HUDSON VALLEY JUSTICE CENTER

Dec. 12, 2023

Senate Standing Committee on Cities 2
New York State Senate
Legislative Office Building
Albany, NY 12247

Re: Poverty and Concentrated Poverty in Small and Medium Sized Cities

Greetings,

My name is Jason Mays. I'm the Deputy Director of Hudson Valley Justice Center, a nonprofit provider of free legal services throughout the Hudson Valley. The vast majority of HVJC's work over the last five years has been in eviction defense, and for that reason my comments about poverty and the concentration of poverty relate to that issue.

The main point I want to express is this:

However you go about improving historically impoverished areas, make concerted efforts to *lift the people in the area out of poverty* rather than *lifting the people in poverty out of the area.*

To do this, you must protect tenants in the target regions.

The reason is that tenants are already subject to eviction at an alarming rate.[1] Prior to the pandemic, landlords North of New York City filed one eviction petition for every eight tenant households, on average. In cities like Mount Vernon, Poughkeepsie, and Albany, the rate was one in six.

Without protecting tenants, policies that successfully improve historically impoverished *areas* may just push poor tenants into new concentrations of poverty elsewhere.

This pattern is likely to harm children most. First, because children are disproportionately subject to eviction, and suffer long term negative consequences of eviction. Children under 5 make up 9% of the total population but 12% of the evicted population, and on average one in four black children are at risk of eviction in any given year.[2]

[1] The National Equity Atlas reports that 596,000 New York tenant households are behind in rent, at an average of $3,237, for a total of 1.9 trillion dollars. https://nationalequityatlas.org/rent-debt

[2] https://www.nytimes.com/2023/10/02/upshot/evictions-children-american-renters.html

19 Court Street, Suite 305, White Plains, NY 10601 – Tel: 914-308-3490 – Fax: 914-288-5553
www.hvjc.org

In 2016, Harvard published the results of a "Moving to Opportunity" study[3] which found that children randomly selected to live and attend school in lower-poverty neighborhoods before the age of 13 ended up, as adults, living in better neighborhoods and earning an annual income 31% higher than their peers who remained in high-poverty areas.

When children are evicted from improving neighborhoods because rent rises faster than their parents' wages, the reverse of the "Moving to Opportunity" study occurs. Children move to higher-poverty areas, which directly leads to worse lifetime outcomes for them and their kids.

Homeowners don't face this particular pressure. Improving economies may raise costs and liabilities for tenants, but they raise home and property values for owners.

This raises another problem. If we know that home values and property values generally rise with improving local economies, then anyone with the funds to outbid local residents for property in an improving area can realize passive gains, and can effectively buy an ownership stake in that economy, even if they don't participate in it. Absentee landlords can then siphon substantial wealth from local residents in the form of rent. When investor-landlords are multinational private equity firms, there is no reason to believe this wealth will return as future investment in the local economy.

Propublica has reported on the rise of private equity investors in the housing market,[4] and in 2022, MetLife Investment Management anticipated that these institutions may hold 7.6 million homes, or more than 40% of all single family rentals on the market by 2030.[5] They already use software to collude on rent increases,[6] and may leverage their market share against local residents in other ways.[7]

To protect the poorest residents from perpetual displacement, and to prevent absentee speculation, the state should seek out policies and development strategies that give poor tenants some kind of equity in improving economies.

That is a difficult task, but the following four strategies may help.

1. Give tenants a right to counsel in eviction proceedings, ensuring that tenants can actually assert what limited rights they currently have in court.

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[3] https://scholar.harvard.edu/hendren/publications/effects-exposure-better-neighborhoods-children-new-evidence-moving-opportunity

[4] https://www.propublica.org/article/when-private-equity-becomes-your-landlord

[5] https://www.cnbc.com/2023/02/21/how-wall-street-bought-single-family-homes-and-put-them-up-for-rent.html

[6] https://www.propublica.org/article/realpage-accused-of-collusion-in-new-lawsuit; https://www.propublica.org/article/yieldstar-rent-increase-realpage-rent

[7] Financial assistance and rent vouchers don't address this problem. Rental assistance will help some poor tenants outbid others for existing housing, but it won't necessarily inspire new construction (especially when zoning laws explicitly prevent it), and, when the money goes to foreign landlords, may only send more money out of the local economy.

2. Enact a Good Cause Eviction Law, providing tenants with a right to a lease renewal, and limiting the extent to which absentee international private equity firms can siphon money out of local economies in the form of rent.

3. Invest in limited equity coops, dispersed public housing, and other variations of "social housing," which prevent speculation and absentee ownership, and give poor people a chance to enjoy stable, permanently affordable housing, and a long-term, equity-like stake in a growing local economy.

4. To the extent possible, encourage local governments to include low income and affordable housing units in wealthy school districts.

To fund these programs and projects, the state should increase taxes on those transactions and activities that the wealthiest people engage in, and that can't (or aren't likely) to move to other states. One example is a yearly rental licensing fee. According to the census, there are 3.5 million rental units in New York. A $100-per-unit yearly rental licensing fee would produce $350 million per year for programs helping poor tenants. Other examples are a more progressive mansion tax, increased filing fees on eviction petitions, and a financial transaction tax on Wall Street.

I hope you'll consider these policies or others that might help stabilize the most vulnerable people in those areas you, thankfully, intend to improve.

Sincerely,

Jason Mays

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