

# MANDATORY INCLUSIONARY ZONING

ENSURING AFFORDABILITY IS A PART NEW YORK CITY'S FUTURE

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## HOW MANY UNITS COULD BE CREATED UNDER MANDATORY INCLUSIONARY ZONING?

Our city cannot simply build its way out of our affordability crisis. **In the past twelve years, over 180,000 new market-rate housing units were built, creating almost \$8 billion in new wealth for real estate developers.** Much of this new development happened in the nearly 40% of the city that was rezoned. Additional density was given away to real-estate developers, who were then able to build more market-rate apartments while the city asked for little to nothing in return. Under this current, voluntary inclusionary zoning policy this market-rate development – all catalyzed by government action - leveraged only a scant 2,800 new affordable units.

New analysis by ANHD shows that a new, mandatory inclusionary zoning policy currently being considered by the de Blasio Administration can have a significant impact on the affordable housing crisis. **Up to 32,000 affordable apartments can be created through City land-use regulations requiring that affordable housing be included in new market-rate development.** But to have this impact, the new policy must take a broad new approach to zoning for affordable housing.

The market-rate development that has taken place across New York City has only served the very high-end of the market. The average monthly rent for a 2-bedroom market-rate apartment in Manhattan in the 1st Quarter of 2014 was \$5,133, meaning a family would have to make over \$200,000 dollars a year to afford it. And the situation wasn't much better in Brooklyn, where the average 2-bedroom market-rate apartment rented for \$3,523 – well over what people making twice the median income in New York can afford, and unaffordable to over 85% of New York City households.

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The real estate industry, supported by past City policy, has taken the position that unrestricted market-rate development helps our affordability crisis, claiming that all of the new luxury units take pressure off the market as a whole. But the recent years of heavy growth of market-rate housing and the worsening of our affordability crisis has proven this argument wrong. In fact, this growth in market-rate development may even make the affordability problem worse. **The new, high-end units that flood the market raise rents in the surrounding community and increase displacement pressures for the entire neighborhood.** The real estate industry cry of "Just let us build!" just doesn't work; even with all the building of the past twelve years the rent burden on the average New York rose from 29% of household income to 34% of household income.

To meet the housing needs of New Yorkers and truly address the housing crisis, we need a new paradigm: **creating affordable housing can't be limited to just a few areas, a few rezonings, a few special development projects, but must be across the entire City.**

A new ANHD analysis using NYC's Primary Land Use Tax Lot Output (PLUTO) data has examined new residential development since 2002, including in newly rezoned areas and designated inclusionary housing zones, to see how many units various mandatory inclusionary zoning policies might generate over the next 10 years. ANHD's analysis assumes that the average pace of new residential development across the city will approximate the average pace over the past 10 years.

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This analysis shows a wide range of possibilities:

**MODEL #1 – UP TO 6,500 UNITS:** The ineffective voluntary inclusionary zoning policy that has been in place in New York City since 2005 only pertains to limited areas within certain rezonings, which greatly diminishes the policy's effectiveness. If the new policy were based on this model, with the only change being to simply convert the voluntary designation to a mandatory designation in new upzonings going forward, very few new affordable units would be produced. ANHD estimates that between 2,100 and 6,500 units of affordable housing could be produced under this type of program over the next ten years.

**MODEL #2 – UP TO 12,600 UNITS:** Another model would be to apply a mandatory inclusionary overlay to all medium- and high-density residential units within future rezonings, instead of just limiting them to the designated areas. This would result in a slightly higher unit production. ANHD estimates that between 5,200 and 12,600 units of affordable housing could be produced under this type of program over the next ten years.

**MODEL #3 – UP TO 32,000 UNITS:** The City saw over 180,000 new units of housing built between 2002 and 2013. Of these, approximately 101,000 units were in medium- and high-density residential districts zoned R6 to R10, excluding zone R6B, according to ANHD's analysis of 2013 NYC PLUTO data. A Mandatory Inclusionary Zoning policy applied citywide could produce up to 32,000 affordable housing units, depending on the share of units set aside as affordable.

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Since 2005, **we have produced a mere 2,800 units of affordable housing for local communities through the voluntary inclusionary zoning program.** That \$8 billion in wealth created from new development comes not just from the value created by the new construction by developers, but also from the city and the taxpayers, in the form of infrastructure improvements, tax and development incentives, and countless city policies, actions and investments that have made this a safe, attractive, and lucrative city to develop and do business in. **The 2,800 affordable units the City got in return is simply not a reasonable balance between the wealth created for private developers and the public benefit needed by our communities.**

For this reason, ANHD and the citywide coalition, Communities for Mandatory Inclusionary Zoning, believe that Mayor de Blasio should start a new era in New York City housing – an era that takes some of the enormous value generated by the city's willingness to let developers build tall and dense, and shifts it to benefit the average New Yorker, instead of just benefiting the real estate industry.

**A Mandatory Inclusionary Zoning policy should create a legally binding commitment for the production of affordable housing, and require all medium- and high-density residential developments to set aside a share of units that are affordable for low- and moderate-income households.** And these affordable housing units should be required in all areas, citywide, regardless of past, current, or future rezonings or land use actions. And crucially, these units, like those under the current voluntary program, would be permanently affordable instead of having an expiration date, and would not transition to market-rate housing after a few decades.

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There are a number of specific details that must be considered as a part of developing a robust Mandatory Inclusionary Zoning policy. However, in order to develop a proper plan of action for NYC, we must first **begin with a foundation for the policy, within a framework of an equitable city where City growth benefits all New Yorkers.** In suggesting this new vision, ANHD and the Coalition are drawing on the best practices and experiences from the many cities around the country that currently have strong inclusionary zoning policies. **Other cities have shown us that mandatory inclusionary zoning is an effective and legal tool in in the progressive housing policy toolkit** – now it's time for New York to put its own program in place. We've led the way so often. Now it's time to lead the way once again, on affordability.