Housing New York
Mandatory Inclusionary Housing

City Planning Commission
Review Session
September 21, 2015
Foundations of the Policy

• Neighborhoods affect economic opportunity and quality of life by providing not just a location for housing, but a “package” of services and amenities.

• Economically diverse neighborhoods support the city’s growth and vitality.

• As a result of population and economic trends, fewer neighborhoods provide a substantial supply of housing affordable to low- and moderate-income households.

• Sustaining high levels of housing production is important, but this alone will not meet needs at a range of income levels, and would not encourage economic diversity at a neighborhood level.

• Together with other housing initiatives, Mandatory Inclusionary Housing can address these needs.
Goals of Mandatory Inclusionary Housing

Promote vibrant, diverse neighborhoods:
Economically diverse, thriving neighborhoods are key to the City’s quality of life, distinctive character, and competitiveness

Ensure affordable housing in areas where we plan for growth:
Land use actions to allow more development in areas with infrastructure, job and educational opportunities, and other amenities should also provide affordable housing

Serve a range of incomes:
These land use actions must provide housing that meets the needs of communities, including low- and moderate-income households
Key Considerations

Adhere to sound principles of land use planning and zoning
• Program is based on the achievement of an important planning objective – neighborhood economic diversity
• Comports with Fifth Amendment’s prohibition on “takings”
• Program would be applied consistently to relevant land use actions

Requirements must be financially feasible
• Support, not stifle, development in areas planned for growth
• Must allow a reasonable return on development across a variety of neighborhoods and market types
• Must be evidence-based
Financial Feasibility Assessment: Conclusions

BAE Urban Economics, an experienced affordable housing consultant, conducted an analysis for the City, and found that:

• There is a tradeoff between the percentage of affordable housing and reaching lower income levels
• Strongest housing markets can generally support a requirement for 20-30% affordable housing
• Mid-markets do not support this without direct subsidy, unless moderate incomes are targeted
• In weakest markets, direct subsidy is needed (with or without MIH)
Principles for MIH Program Design

• Promote neighborhood economic diversity

• Ensure feasibility for a range of neighborhoods and housing types to support continued housing production

• Partner with communities, local electeds, and City Council to prioritize neighborhood housing needs

• Use subsidy strategically and efficiently
Proposed Requirements

For each rezoning, the City Planning Commission and City Council can apply:

**Option 1: 25 percent** of housing at an average of 60% AMI

**Option 2: 30 percent** of housing at an average of 80% AMI

*Plus, in limited emerging or mid-market areas, an additional option may be added:*

**Workforce option: 30 percent** at an average of 120% AMI (without direct subsidy)

*Not available in Manhattan CDs 1-8*

<table>
<thead>
<tr>
<th>AMI</th>
<th>Income*</th>
<th>Sample Occupation</th>
<th>Affordable Monthly Rent for 2BR*</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
<td>$31,080</td>
<td>Security Guard</td>
<td>$775</td>
</tr>
<tr>
<td>60%</td>
<td>$46,620</td>
<td>Paramedic</td>
<td>$1,150</td>
</tr>
<tr>
<td>80%</td>
<td>$62,150</td>
<td>School bus driver + home health aide</td>
<td>$1,550</td>
</tr>
<tr>
<td>100%</td>
<td>$77,700</td>
<td>Teacher + retail salesperson</td>
<td>$1,950</td>
</tr>
<tr>
<td>120%</td>
<td>$93,240</td>
<td>Firefighter + server</td>
<td>$2,350</td>
</tr>
</tbody>
</table>

* For a household of three people
Key Features of Proposed Program

Other requirements

- Required units would be new, permanently affordable units
- Applies to developments, enlargements, or conversions > 10 units

Locations of affordable units

- On-site, **same building** as market-rate units, spread on at least half of the building’s stories, with a common street entrance and lobby
- On-site, **separate building**, completely independent from the ground to the sky; would not stigmatize residents of affordable units
- Off-site, **different zoning lot** located within the same Community District or within ½ mile

Other considerations

- Payment-in-lieu option for buildings of between 11 and 25 units
- Requirements could be reduced or waived through BSA where they would make development infeasible (legal requirement for hardship relief)
## Proposed Program Would Be the Most Rigorous of Any Major U.S. City

<table>
<thead>
<tr>
<th></th>
<th>Boston</th>
<th>Chicago</th>
<th>District of Columbia</th>
<th>Denver</th>
<th>Los Angeles</th>
<th>San Francisco</th>
<th>Seattle</th>
<th>NYC Existing Voluntary program</th>
<th>Proposed mandatory program</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Type</strong></td>
<td>Voluntary</td>
<td>Voluntary</td>
<td>Mandatory</td>
<td>Both</td>
<td>Mandatory</td>
<td>Mandatory</td>
<td>Voluntary</td>
<td>Voluntary</td>
<td>Mandatory</td>
</tr>
<tr>
<td><strong>Duration of Affordability</strong></td>
<td>50 years</td>
<td>30 or 99 years</td>
<td>Permanent</td>
<td>15 years</td>
<td>30 years or life</td>
<td>Permanent</td>
<td>50 years</td>
<td>Permanent</td>
<td>Permanent</td>
</tr>
<tr>
<td><strong>Set Aside (%)</strong></td>
<td>15%</td>
<td>10%</td>
<td>Varies</td>
<td>10%</td>
<td>15%</td>
<td>12% onsite 20% offsite</td>
<td>5%*</td>
<td>4-5% (R10)</td>
<td>25 to 30%</td>
</tr>
<tr>
<td><strong>Income Targets (AMI)</strong></td>
<td>&lt;70 to 100%</td>
<td>≤60 to 100%</td>
<td>&lt;50 to 80%</td>
<td>50 to 80%</td>
<td>30 to 80%</td>
<td>≤55 to 90%</td>
<td>80 to 100%</td>
<td>&lt; 80%</td>
<td>Average of 60% or 80%; limited workforce option at 120%</td>
</tr>
</tbody>
</table>

* Changes to program underway

Source: BAE Urban Economics, DCP
MIH Is One of Many Tools That Work Together

• Strategic use of subsidy programs can reach incomes as low as 30% AMI

• Reform of State 421-a tax exemption program will require affordable housing in every rental building receiving benefits
  • More affordable housing
  • Broader range of incomes
  • No benefits for luxury condos

• Zoning for Quality and Affordability will promote senior and affordable housing, aid efficient use of housing subsidies and promote better buildings
Process for Establishing and Applying MIH

Zoning Text Amendments to Establish the MIH Program

- Public review concurrent with Zoning for Quality and Affordability proposal

Application of Mandatory Affordable Housing in Neighborhoods

- For public and private applications to the City Planning Commission that encourage substantial new housing – each with its own full public review
  - City-initiated rezonings – e.g., East New York
  - Private applications for zoning map changes
  - Private applications for special permits that create substantial new residential density