

Housing New York

How to Achieve Affordability in Urban Centers

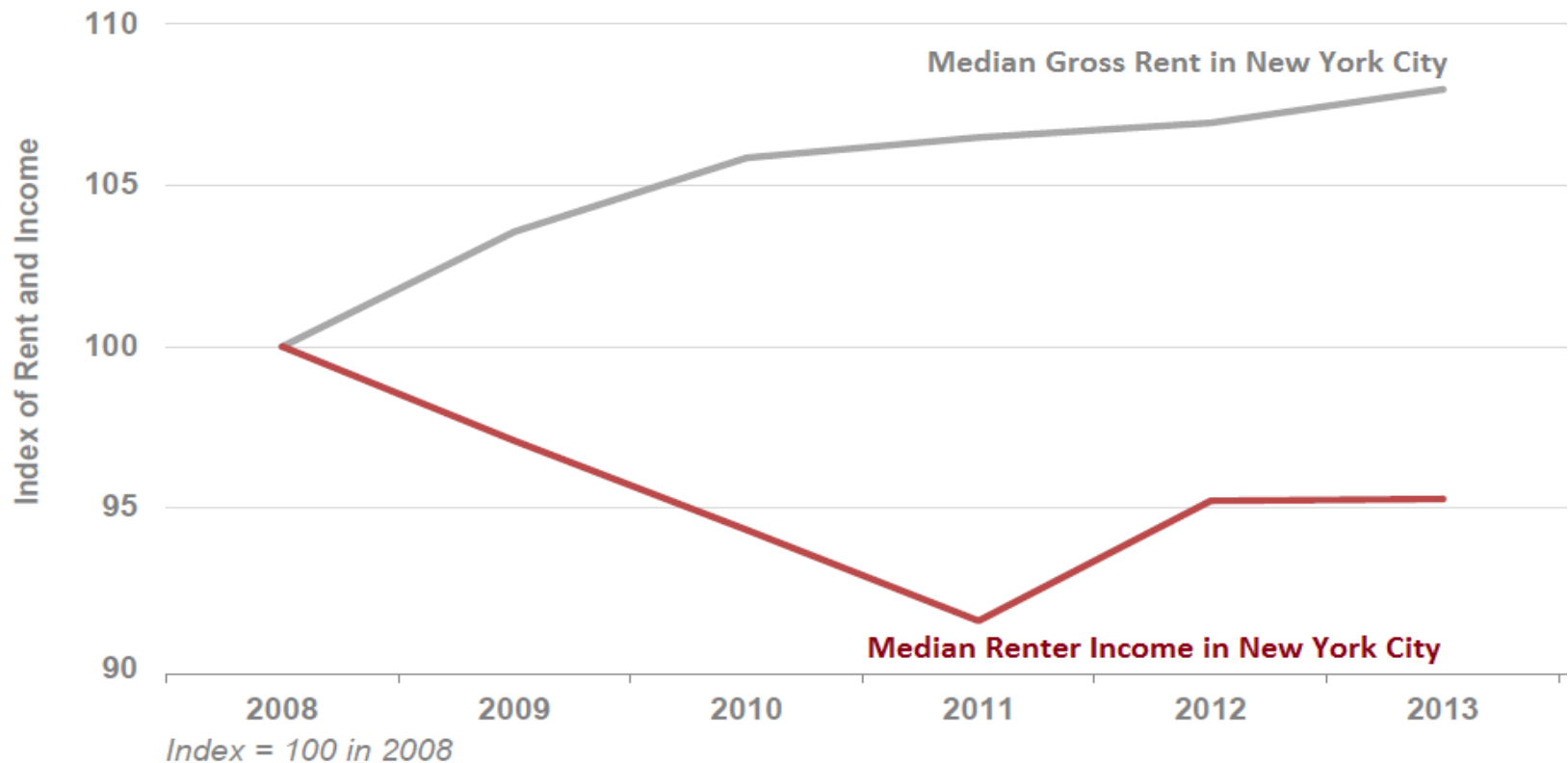
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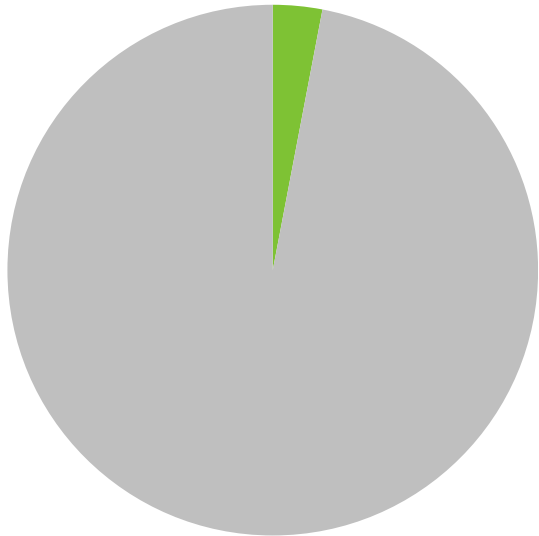
Cities Face a Common Challenge: ↑ Desirability = ↓ Affordability

- For the first time since the 1920s, American cities are growing faster than their suburban counterparts...
- ...But the pattern of declining incomes and rising rents underscores the need for greater affordability in urban cores



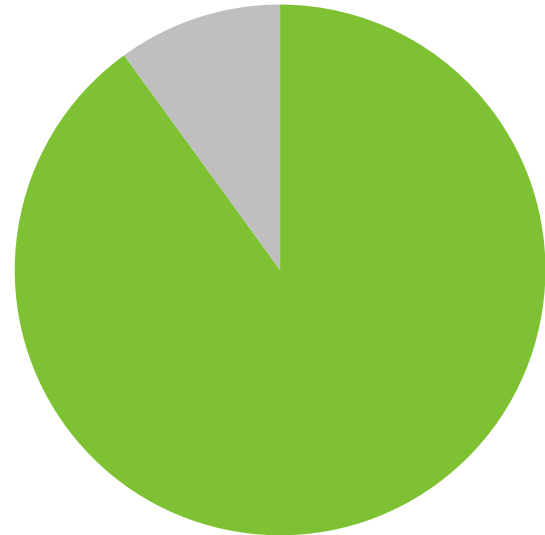
Achieving Affordability

- We cannot control many factors that impact affordability: federal government, interest rates, global labor markets, etc...
- ...But we can approach land-use and development regulations more creatively to build on the success of our cities



3% of the land in the U.S.
(Metropolitan Areas)

=



90% of the GDP
86.2% of the jobs in the U.S.

Size Matters


- Reducing unit sizes by 25% could decrease total development costs per unit by 15% and increase NOI to allow deeper affordability

Value	Standard Size Unit	Reduced Size Unit	% Change
Avg Unit Size	720 SF	540 SF	(25%)
Residential SF	72,000 SF	72,000 SF	0%
# of Units	100	130	30%
Rent / Unit / Year	\$32,400	\$32,400	0%
Residential Income	\$3,078,000	\$4,001,400	30%
Add'l Income / Unit	NA	\$592	23%
Avg Monthly Rent	\$2,565	\$1,973	(23%)
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Total Cost PSF	\$485	\$534	10%
Total Cost 90K BSF	\$43,650,000	\$48,015,000	10%
Total Cost / Unit	\$436,500	\$369,346	(15%)

More Density, Less Parking

- Fewer parking requirements could substantially reduce development costs and allow deeper affordability and/or require less subsidy
 - Most outer-borough and upper Manhattan areas still require developers to build roughly one off-street parking space for every two housing units
 - Cost is passed onto renters, adding \$100-\$300 to monthly rent
 - New York City has proposed eliminating parking requirements within a half mile of transit as part of a recent zoning text amendment

Hypothetical Project	WITH Parking	NO Parking
# of Housing Units	100 units	100 units
Off-Street Parking Spaces	50 spaces	0 spaces
Cost of Parking (\$50K / Space)	\$2,000,000	\$ -
Monthly Debt Service	\$143,750	\$134,250
Annual Rent / SF for 1.2x DSCR	\$32,400	\$30,960
Monthly Rent Equivalent	\$2,700	\$2,580



Location Affordability

- **Affordability encompasses more than just housing**
 - When transportation costs are considered, NYC, which has the lowest annual transportation costs than its peer group, is relatively affordable

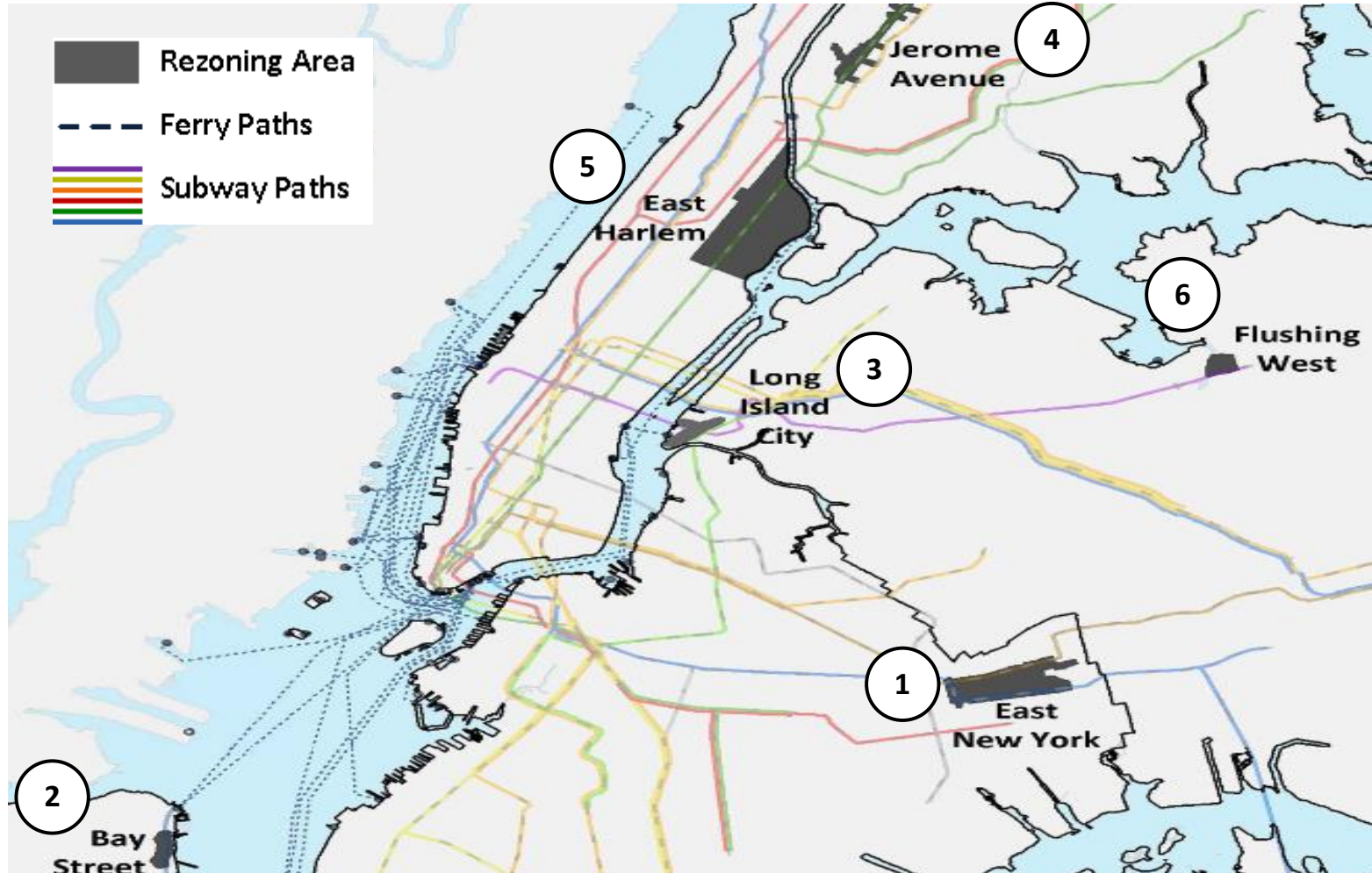
	City	Annual Rent *	Annual / Monthly Transport Cost	Annual Total	Monthly Total	% of Income
1.	Washington DC	\$16,200	\$8,300 / \$692	\$24,500	\$2,042	29%
2.	San Francisco	\$17,000	\$6,787 / \$566	\$23,787	\$1,982	31%
3.	New York City	\$14,700	\$5,725 / \$477	\$20,425	\$1,702	32%
4.	Philadelphia	\$13,200	\$6,083 / \$507	\$19,283	\$1,607	33%
5.	Chicago	\$13,200	\$7,500 / \$625	\$20,700	\$1,725	33%
6.	Seattle	\$13,600	\$8,200 / \$683	\$21,800	\$1,817	34%
7.	Boston	\$16,000	\$7,500 / \$625	\$23,500	\$1,958	35%
8.	San Jose	\$18,120	\$11,217 / \$935	\$29,337	\$2,445	35%
9.	Dallas	\$11,500	\$8,900 / \$742	\$20,400	\$1,700	36%
10.	Houston	\$11,000	\$9,100 / \$758	\$20,100	\$1,675	37%

* Annual rent for a 2.7-person household.

Source: http://www.cbcny.org/sites/default/files/REPORT_HousingAffordabilityVsLocation_08122014.pdf . Numbers are rounded.

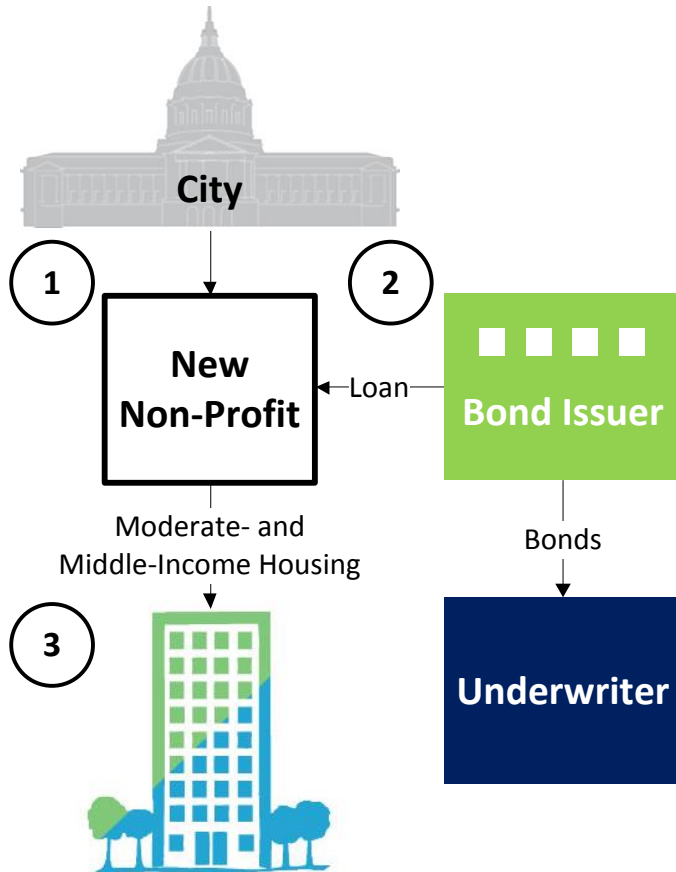
Location Affordability, Continued

- To support location affordability, NYC announced rezonings around major transportation hubs in six neighborhoods planned for growth



New Financing Model for Middle-Income Housing

- We can provide more middle-income housing with less subsidy**



- 1 A tax-exempt vehicle could be established to finance affordable housing using 501(c)(3) bonds
- 2 A bond issuer (e.g. HDC) would issue 501(c)(3) bonds to provide tax-exempt financing to the new non-profit
- 3 The non-profit owner would apply proceeds to finance moderate- and middle-income housing

- Use of 501(c)(3) bonds would preserve private activity volume cap for low-income projects while reducing subsidy for middle-income projects**

New Financing Model for Middle-Income Housing, Continued

- **Hypothetical 90,000 SF 100-Unit Development (72,000 Residential SF)**
 - In a traditional interest rate environment, tax-exempt financing alone (without tax credits) is worth over \$550 per month in rent
 - When combined with free land, development in NYC is feasible at rents of \$2,000 - \$2,500 without subsidy

Summary	Taxable Rate	Tax-Exempt Rate	Tax-Exempt Rate & Free Land
Acquisition Cost	\$12,600,000	\$12,600,000	\$ -
Construction Costs	\$31,050,000	\$31,050,000	\$31,050,000
Total Development Cost	\$43,650,000	\$43,650,000	\$31,050,000
Monthly DS: 100% LTC	\$241,070	\$193,600	\$137,720
Annual Rent/SF for 1.2x DSCR	\$65	\$56	\$44
Monthly Rent	\$3,900	\$3,330	\$2,660
Monthly DS: 60% LTC	\$144,620	\$116,150	\$82,620
Annual Rent/SF for 1.2x DSCR	\$46	\$40	\$33
Monthly Rent	\$2,740	\$2,400	\$2,000

Expanding the Tent

- **With no easy solutions to housing affordability, collaboration between government and the private sector is essential**

