

MANDATORY INCLUSIONARY ZONING

ENSURING AFFORDABILITY IS A PART NEW YORK CITY'S FUTURE

INCLUSIONARY ZONING LOST OPPORTUNITIES FOR AFFORDABLE HOUSING

Inclusionary Zoning has been at the center of the New York City's affordable housing conversations over the past year. Mandatory Inclusionary Zoning can and should be a part of New York City's housing policy agenda and a central tool in the affordable housing toolkit for the future. It will not solve the City's affordable housing crisis, and it is one piece of a broader City agenda for more equitable housing development framework for the City going forward. However, Mandatory Inclusionary Zoning presents an opportunity to fundamentally reshape the City's approach to housing policy. Instead of new city development and growth as separate and distinct from affordable housing development and preservation; it would integrate these so that future City growth must happen with affordable housing.

New York City cannot simply build its way out of our affordability crisis. Neighborhoods throughout the City have seen enormous amounts of new residential development. In the past twelve years, over 180,000 new market-rate housing units were built, valuing an estimated \$8 billion in wealth for real estate developers. And yet this has had no effect on our affordability crisis. Rents increased 53 percent in New York City from 2002 to 2011, easily outpacing inflation.

And for those who still think more market-rate housing will solve our affordability crisis, take a look at Manhattan: It saw over 100,000 more market-rate housing units come on line, more than half of the total new residential units for all of New York City. And yet it was the borough that saw the greatest increase in rents - 80% from 2002 to 2011. The average monthly rent for a 2-bedroom market-rate apartment in Manhattan is now an astonishing \$5,133, up from \$2,851 in 2002. A family would have to make over \$200,000 dollars a year to afford the average new residential unit in Manhattan. And the situation isn'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.

We understand now that our greatest resource - the ability to build new residential units on New York's limited land - needs to be tied to binding affordability restrictions if in order to be an effective affordable housing policy. In the past, additional density was given away to real-estate

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developers, who were then able to build more market-rate apartments, priced well beyond the reach of average New Yorkers, while the city asked for little to nothing in return. Under the City's current, voluntary inclusionary zoning policy this market-rate development - all catalyzed by government action - leveraged only a scant 2,800 new affordable units. The City needs a new approach.

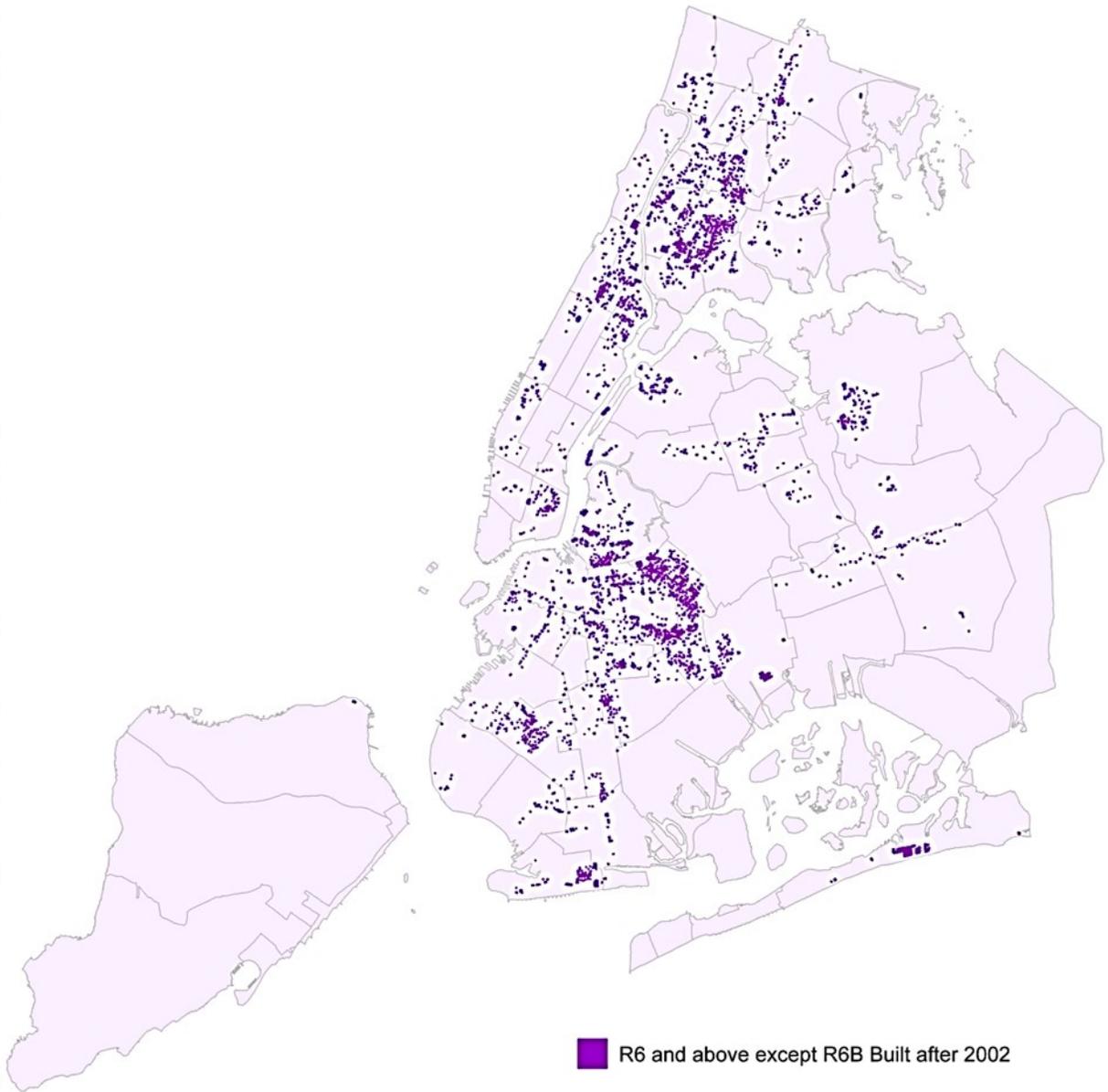
ANHD's analysis shows that a new, Mandatory Inclusionary Zoning policy currently being considered by the de Blasio Administration can have a significant impact on the affordable housing crisis. The City saw over 180,000 new units of housing built between 2002 and 2013. Of these, approximately 101,000 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. But to have this impact, the new policy must take a broad new approach to zoning for affordable housing.

ANHD has completed an in depth analysis of what our neighborhoods could have looked like, had we instituted an across-the-board, Mandatory Inclusionary Zoning policy in 2002 and set aside just 20 percent of all medium - and high-density construction (R6 excluding R6B) as affordable.

ANHD used NYC's Primary Land Use Tax Lot Output (PLUTO) 2013 data set provided by the Department of City Planning. PLUTO data provides extensive land-use, geographic, and tax information collected from a variety of NYC agencies on every tax lot (land parcel) in the City. ANHD analyzed all City tax lots with zoning codes R6 and greater, but excluded those lots zoned as R6B which is a lower building density typically found in one to ten unit walk up buildings. This allowed us to examine the more than 135,200 moderate to large sized residential land parcel. Of these moderate to large sized residential land parcels, an estimated 16,200 parcels have undergone new construction since 2002. The map below illustrates the 16,200 land parcels in the City that are zoned R6 and above, excluding R6B, and were built after 2002.

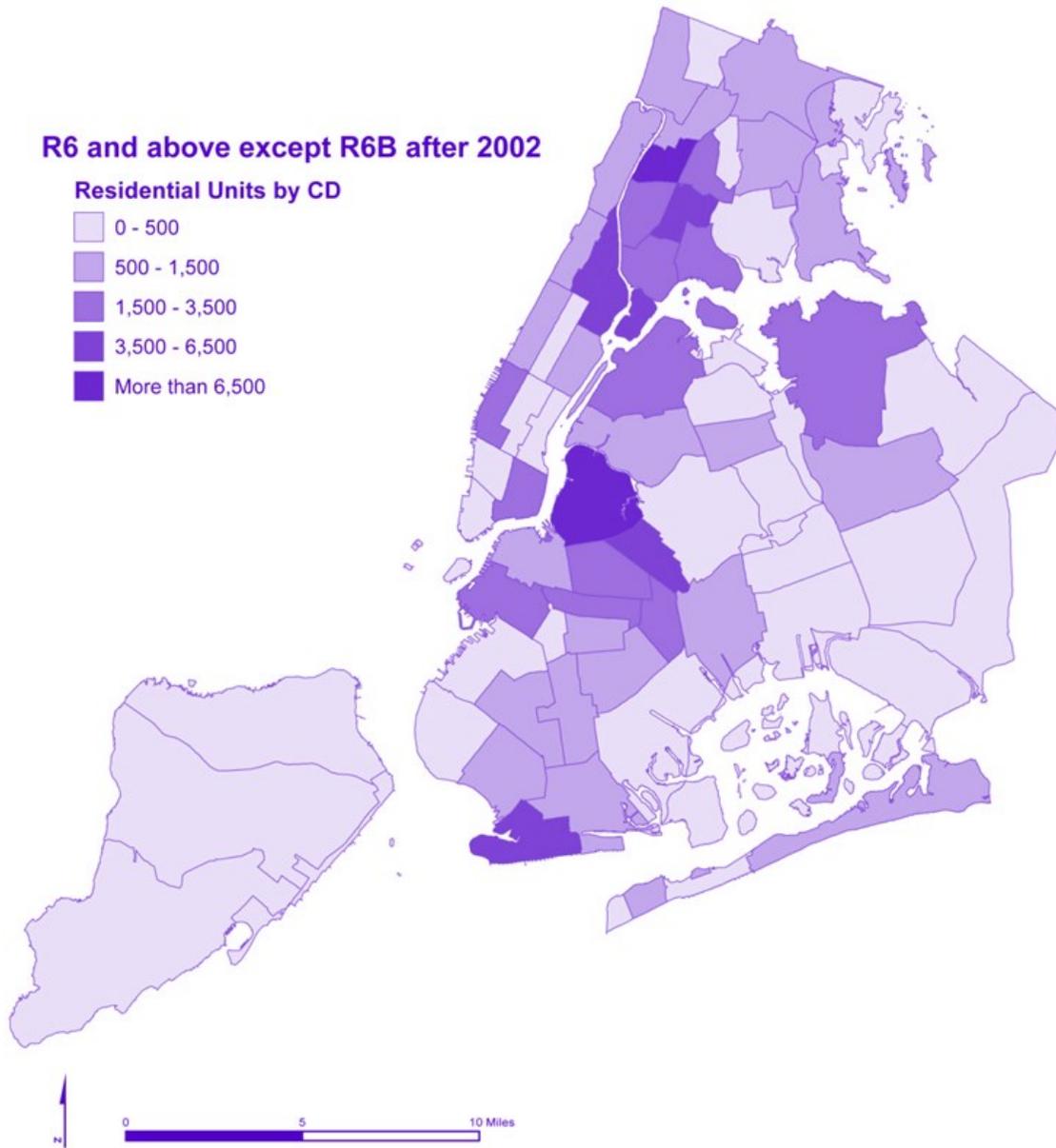
MANDATORY INCLUSIONARY ZONING

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The impact of the lost opportunities without a Mandatory Inclusionary Zoning policy are most pronounced in many of the neighborhoods where gentrification pressures and rising rents are the worst. Central Harlem, East Harlem, Williamsburg, and Bushwick all saw higher than average rent increases since 2002, and are the neighborhoods that would have benefited the most from a mandatory IZ Policy, with most missing over 1,000 units of additional affordable housing.

Lost Opportunities for Affordable Housing - Top 5 Neighborhoods

	Potential affordable IZ units unbuilt, 2002-2013*	Percent Increase in rent, 2002-2011**
Williamsburg/Greenpoint:	1,308***	102%
Central Harlem:	1,058	77%
East Harlem:	1,027	71%
Morrisania/Melrose:	1,001	69%
Bushwick:	836	63%

*Source – 2013 NYC Department of City Planning PLUTO Data, 20% of total units built in R6 and above excluding R6B since 2002
**Source – 2002 and 2011 Housing and Vacancy Survey, % increase in Median Gross Rent
***Includes approximately 700 units created under the Voluntary IZ program.

The following maps illustrate the number of affordable units that could have been created if the City had a Mandatory Inclusionary Zoning policy in place in 2002 that would have set aside at 20 percent of all new medium- and high-density new residential development as affordable housing.

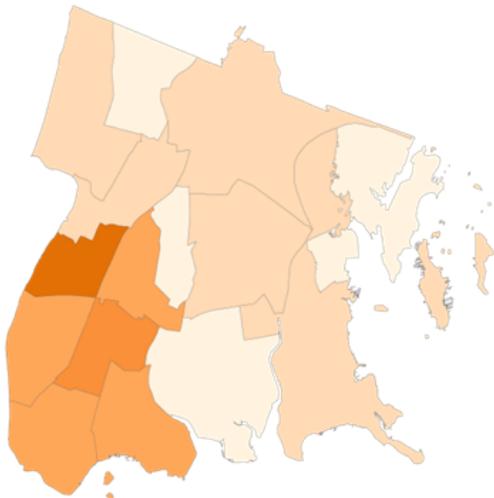
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Lost Opportunities by Community Board

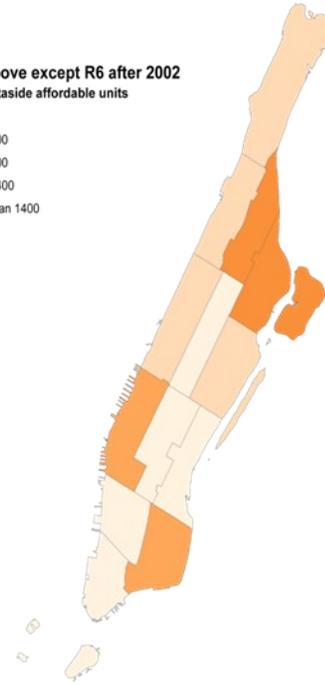
R6 and above except R6 after 2002

Lost IZ setaside affordable units



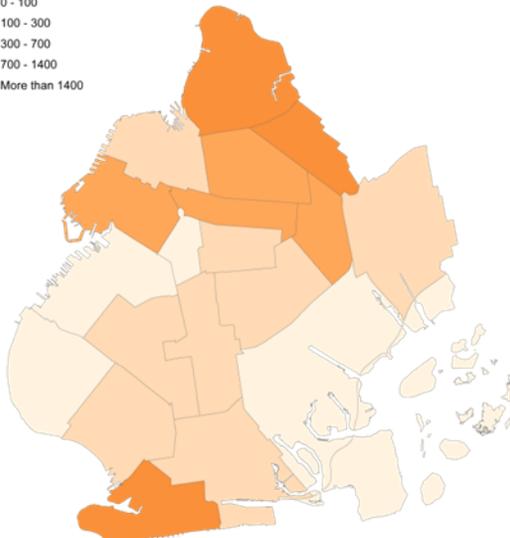
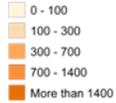
R6 and above except R6 after 2002

Lost IZ setaside affordable units



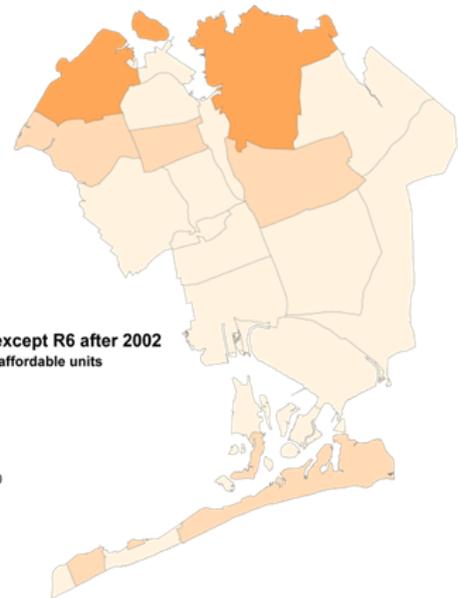
R6 and above except R6 after 2002

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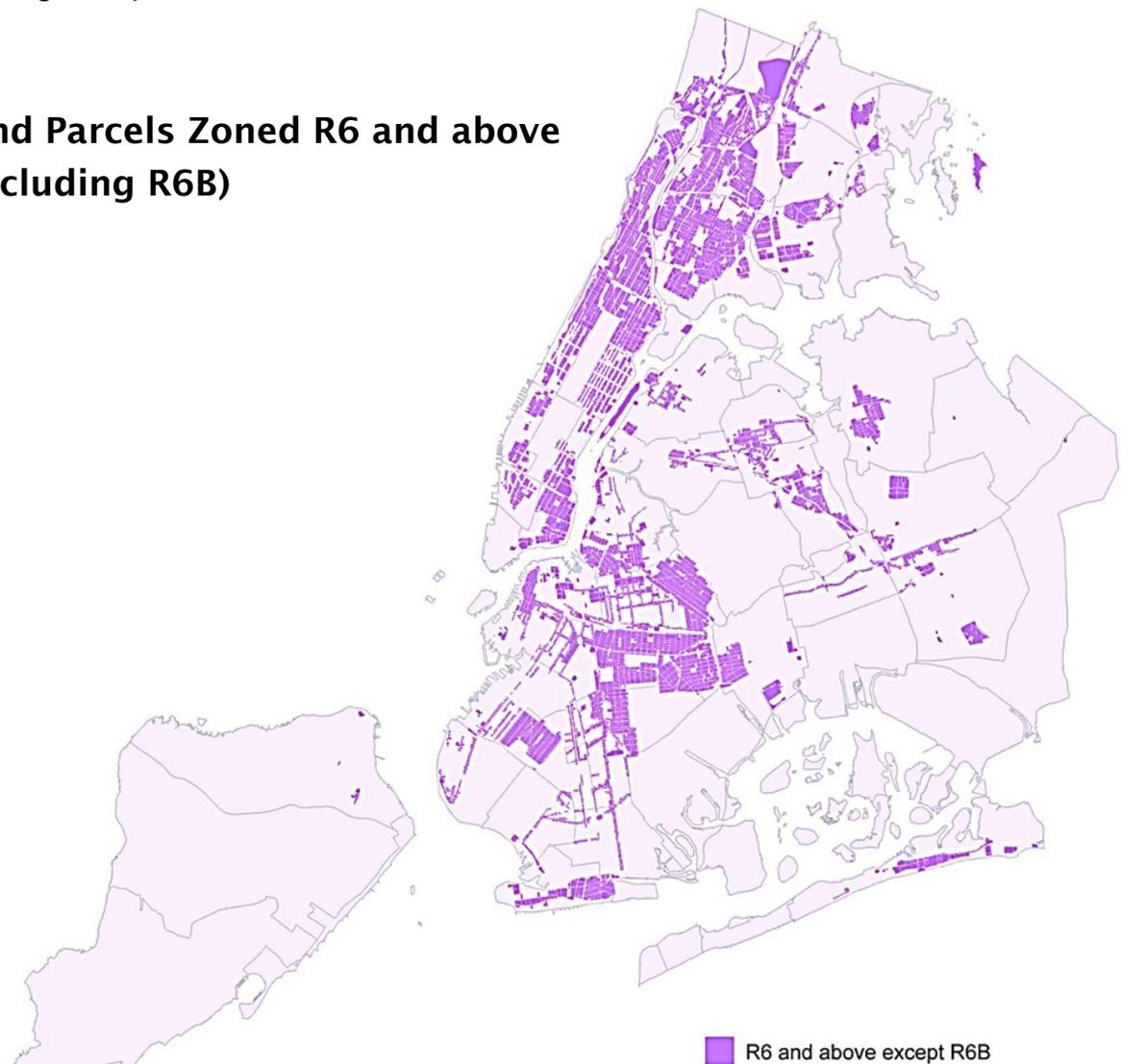


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Fortunately, we have a chance to take a new direction, and start building what New Yorkers truly need. Many of the areas where current and future development is likely to occur, and rent pressures and gentrification likely to increase, is on land already zoned for medium- and high-density development. While we've lost some opportunities, we still have more – not only in areas like Upper Manhattan and North Brooklyn, but also in areas like Crown Heights, Prospect-Lefferts Gardens, Far Rockaway, as well as most of Manhattan and Bronx. The map below illustrates all land areas in the City currently zoned R6 and above, excluding R6B. It illustrates all the areas that currently would be included under a medium- and high- density inclusionary zoning policy without any rezoning or city land use actions.

Land Parcels Zoned R6 and above (excluding R6B)



■ R6 and above except R6B

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And the City can do much better than simply requiring 20% affordable housing. Construction in medium- and high-density areas since 2002 is valued at approximately \$8 billion dollars in wealth - in exchange for a mere 2,800 units of affordable housing for local communities through the voluntary inclusionary zoning program. That \$8 billion in wealth 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.

Indeed, New York City is now considered one of the safest and most attractive cities to invest in real estate on earth. Landowners and the real estate industry can still turn significant profits with a strong inclusionary zoning policy - in fact, the neighborhoods that have seen the most wealth creation have also seen the above average rent increases and gentrification pressures. It's these kinds of neighborhoods that can support mixed-income housing featuring a robust affordable component and still be good deals for developers- and these kinds of neighborhoods where we need to create and preserve more housing affordable for people in the community.

Assessed Real Estate Value - Top 5 Neighborhoods

	Assessed Total Value, 2002-2013*	Percent Increase in rent, 2002-2011**
East Harlem:	\$450,484,616	71%
Central Harlem:	\$435,773,777	77%
Upper West Side:	\$343,100,465	96%
Williamsburg/Greenpoint:	\$335,567,956	101%
Upper East Side:	\$312,226.927	50%

**Source – 2013 NYC Department of City Planning PLUTO Data, built in R6 and above excluding R6B since 2002*
***Source – 2002 and 2011 Housing and Vacancy Survey, %increase in Median Gross Rent*

MANDATORY INCLUSIONARY ZONING

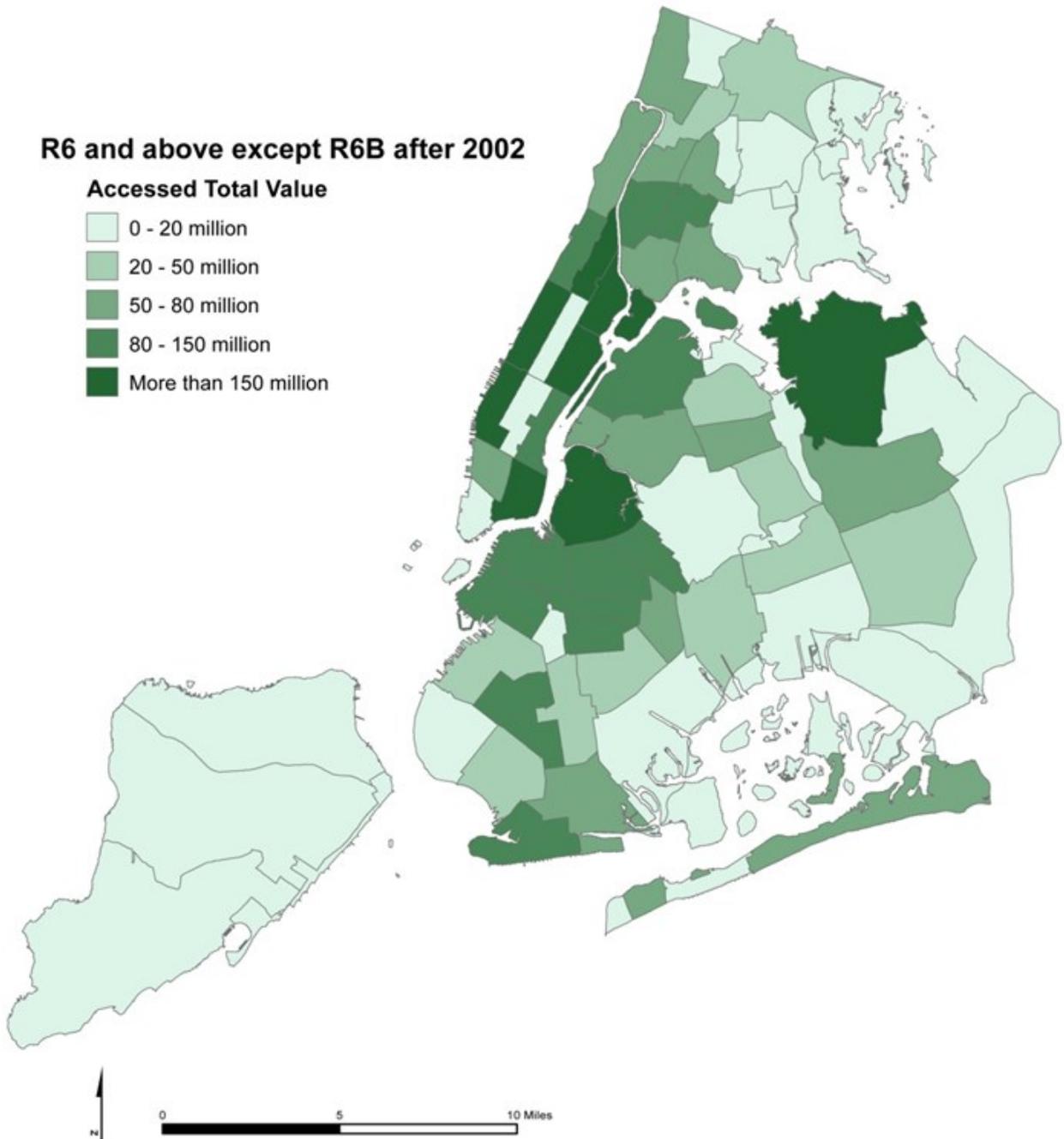
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Assessed Total Value by Community Board

R6 and above except R6B after 2002

Assessed Total Value

- 0 - 20 million
- 20 - 50 million
- 50 - 80 million
- 80 - 150 million
- More than 150 million



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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.

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 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.

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, in all areas that have – or will have – the density to support it.

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