Paying the Price for Living in New York

by {ga=cgross}
Monday, October 22, 2007 12:00 AM

It was another $52 worth of groceries for Vann Williams and another four days of food on the table in his East Village apartment. A born and bred New Yorker, Williams, 48, has become accustomed to dealing with ever-rising expenses.

"I have to watch every cent," he said with an armful of groceries outside of the Key Food near his home. "The cost of living has grown tremendously."

Over his nearly three decades in Manhattan, Williams, a gardener for the city's Department of Parks and Recreation, said he has seen his grocery costs nearly double, his utility rates climb and the cost of a subway ride quadruple.

This leaves Williams, like many other New Yorkers, facing tough choices: get a roommate, skip a night out, move to the outer boroughs or to the suburbs. After all, you can't fight inflation.

For many reasons, groceries, utilities and other necessities cost more in New York than elsewhere in the country. And the situation promises to get worse . Consolidated Edison has proposed a 17 percent rate hike for residential customers, the New York Water Board approved a nearly 12 percent water rate increase and is considering upping that another 18 percent, and in December the Metropolitan Transportation Authority is expected to vote on a revenue producing proposal, which almost certainly will mean another fare increase.

Wages Stall as Costs Climb

Some city dwellers, including Mayor Michael Bloomberg, contend New York is more expensive, because it is a better place to live. The earth shattering rents, skyrocketing electricity bills and $2 subway fare are all worth it for the culture, the diversity, the food and the excitement.

It is easy for a billionaire like Bloomberg to feel that way. For other New Yorkers, though, that outlook has become more and more difficult to keep.

While prices and rates continue to rise, some reports find, wages do not keep up. According to the Economic Policy Institute, a liberal policy and research group, median wages in New York State increased just 0.1 percent between 2000 and 2006. By comparison, median wages nationwide grew by 1.2 percent. As wages stall in the New York metropolitan area, prices for consumer goods have risen nearly 21 percent since 2000, according to an analysis by the Fiscal Policy Institute.

To put things into context, a lot of New Yorkers, particularly in Manhattan, have high salaries that buffer them against the steep cost of living. According to data released last week by the Bureau of Labor Statistics, New York County has the highest weekly wage of any large county in the country. (These figures do not factor in the unemployed, self employed, domestic workers and others). While the average national wage in the first quarter of 2007 was $885, Manhattan residents average $2,821 a week, nearly $1,000 more than citizens of the runner up area - Fairfield, Connecticut, with $1,979.

For the middle or low-income New Yorker, the rising cost of living may not be as easy to bear. For instance, the weekly wage was below the national average at $788 in Bronx County, where residents must grapple with the same citywide rate increases as their far more affluent counterparts in Manhattan.

According to a report released by the Fiscal Policy Institute last month, the wage for professional occupations and high-end earners increased steadily from 2000 through 2006 statewide, but those on the lower end of the salary totem pole have seen their earnings stagnate. While some who hold lucrative jobs on Wall Street hardly flinch at the possibility of an

upcoming subway fare increase or Con Ed rate hike, for low income New Yorkers the slightest rise can mean added expenses that they just cannot afford.

"Even now, with the increase they're speaking of, it adds another $10 to $15," said Williams of Con Edison's recent rate proposal.

Gary La Barbera, president of the New York City Central Labor Council , said wages and benefits have not kept pace with the rising cost of living, despite low unemployment records. He calls the current situation "underemployment," as mothers and fathers work two or three jobs to make ends meet.

"Most workers have relatively little to show in wage and income gains," said La Barbera. "Rising costs are clobbering paychecks."

Comparing Urban Areas

The Consumer Price Index â€“ a measure of how much the cost of a "basket" of items, from housing to food, has changed over time â€“ has not shown steep monthly increases for the New York metropolitan area recently. A 20-year view, though shows that prices here often outpace those in the rest of the country.

Data released last week by the Bureau of Labor Statistics reveal the Consumer Price Index grew by 2.4 percent since September 2006 â€“ an increase that shows "relatively little movement" in the past several months . Nationwide, the index increased 2.8 percent from September 2006, due to higher costs for housing, food and, of course, energy.

Since 1987, however, the consumer price index for New York has grown by 90.6 percent, according to the Bureau of Labor Statistics, an increase that is fueled mostly by the rising cost of housing. In other somewhat comparable areas, like Los Angeles, the index increased by 84.5 percent. In Cleveland, the index jumped only 71.8 percent in those two decades. From 2000 through 2006, New York metropolitan consumer prices have risen over 20 percent faster than U.S. costs, according to the Fiscal Policy Institute.

The increases here indicate that housing reigns supreme. Housing in the area jumped 106.4 percent since 1987, while in Chicago it increased 77.2 percent and in Boston 95.4 percent over the same time period.

"New York being a more expensive place to live has been true since Peter Stuyvesant got here," said Lawrence White, a professor at New York University's Leonard N. Stern School of Business. "The heart of what makes that so is that it's all about land. There is a limited amount of Manhattan and everybody wants to be there."

That cost can trickle into other increases for New York consumers. The high rent that businesses pay may translate into a more expensive hamburger or a pricier visit to your primary care physician.

Energy

Like housing, energy is a major factor in the city's cost of living. And, like housing, energy costs reverberate through myriad industries â€“ consider heating your home, buying gas for your car and even the price of clothing.

Electricity prices here have increased 2.4 percent from a year ago, according to the Consumer Price Index. That is a measure of inflation and is unrelated to the rate increase proposed by Con Edison.

"Energy costs are going up across the country," said White. "That means that gasoline prices are going to be affected. That means electricity prices are going to be affected."

According to Con Edison Spokesman Michael Clendenin, the utility simply passes its own increases on to consumers. "You pay what we pay," said Clendenin of purchasing electricity. "The rate increases are not tied to inflation. Rate increases happen because we have to build more, invest more and put more infrastructure on the ground."

Con Edison's most recent rate increase proposal â€“ the utility is seeking a 17 percent increase for residential customers and a 10.7 percent increase for commercial customers to take effect next year â€“ is needed to meet the city's increasing demand as well as make much-needed infrastructure improvements, according to a press release. The average customer, who pays about $70 a month, would have to pay an extra $12. Already, according to some estimates, New Yorkers pay the highest rates in the country.

"You're dealing with infrastructure that is so old and obviously going to wear out soon," said David Blackshire, a musician on the Lower East Side, of the rate increase proposal. "But they really don't give people much back for their money."

Blackshire is not alone in this perception that the utility does not deserve a rate hike. City officials question the utility's ability to consistently provide quality service given its recent history, which includes this summer's steam pipe explosion and last summer's blackout.

State and local officials are gearing up to fight the hike over the next several weeks. Currently,

the proposal is in public hearings before the state's utility regulator â€“ the Public Service Commission. Just last week, the City Council decided to become an active party in the rate debate.

Economoist said there is a good reason that Con Edison charges more than many other utilities. Urban environments are subject to wear and tear at a faster rate than suburban areas, so infrastructure repairs are both more costly and more frequent.

"Our utilities are more expensive because Con Ed has greater expenses in dealing with an urban grid," said White. "Something goes wrong and its takes longer to maintain it and fix it."

Water Rates

When the New York Water Board, part of the city's Department of Environmental Protection , raised rates by 11.5 percent in May, it attributed the hike to increased energy costs and a backlog of unpaid water bills. That increase, the largest in 15 years, added approximately $72 to the average annual water bill â€“ now estimated at nearly $700 for residential customers.

And now, the board is reportedly thinking about hiking rates again. Because so many corporations and residents have failed to pay their bills , the agency could be short $200 million by the end of this year. To make up for the loss, it is eyeing an additional 18 percent increase .

The water board, established in the 1980s, has long had a so-called delinquent billing system, critics say. Because it was seen as unfair to shut off residents' faucet when their landlord did not pay the water bill, the department continued to provide water without compensation. Although the department is now warning companies and residences that it could cut off service, according to some estimates, that may not be enough to avoid a budget shortfall . Several city officials, including Queens City Council members James Gennaro and David Weprin, are

urging the department
to fix its broken billing system and redirect its funding toward water and sewer projects.

The board is expected to monitor bills this month, and then meet in November to determine whether another hike is needed. Any increase could come as soon as January.

Subway Fares

In addition to water and electricity rate hikes, New Yorkers should also brace for an increase in public transportation fares. To address a looming budget deficit, the Metropolitan Transportation Authority is considering two proposals that would boost fares. One proposal boosts fares, while incorporating discounts for travel at off-peak hours. Both proposals consider a standard fare increase of 25 cents. New Yorkers who rely on the subway to get to and from work every day could see their monthly unlimited pass increase by 8 percent.

While any proposed fare hike attracts opposition , some economists argue that public transportation is relatively cheap in New York City.

"One thing that's potentially cheaper is transportation," said Nicole Gelinas, a senior fellow at the Manhattan Institute. "The price for a subway ride has historically not kept up with inflation."

According to the Bureau of Labor Statistics, the New York metropolitan area's transportation costs have increased by 72 percent since 1987. Cleveland, for example, has seen an 81.4 percent increase.

Groceries and Restaurants

The cost of living is also on the rise, according to the Consumer Price Index, because of rising food costs. Nationwide, dairy prices have increased 13.1 percent in the last year. Prices for groceries have increased 4.7 percent in the past year, while food purchased in restaurants has gone up 4.1 percent.

The Bureau of Labor Statistics does not keep regional or area food costs. And while there could be slight variation from area to area, for the most part food prices in this area remain equivalent to those nationwide, according to Martin Kohli of the bureau's New York office.

This most recent increase, Kohli said, is due to a higher demand for corn and wheat products as a source of energy for ethanol as well as for food. Whether this trend will persist, he added, remains to be seen. Other food price increases could be attributed to higher trucking costs, which brings us back to the cost of energy, he said.

Economists agreed that the slight variation that can arise in food prices here compared to the rest of the country might also end up going back to the cost of housing.

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What Can Be Done

While city government is limited in what it can do to stave off rising costs for New Yorkers, economists and advocates point to several areas where it could help keep prices down.

Advocates like Tracy Shelton, a consumer attorney with the New York Public Interest Research Group, say better government regulation and oversight can reign in costs such as water and electricity rates. Overseeing utility companies should be a high priority, she added.

"They need to be looked at very, very carefully - if they are going to offer people life and death services - so the infrastructure doesn't age out to the point where we have horrible blackouts in the middle of heat waves," said Shelton of utility service providers.

Gelinas of the Manhattan Institute said officials should not have a "knee-jerk" reaction to the construction of more power plants in the area, which would ultimately drive down costs and better supply the region. More regulations, she added, will not necessarily create lower costs.

Although some residents, including Williams, have considered leaving the city for more affordable pastures, the Big Apple will continue to draw people in, ironically, for the very reasons that make it an expensive place to live.

"If I do have to go," said Williams, "I'd hate to leave."

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