

MEMORANDUM

To: Members of the Committee on Financial Services

From: Committee Staff

Date: February 16, 2024

Subject: Housing and Insurance Subcommittee Field Hearing entitled, “Restoring Prosperity in American Communities: Examining the Failures of Status Quo Housing Policy”

On Thursday, February 22 at 10:00 a.m., the Subcommittee on Housing and Insurance will hold a field hearing at the Rockland County Legislature in New City, New York entitled, “Restoring Prosperity in American Communities: Examining the Failures of Status Quo Housing Policy.” Testifying at the hearing will be:

- **The Honorable Teresa M. Kenny**, Supervisor, Town of Orangetown, NY
- **Mr. John Ketcham**, Fellow and Director of Cities, Manhattan Institute
- **Mr. Ralph D. Amicucci**, Amicucci Associates, P.C., Attorneys at Law, on behalf of the Institute of Real Estate Management, New York Chapter
- **Ms. Leah Goodridge**, Managing Attorney for Housing Policy, Mobilization for Justice

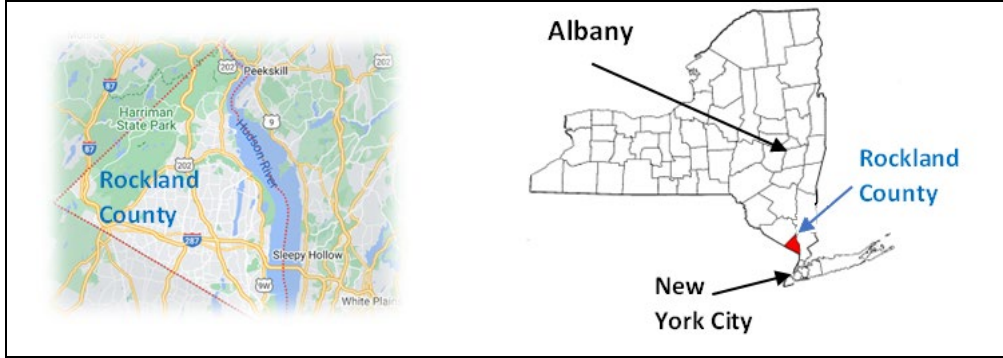
Summary

The hearing will explore the housing market challenges in the Rockland County, New York, area that have led to inaccessible and unaffordable options for local residents. The Committee will explore how government overreach – whether through taxation, regulatory mandates, or disincentives for growth – hampers housing and economic development, diminishing the choices available to homeowners and renters. As a suburban area outside a major high-cost metropolitan region, Rockland County provides a good case study on how various state and local policies from Albany, the state’s capital, and New York City, the state’s largest city, are impacting local housing and economic affordability.

Location and Local Housing Challenges

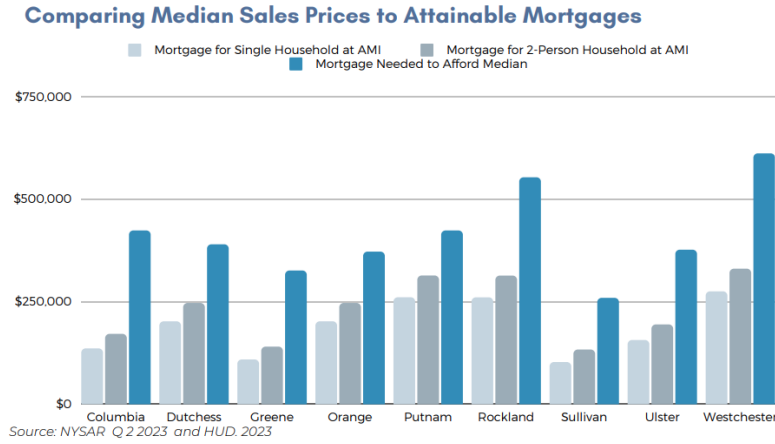
Rockland County is a suburb of New York City, located on the Hudson River about 15 miles north of Manhattan. It is one of the oldest and most historic regions in the state, with permanent settlers arriving in the late 17th century. The County falls on the southern edge of New York’s Hudson Valley, which runs along the banks of the Hudson River from Westchester County in the south to Albany in the north. According to the Census Bureau, Rockland County had a population of just over 339,000 in 2022.¹

¹ U.S. Census Bureau “QuickFacts: Rockland County, New York,” available at: <https://www.census.gov/quickfacts/fact/table/rocklandcountynewyork/PST045222>.



Rockland County has a median household income of about \$106,000² and an average home price of about \$609,000.³ This more than 5-to-1 home price to household income ratio contributes to some of the housing affordability challenges local areas residents experience today. Adding further affordability pressure has been statewide high growth in rent, which increased by an average of 12 percent between 2022-23.⁴ Rockland and its adjacent counties have been hit particularly hard by this trend. According to Hudson Valley Pattern for Progress: “Over the past five years, rents across our region have increased by anywhere between 25- 45%.”⁵

Combined, these challenges rank Rockland County as one of the most affordability challenged counties for both homeowners and renters in New York state:

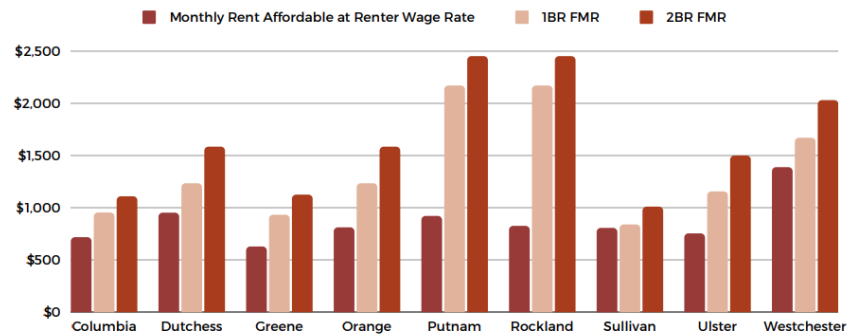


[1] Common AMI levels are for median 4-person households. We used HUD adjustments for 1- and 2-person households to better reflect the average renting household as a prospective homebuyer.

Source: Hudson Valley Pattern for Progress, Center for Housing Solutions & Community Initiatives

² *Ibid.*
³ Rocket Homes, “Rockland County Housing Market Report,” available at: <https://www.rockethomes.com/real-estate-trends/ny/rockland-county>.
⁴ Swapna Venugopal Ramaswamy, “Rents are rising across the US. Austin is down, San Jose is up,” USA Today, July 23, 2023, available at: <https://www.usatoday.com/story/money/2023/07/19/us-metros-states-with-rent-increases/70425895007/>.
⁵ Hudson Valley Pattern for Progress, “Out of Reach 2023,” available at: <https://www.pattern-for-progress.org/wp-content/uploads/2023/09/2023-Out-of-Reach.pdf>.

2023 Affordable Rent vs. Fair Market Rents



Source: Hudson Valley Pattern for Progress, Center for Housing Solutions & Community Initiatives

Also contributing to these local affordability challenges is the high tax burden faced by residents of New York state. New York consistently has one of the highest individual income tax rates in the nation. That cost is exacerbated by an equally high property tax burden. According to the Tax Foundation, Rockland County is one of 11 counties in the United States with the highest median property tax payments, exceeding \$10,000 per property.⁶ Property tax collection on average accounts for 72.2 percent of total revenues collected by localities across the country, averaging \$1,682 per property.⁷

External Drivers of Housing Unaffordability

In addition to its own challenges, Rockland County has been subjected to additional pressures from both its state government in Albany in the north and the impact of decisions made by New York City to the south. These decisions have created regulatory and financial burdens on Rockland County officials and residents in meeting their local housing needs.

New York State Impact: Government Mandates and Regulatory Changes

At the state-level, New York has often been prescriptive and heavy-handed in applying broad housing mandates on local communities. Many of these policies may be well-intentioned efforts by Albany to address the state’s overall housing shortfall. However, they carry a disproportionate cost for counties like Rockland. Oftentimes, Albany fails to seek out or incorporate local feedback on its policies, consider inherent regional differences between communities within the state, and respect the undeniable rights of local governments to determine their own local needs, zoning and land use rules, and financial obligations. Examples of such mandates include:

- *2019 New York State Rent Law*: This 2019 state law includes a number provisions to expand rent control restrictions, restrict housing supply, and delay and increase the cost to landlords who may

⁶ Andrey Yushkov, “Where Do People Pay the Most in Property Taxes?,” The Tax Foundation, September 12, 2023, available at: <https://taxfoundation.org/data/all/state/property-taxes-by-state-county-2023/>.

⁷ *Ibid.*

be forced to seek evictions.⁸ For example, the law creates price caps on certain rent increases and security deposits, as well as allows tenants to halt a legal eviction process for up to a year. According to one expert at *Yardi Matrix*, imposing such rent control mandates “almost guarantees” that the income for property owners “will decline on an annual basis,” quashing incentives for investing, renovating, and building new real estate.⁹ The law continues New York’s pattern of erecting radical disincentives for housing investment and development by making nearly every aspect of providing housing more expensive.

- *Governor Hochul’s Current Proposals:* While in office, New York Governor Kathy Hochul has pushed higher-density development throughout the state despite local opposition. Her decisions to allow developers to circumvent local zoning decisions has forced many areas to use their limited resources to contest such decisions.¹⁰ Acknowledging the opposition, the Governor’s latest FY 2025 budget proposal relies more on incentives to spur housing development. However, even this effort has been described as a “mixed bag,”¹¹ since it includes burdensome requirements to qualify for new housing tax incentives, as well as costly and time-consuming labor and environmental policies.

New York City Impact: Exporting Costs and Needs

Rockland County’s proximity to New York City makes it extremely vulnerable to many of the same problems experienced by its larger neighbor. Yet, it does not possess the same level of resources to address those problems. Unlike the legislative challenges posed by Albany, the challenges Rockland County faces from New York City are mostly practical ones resulting from poor decisions made by the country’s largest city. Examples of such challenges include:

- *Spillover Impact of Historic Unaffordability:* As price pressures continue to build in New York City, combined with high nationwide inflation and high interest rates, communities throughout the Hudson Valley suffer. According to Zillow, the median rent in New York City is \$3,400, with many higher-end neighborhoods costing multiples of this amount.¹² New York City’s housing costs, in turn, create extreme pressures on the local supply and demand curves in Rockland County and other surrounding areas. Moreover, New York City has sought to leverage its size and importance to the state by demanding Albany adopt its housing policies statewide, including zoning

⁸ Office of the New York Attorney General, “Changes in New York State Rent Law: What You Need to Know,” available at: <https://ag.ny.gov/sites/default/files/changes-in-nys-rent-law.pdf>.

⁹ Paul Fiorilla, “New York Rent Control: From Bad to Worse,” July 18, 2019, available at: <https://www.globest.com/2019/07/18/new-york-rent-control-from-bad-to-worse/?slreturn=20240114131451>.

¹⁰ Governor Kathy Hochul, “Governor Hochul Announces Statewide Strategy to Address New York’s Housing Crisis and Build 800,000 New Homes,” January 10, 2023, available at: <https://www.governor.ny.gov/news/governor-hochul-announces-statewide-strategy-address-new-yorks-housing-crisis-and-build-800000>.

¹¹ Eric Kober, “The Sad Saga of New York Housing Policy: Governor Hochul Is Still Searching for a Pro-Growth Consensus,” The Manhattan Institute, February 13, 2024, available at: <https://manhattan.institute/article/the-sad-saga-of-new-york-housing-policy>.

¹² Zillow “New York, NY Rental Market,” available at: <https://www.zillow.com/rental-manager/market-trends/new-york-ny/>.

laws and eviction rules, in return for its support for other changes sought by Governor Hochul.¹³ Exporting New York City’s failed housing policies to places like Rockland County ignores the importance of local say in solving housing challenges and threatens to make those challenges worse, not better.

- *Exodus from New York City:* Given its proximity to New York City, Rockland County is among the areas impacted by residents of the city “fleeing”¹⁴ to the suburbs. In New York City, Zillow recently estimated there are currently about 15,000 listed rentals available across the city, representing just 0.4 percent of the total housing units.¹⁵ Predictably, frustrated city-dwellers have been seeking shelter in the less-restrictive markets in suburbs like Rockland County. Many factors have influenced these decisions, including remote work arrangements stemming from the COVID-19 pandemic, a dramatic increase in crime, and the significantly higher cost of living in the city. As a result, the demand for housing in Rockland County and other surrounding areas has dramatically increased creating additional local pricing pressures. According to Census Bureau data, median gross rent in Rockland County has increased from \$1,374 in 2015 to \$1,705 in 2022 (+24.1 percent).¹⁶ Simply put, as more individuals depart New York City for Rockland County, the larger the economic impact grows on local Rockland County residents already coping with their own incumbent housing affordability challenges.

¹³ Eric Kober, “The Sad Saga of New York Housing Policy: Governor Hochul Is Still Searching for a Pro-Growth Consensus,” The Manhattan Institute, February 13, 2024, available at: <https://manhattan.institute/article/the-sad-saga-of-new-york-housing-policy>.

¹⁴ Matthew Haag, “New Yorkers Are Fleeing to the Suburbs: ‘The Demand Is Insane’,” The New York Times, August 30, 2020, available at: <https://www.nytimes.com/2020/08/30/nyregion/nyc-suburbs-housing-demand.html>.

¹⁵ Office of the Mayor of New York, “2021 New York City Housing and Vacancy Survey: Selected Initial Findings,” May 16, 2022, available at: <https://www.nyc.gov/assets/hpd/downloads/pdfs/services/2021-nychvs-selected-initial-findings.pdf>.

¹⁶ U.S. Census Bureau, “Rockland County, New York,” B25031 Median Gross Rent by Bedrooms, available at: <https://data.census.gov/table/ACSDT1Y2022.B25031?t=Renter%20Costs&g=050XX00US36087&tid=ACSDT1Y2015.B25031>.