almost exactly the median household income for New York State.

In three of the state's largest municipalities—Buffalo, Syracuse and Albany—the income needed to afford the median rent in newly constructed buildings was *lower* than the median household income for the cities as a whole.

Applying Good Cause eviction protections to both newer and older homes ensures that working-class people living in new buildings are not denied crucial tenant protections, and also creates a universal standard that avoids creating new loopholes or carve-outs.

MYTH Good Cause will lead to landlord disinvestment

FACT Tenant protections help prevent—not cause—landlord neglect.

There is no clear connection between cities with strong tenant protections and cities experiencing disinvestment and landlord abandonment. In fact, both property disinvestment and gentrification happen in cities with and without tenant protections. Urban planning scholar Peter Marcuse, for example, found in 1981 that for every city with rent control that was having problems with disinvestment and abandonment, seven others without rent control were experiencing the same issue. In New York City, the areas with the highest rates of landlord abandonment had the lowest degrees of rent regulation.⁴

In the contemporary housing market, New Jersey is perhaps the best place to examine the impacts of rent control policies because

Rent, Income and Affordability in 3 of New York's Biggest Cities

	Albany	Syracuse	Buffalo
Median Gross Rent	\$969	\$814	\$776
Median Gross Rent in units built in 2014 or later	\$985	\$893	\$916
Median Household Income	\$45,825	\$38,276	\$37,354
Income needed to afford new Rentals	\$39,400	\$35,720	\$36,640

Source: American Community Survey, 2019 (5-year estimates)

the state has a range of municipalities with and without rent control. Using a sample of 161 New Jersey communities, a 2015 study tested the impact of rent control (both its presence and its relative strictness) on housing quality and foreclosure rates (as a proxy for abandonment). It did not find any significant impact on the two variables when controlling for apartment size, income, race, and median rents.⁵

Good Cause protections would give tenants the legal backing to fight for repairs and maintenance, potentially leading to better building conditions in the long term. Tenants without Good Cause protections are often reluctant to demand that their landlord fix persistent problems in their homes out of a legitimate fear of landlord retaliation. A recent survey of tenants in Washington, DC, found that 61 percent of respondents were more willing to insist on repairs under new tenant

protection laws than they would have been without them.⁶

Conclusion

By protecting tenants' right to remain, Good Cause legislation would improve housing stability and affordability across New York State. There is no justification to exempt new construction from Good Cause in New York: it does not depress development or cause disinvestment, as New Jersey shows, and is designed to both align with housing finance needs and provide basic tenant protections. Further, new construction exemptions would hurt tenants across the state, both those who would be left unprotected in new housing – many of whom are not wealthy – and those whose protections under Good Cause could be made vulnerable to further rollbacks. Ultimately, Good Cause is a right, not a benefit, and as such must be made as universal as possible.

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prattcenter.net

ENDNOTES

1. Grabar, Henry. "New York Needs to Learn a Housing Lesson From... New Jersey?" *Slate*, February 8, 2022.
2. Carr, Aaron. "We don't need to choose between robust tenant protections and abundant affordable housing." *Crain's New York Business*, January 27, 2022.
3. Fogelson, Robert M. *The Great Rent Wars: New York, 1917-1929*. Yale University Press, 2013.
4. AMI estimates assume a household size of 3.
5. Marcuse, Peter, 1981. Housing Abandonment: Does Rent Control Make a Difference? Washington, DC, Conference on Alternative State and Local Policies, Policy Report No. 4. See also Peter Marcuse. "Gentrification, abandonment, and displacement: Connections, causes, and policy responses in New York City." *Washington University Journal of Urban & Contemporary Law* 28 (1985).
6. Ambrosius, Joshua D., John I. Gilderbloom, William J. Steele, Wesley L. Meares, and Dennis Keating. "Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession." *Cities* 49 (2015): 121-133. This finding confirmed the results of a similar study, also conducted in New Jersey about a decade prior. Gilderbloom, John I., and Lin Ye. "Thirty years of rent control: A survey of New Jersey cities." *Journal of Urban Affairs* 29, no. 2 (2007): 207-220.
7. Margery Austin Turner, *Housing Market Impacts of Rent Control: The Washington, D.C. Experience*, Urban Institute (1990):75-86.