Mayor de Blasio released a housing plan that is an exciting, ambitious vision and a substantial down payment towards a new era in housing policy. Housing New York is a plan to build and preserve 200,000 units over the next ten years, making it the largest affordable housing effort of any New York City mayor. And as every resident of our city knows, the scale of the affordable housing need is huge, so the plan is correctly ambitious.

But as important as the scale of the plan is, the more important promise is the emphasis on affordable housing that will best meet the needs of local communities and build stronger neighborhoods. Clearly, this means working closely with the greatest asset the New York City housing community has: our local not-for-profit developers, who have decades of experience building vibrant, diverse neighborhoods under severe financial restraints. But this also means building housing that is truly affordable to local residents, building housing that will be affordable for generations to come, not just 30 years, and preserving affordable housing and diverse, mixed-income communities in places where rents are skyrocketing and long-term residents are being rapidly pushed out.

Another important promise – and a truly groundbreaking one – is the City’s commitment to re-balance the interests of private developers with the needs of the community. The city has many tools at its disposal to incentivize the creation of affordable housing – including zoning incentives, tax abatements, free land, low-interest financing, direct subsidy – but for too long the city has created a guaranteed windfall for private developers without enough benefit in the form of good affordable housing for the local community.

The key elements of the plan are:

- Adding zoning density to incentivize new private development, but work to ensure that development meets the infrastructure and affordability needs of the community. This includes using Mandatory Inclusionary Zoning so affordable housing is directly required in newly zoned mid- and high-density developments. The City will begin the in-depth planning process to get the details of this program right.

- Committing to deeper affordability so the housing that is built better meets the real income needs of our neighborhoods. The plan promises to serve four times as many extremely low-income New Yorkers as have been served in the previous 12 years. In addition to a greater emphasis on the extremely low-income, the City is also looking to build more moderate-and middle-income housing as well, and generally serve a broader income mix. And, importantly, the city has acknowledged that because of the way Federal Income Limits are designed, the official “low-, moderate- and middle-income” bands are actually much higher than real New York City incomes.

- Proposes to protect the value of the taxpayer investment in the housing by committing to long-term affordability for inclusionary and other affordable units. This will include a new state-backed long-term affordability regulatory tool.

- Promising to strengthen neighborhoods by developing comprehensively, with affordable housing not just standing alone, but as an anchor for vibrant, mixed-use communities.

- Protecting private tenants facing displacement by adding new city programs that focus on both protecting physically distressed housing, and protecting tenants in affordable housing that are being pushed out. This includes using the City’s leverage to get owners and lenders of distressed building portfolios to sell to preservation-minded buyers.

These points are very much in line with what ANHD and many others in the affordable housing community have been calling for, and we greatly commend the administration for listening to stakeholders in our neighborhoods, and reacting with a comprehensive, progressive housing plan that not only builds, but builds smart, and builds a more equitable city.

As the details of the plan start to come into focus, ANHD will be looking for:
A NEW ERA OF NYC AFFORDABLE HOUSING POLICY?

ANALYZING THE MAYOR’S HOUSING NEW YORK PLAN

1) A CENTRAL ROLE FOR NONPROFIT COMMUNITY DEVELOPMENT CORPORATIONS.

New York City has the most talented and dedicated affordable housing community in the country. Ever since the City partnered with local non-profit organizations to rebuild our communities devastated by the disinvestment of the 1970s and 80s, we have found ways to creatively build and finance affordable housing. A strong and quantifiable role in the new housing plan for local not-for-profit developers, with experience working in the community, is a must for any housing plan that seeks to go beyond just building brick-and-mortar to truly build the neighborhoods New York City needs to thrive.

If the City wants to build neighborhoods, it must partner with these neighborhoods, and this partnership must be throughout the planning and development process, and in all types of developments – from neighborhood visioning and planning, to tenant organizing and support, to on-the-ground, bricks-and-mortar development and construction; and from preserving and rehabilitating distressed properties, to doing small infill development, to doing the large-scale, new construction that needs a comprehensive neighborhood context. ANHD will continue to advocate with the city for a change in these policies, and will continue to advocate for housing that is built according to the actual lived conditions and needs of people in the neighborhood where it is built. Click here for ANHD’s Real Affordability report.

3) PERMANENTLY AFFORDABLE HOUSING THAT ENSURES OUR PUBLIC INVESTMENT REMAINS OVER THE LONG TERM.

We’ve seen what happens to developments where the affordable housing has come with an expiration date, and it’s a lose-lose: either stable, working- and middle-class communities become the scenes of rent pressure and harassment, or the city overpays to keep a few more years of affordability. We cannot afford to repeat this mistake. Mixed-income neighborhoods need to stay mixed-income, through the new affordable housing being affordable permanently. The City’s plan promises a large step in this direction, and ANHD will soon come out with a report detailing the financial feasibility of long-term and permanently affordable housing. Click here for more information.

4) A MANDATORY INCLUSIONARY ZONING POLICY FOR ALL NEIGHBORHOODS.

The City has taken an enormous step forward – putting out a policy that, for the first time, guarantees affordable housing created as a result of city upzonings. This is an incredible start – but it’s not the finish. Most of the opportunity for building tall and dense has already been given away: with no guarantees of affordable housing or, at best, only a weak voluntary IZ program in place. We need an across-the-board solution for all our neighborhoods, not just some. This will take time to develop – but in the meantime we need to make sure every new development that is a result of city action comes with affordable housing. Making it easier to build as-of-right in some instances, as the city is proposing, may be necessary, but only if the correct amount of affordable housing is included. Click here for more information.

ANHD will continue to advocate with the city for a change in these policies, and will continue to advocate for housing that is built according to the actual lived conditions and needs of people in the neighborhood where it is built. Click here for ANHD’s Real Affordability report.

Housing New York is a good blueprint. But there is much left to do, and much left to build. We look forward to working with the City in this exciting new time.
A New Era of NYC Affordable Housing Policy?

Analyzing the Mayor’s Housing New York Plan

Part 1: Fostering Diverse, Livable Neighborhoods

A quantitative goal is easy to measure and understand – Housing New York is dedicated to building or preserving 200,000 units of affordable housing, and much of its success will be measured on its achieving that number. But the plan starts off with a qualitative goal as well – creating livable and diverse neighborhoods as a primary priority.

However, qualitative goals can be difficult to define, let alone measure. What the administration considers “livable and diverse” becomes the key to understanding the first chapter, and its overall goal of neighborhood building and community development.

The Mayor’s plan makes it very clear that “livable and diverse” is a synonym for “growing and dense.” All comprehensive neighborhood development is centered around an assumption of added density and growth and the idea that growing and dense neighborhoods will provide diversity and livability is embedded throughout the chapter and the plan as a whole. Phrases such as “work with communities to identify opportunity areas and plan for growth,” and “address neighborhood needs in new development projects” make it clear that neighborhood engagement will be in the service of growth and development. This is a stark departure from the last administration, where a great many of the rezoning initiatives – especially those undertaken in conjunction with heavy community input – were focused on contextual downzonings, rather than development.

Density needs an economy of scale in order to work. Tearing down a three story building in order to build a four story building just isn’t worth it financially – especially if a strong affordable housing component is required. But tearing it down to build an eight story building can be worth it. And tearing it down to build a 30 story building is definitely worth it. There’s a tipping point. The greater the allowed density, the more feasible new development is – and the more affordable housing or other neighborhood amenities can be leveraged from the development. In order to generate the amount and type of affordable housing the administration wants, the added density will need to be significant. Addressing developers’ concerns for more market-rate housing, meeting the city’s need for more affordable housing, and keeping the overall amount of development and density in-line with community desires will be a constant, neighborhood-by-neighborhood, balancing act.

It will be interesting to see how the administration’s vision of “diverse and livable” will mesh with that of individual neighborhoods. Some communities, such as Gowanus and East New York, have been undergoing a comprehensive community planning process for years, and seem accepting of new growth and density, provided it’s well planned and affordable. But most neighborhoods have not. And in order to fulfill another goal of the chapter – pursuing affordable housing and community development throughout all five boroughs - the administration will sooner, rather than later, have to engage with communities who are not as excited or accepting of more density and development, and may even be specifically hostile to affordable housing development.

The plan gets somewhat specific about the type of growth and development it wants to see, as well as tools and resources the city is willing to commit to in order to facilitate this (which will be explored in later chapters). It is clear that mixed-income, mixed-use neighborhoods are what are envisioned in the plan.

“Mixed-Income” development is a laudable goal – however, the temptation is always to take advantage of market forces to prioritize income-mixing in currently low-income neighborhoods, while neglecting to provide many opportunities for low-income people to live in middle- and high-income areas. Simply put, it is currently much cheaper and more politically feasible to build high-income housing in low-income areas than it is to build low-income housing in high-income areas – in fact, the
market is already providing a great deal of middle- and high-income housing in traditionally low-income areas. The true challenge is developing mixed-income neighborhoods in those places that are not naturally income-mixing as a result of the current market – our neighborhoods where low- and moderate-income New Yorkers have long since been priced out.

The main way the administration seeks to do this is through Mandatory Inclusionary Zoning, although many of the details have yet to be resolved. Mandatory Inclusionary Zoning allows affordable housing to piggyback on the market-rate housing that inevitably gets developed in strong-market neighborhoods.

The housing plan makes it clear that there will not be a one-size-fits-all approach to Mandatory IZ – different neighborhoods have different economies, and different markets can support different ranges and amounts of affordability. Specific details – the amount of affordable housing, the depth of affordability of the housing, how the new IZ policy will be matched with tax abatements, what kind of offsite option (which is specifically mentioned) or payment-in-lieu option (which is not) may be allowed – are all left for a later day. Presumably the city will develop these details on a case-by-case basis, although the best approach would be to set a strong baseline for all neighborhoods across the city, and work up from there depending on the relative strength of the neighborhood. One very good policy detail is mentioned however – like the existing voluntary program, all units developed under the mandatory IZ program will be required to be permanently affordable.

The first announced neighborhood to go through a comprehensive rezoning for affordable housing, presumably with a strong Mandatory IZ component, is also one of our poorest: East New York. Because East New York’s market cannot be expected to leverage the amount of affordability that a stronger market could, this presents two challenges: first, the administration must be careful to establish that the IZ policy set in East New York will be a baseline for other neighborhoods, not a ceiling. And second, even the affordable component will most likely be unaffordable to current residents of the neighborhood, who make less that 50% of AMI on average. Fourteen more neighborhoods will be announced shortly. It will be a measure of the administration’s dedication to a truly equitable city to see if these neighborhoods will also be predominantly low-income neighborhoods, or if the administration is dedicated to building truly affordable housing and mixed-income communities throughout the city, including middle- and high-income neighborhoods, or in heavily gentrifying neighborhoods where low-income communities are currently under severe pressure to leave.

Another point of emphasis is on mixed-use developments, with possible zoning and rules changes allowing for easier development of first-floor commercial uses, and incentivizing more commercial and community facility space. Financially, this also creates a positive feedback loop – commercial uses, which generally generate more income-per-square-foot than affordable housing, are able to cross-subsidize affordable residential development, development which in turn creates a market for the local commercial spaces.

While it is not mentioned in the plan, it would also be beneficial to see a pilot program mixing light, neighborhood industrial uses with housing as well. This would also fit in with another point of emphasis in the section – creating quality jobs and workforce development opportunities through the plan. The focus in the plan is mostly on temporary construction jobs, which are projected to be 96% of the jobs created through the program, however chances are there to create more permanent jobs as well. The greatest barrier to growing the industrial jobs sector – a sector that pays well and
A NEW ERA OF NYC AFFORDABLE HOUSING POLICY?

ANALYZING THE MAYOR’S HOUSING NEW YORK PLAN

PART 1: FOSTERING DIVERSE, LIVABLE NEIGHBORHOODS

provides middle-class jobs – is the lack of available space. Even when an area is zoned for manufacturing, it is often under enormous pressure to convert to residential development, and spaces are left vacant and warehoused in anticipation of cashing in on a residential rezoning. A way to create a win-win rezoning situation – combining stable, quality manufacturing jobs and affordable housing in one mixed-use development – would truly be a game-changer.

Finally, there is a heavy emphasis on good neighborhood planning principles, a reflection on Commissioner Vicki Been’s background and focus. Proper funding for infrastructure improvements, transit-oriented development (including incorporating the administration’s ‘vision zero’ and additional bike lanes, Select Bus Service, and possibly ferry service), fulfilling additional community demand for services like schools, libraries, and day-care centers which inevitably come with added density, and addressing coastal protection and storm resiliency round out the first-chapter’s emphasis on neighborhood-building. These are all excellent and necessary components of smart development, and the administration is to be commended on their inclusion in its housing plan.

What is missing, however, is a specific commitment to partnering with nonprofit community groups in the plan. If the City wants to build neighborhoods, it must partner with these neighborhoods, and this partnership, just like the plan, must be comprehensive. Local neighborhood groups and CDCs need to be involved throughout: from neighborhood visioning and planning, to bricks-and-mortar development and construction; and from doing small infill development, to doing the large-scale, new construction that needs a comprehensive neighborhood context.

This failure to utilize New York’s best neighborhood resource in a neighborhood-centric plan is the biggest missing piece of the plan, and one we hope the City will address going forward. Ever since the City partnered with local non-profit organizations to rebuild our communities devastated by the disinvestment of the 1970s and 80s, local neighborhood CDCs have lead the way when it comes to smart and comprehensive neighborhood development. A strong and quantifiable role in the new housing plan for local not-for-profit developers, with experience working in the community, is a must for any housing plan that seeks to go beyond just building brick-and-mortar to truly build the neighborhoods New York City needs to thrive.

Overall, it is left to be seen how the plan’s two primary goals – an aggressive construction target and an emphasis on comprehensive and correct neighborhood planning – will fit together. While these two goals are not necessarily in conflict, the fact of the matter is that in the drive to meet a quantitative goal – such as a unit target – sometimes the qualitative goals can fall by the wayside. It will be up to local neighborhood groups and civic-minded organizations to make sure the administration’s promised focus on engaging with communities, planning comprehensively, and committing to creating mixed-income neighborhoods throughout the city (not just our currently low-income neighborhoods) is as much of a priority as reaching its 200,000 unit goal.
A central plank of the Mayor’s housing plan is the recognition that preserving our existing affordable housing is the most cost-effective way to fight for the homes that New Yorkers need. Building new housing is always far more expensive than preserving the current affordable housing that is under threat. And preserving the existing housing avoids the difficult policy choices that we will have to make to find new places to build in our already densely constructed city.

Preserving affordable housing is mostly a matter of carrots and sticks. The government has incentives in its toolbox—tax abatements and low-interest loans chief among them—it can use to trade a building owner for an agreement to keep housing affordable for low- and moderate-income people. It also has certain powers it can use to do the same, and also make sure an owner keeps the building in good repair—for instance, it can issue Housing Maintenance Code violations and levy liens and foreclose on them if an owner keeps a building in such bad condition that the City has to make emergency repairs. In the second chapter of the Mayor’s Housing New York plan, Preserving the Affordability and Quality of the Existing Housing Stock, the key to understanding the approach is to look for what new carrots and sticks the city proposes, and how they plan to use existing ones differently.

Most of the administration’s new incentives focus on tax abatements, and ways to extend them to buildings in danger of losing affordability. Tax abatements are the biggest carrot the city has, however many of them were developed decades ago and designed to spur development, not provide affordability. The result is a patchwork system of incentives better suited for the situation of the New York of the 1980s than the New York of today. Many developments get abatements they don’t need, and many buildings that need abatements in order to preserve affordability don’t have one available. The new housing plan proposes developing new tax abatements for buildings in danger of converting to condominiums or exiting Rent Stabilization. The city could also explore a tax abatement for preserving affordable rental units in already-converted co-ops or condos, and a Good Neighbor tax credit for owners of 1-4 family homes who commit to keeping their rentals affordable. The city could also actually make tax abatement reform revenue-neutral, by also reforming some of the unneeded incentives as well, most notably the 421a program, to balance these added expenditures.

These new incentives look promising, but it is more effective utilization of existing tools that is at the heart of the administration’s preservation strategy. They lay out several current programs they plan on expanding and making more efficient, such as preservation of Mitchell-Lama and former Mitchell-Lama buildings, preservation of buildings built under the Low Income Housing Tax Credit Housing program (which they are expanding to State and HDC-sponsored buildings as well), and preservation of HUD-sponsored multifamily housing. The most notable addition is that the city has committed to fully partnering with the New York City Housing Authority (NYCHA) to create a comprehensive preservation strategy for public housing. With all of these efforts, details will be forthcoming.

As far as the new sticks go, the Mayor’s plan focuses on better utilizing the city’s authority to levy and foreclose on liens. The city is proposing to increase the interest on Emergency Repair liens from 7% to 18%, which would give it an added bit of leverage when it comes to getting bad actors to keep their buildings in good repair. The city is also committed to reviving the Third Party Transfer (TPT) program, with a focus on
transferring physically distressed properties to responsible not-for-profit developers. Reforming the TPT law to capture more distressed buildings, and also committing to using the city’s authority to directly foreclose on liens on a case-by-case basis when needed, instead of routinely selling the liens to outside investors, would also be welcome. The City has already set up an entity – Preserving City Neighborhoods (PCN) – that is able to acquire overleveraged properties and take them through the foreclosure process, and further utilization of this tool would also add to the preservation pipeline.

In a very significant departure from previous years, the plan addresses our biggest preservation challenge – preserving our rapidly depleting rent-regulated stock. We have lost well over 100,000 affordable, Rent Stabilized units to vacancy deregulation over the last 12 years, most of it in higher-rent neighborhoods where affordable housing is the scarcest. Any affordable housing preservation program must have an aggressive defense and strengthening of Rent Stabilization at its core, and the city commits to going after the biggest fish available – repeal of the Urdstadt Law.

The main impediment to changing Rent Stabilization rules is that much of the Rent Stabilization law is controlled by the State, with the City, under the Urdstadt Law, forbidden to make stronger rules than the State allows. For the first time in at least 20 years we have an administration fully committed to repealing this law and gaining local control over Rent Regulation. However, while the administration is explicitly committed to the repeal of the Urdstadt Law as a policy, executing this will be a matter of priorities and political will. Political bodies do not give up authority easily, and it is to be expected that getting the New York State Legislature to give up much of its legislative authority in the area of Rent Regulation will be a challenge. It will take a sustained and tireless campaign by New Yorkers, as well as a real leadership and full commitment by the administration, to accomplish a repeal of the Urdstadt Law. However, by doing so, New York can potentially gain the most valuable tool by far in its fight to preserve an affordable and equitable city – the right to enact stronger rent protections for New York City without interference from the State Legislature.

While granting home rules to New York City on the issue of Rent Regulation is the largest and most effective policy change that can happen, there are also smaller measures the city is proposing in order to preserve our rent-regulated stock. Much of our rent-regulated apartments are lost through illegal or semi-legal means. The plan commits to exploring how to utilize HPD’s housing code enforcement authority to also assist in protecting Rent Stabilized units, and commits to finding more funding for legal representation for tenants facing eviction. These are both good and necessary additions. Exploring ways for HPD’s legal department to also help enforce tenant protection laws would be another good and necessary step because, while Housing Code enforcement will always be the center of HPD’s housing preservation mission, in the current real estate environment the major threat to affordable rental housing increasingly comes not from classic slumlord tactics, but from landlords aggressively trying to raise the rent roll by pushing out low-rent-paying tenants through illegal and semi-legal means to. To fulfill its mission, HPD must use every means at its disposal to help tenants face these pressures.
The plan also commits to continuing work in two areas where the City has already made substantial progress: reducing building utility and energy costs, and improving oversight and asset management of City-subsidized properties. The Plan also commits to working further on storm resiliency retrofits and to reduce the cost of Flood Insurance. Reducing and properly managing building costs is important to keeping affordable housing in good repair – these buildings have very limited ability to increase revenues, so reducing costs is imperative to keeping them financially stable – and maintaining and expanding this focus is good to see.

The Plan included small section on affordable homeownership, focusing on utilizing current programs. However, there is a large homeownership preservation opportunity the City is overlooking – that of our HDFC Cooperatives. Many HDFC Cooperatives that were developed as affordable housing in the 1980s and 1990s have severe loopholes in the definition and enforcement of the affordability restrictions. The result is affordable housing either being sublet or sold for market prices. And many cooperatives that do try and keep their buildings affordable face unfair tax burdens, ever-compounding tax and water/sewer arrears, and lack of ability to borrow for building maintenance and improvements. A program to extend tax relief and financing to these buildings in exchange for new resale and sublet restrictions that come with effective monitoring could potentially preserve
There are two components to building new affordable housing – the “building” part, and the “affordable” part. The de Blasio housing plan lays out how these two things will go together in tandem. But has the plan struck the necessary balance? It is critically important that the housing we build be appropriate for the needs of the city. Building the right kind of housing helps the New Yorkers who most need it, and also to maintain the support among the public for a robust affordable housing program, and indeed, development overall. In order to maintain this support, we have to be building housing most people actually want and need. We have only to look to San Francisco, which recently passed a referendum by an overwhelming margin limiting development along the waterfront, to see how voters can react when they see the vast majority of new development being reserved only for the very wealthy.

The 3rd part of the de Blasio housing plan promises to take on some exciting challenges to make sure that the affordable housing it actually affordable, but does the plan strike the right overall balance as it seeks to energize the market?

It’s clear from reading Housing New York that the administration views making sure the “building” part happens as the most critical piece of the puzzle. Several of the proposals are dedicated to providing ease of development for housing construction overall, and it’s clear that that administration sees itself as responsible for increasing not just affordable housing production, but all housing production. From streamlining interagency coordination on permitting and approvals, to speeding the City’s environmental review process, to committing to reducing construction costs, to easing rules for conversion of older non-residential buildings to residential use, to changing zoning rules to spur development, many of the changes the plan proposes can be applied to developing market-rate, as well as affordable, housing.

The new proposed zoning rules are especially interesting. One is modifying “tower-in-the-park” zoning rules, to allow for more development on open space in these types of developments. This seems most applicable to adding development capacity to NYCHA campuses, but could also allow for more development in places like Co-op City and Stuyvesant Town. While parking lots currently make up much of the open areas in these types of campuses, and may be appropriate for more housing, care should be taken to tailor the zoning proposal to protect parks, playgrounds, and otherwise actively utilized open space and public amenities. Another proposal that has significant support not only from housing advocates but also from transportation advocates is reducing the parking requirements for affordable housing in otherwise transit-rich areas. A third is to implement a pre-certification timeline, to give greater predictability and transparency to the pre-certification process for zoning changes and other land-use applications, and, for the first time, support e-filing of land-use applications.

A fourth, and very significant proposal involves reforming the zoning rules to allow for greater density among residential development in high-density areas. Currently, residential developments are capped at a Floor Area Ratio (FAR) of 12, while commercial buildings are allowed to build denser if zoning allows. This proposal would remove the 12 FAR cap on residential development (and would need action by the New York State legislature).

This proposal is geared to dense, central areas like Midtown Manhattan. Allowing for denser and higher buildings in these areas increases the value of the development enormously. Not only because the buildings are larger overall, but also because of new engineering changes, these buildings can be counted on to be taller as well. Considering that each floor of a new building with a commanding view of Central Park can be counted on to be sold for several tens of millions
of dollars in the current market, the amount of affordable housing in these developments needs to be truly significant to balance the value given by this rule change. It is not enough to negotiate more affordable housing on a deal-by-deal basis in these cases, even if this administration negotiates for the maximum amount of affordable housing in each case. There will be construction beyond this administration, but the added value given by this rule change will be permanent. Eliminating the 12 FAR cap needs to be accompanied by changes guaranteeing that the larger buildings have a significant affordable component.

A new and greater affordability guarantee in these 12 FAR+ supersized buildings is necessary because making it easier to build is only one piece of the affordable housing development puzzle. It is true that we need to allow the construction of more housing to accommodate a growing City population. But we know from the experience of the unbridled growth of the past 12 years that building market-rate housing is not a neutral act. In most City neighborhoods, building new market rate housing brings in an increase in higher-income renters, which creates a cascade of secondary displacement effects on the local housing market that increase pressure on low- and moderate-income renters in the surrounding area. So, we don’t just need a guarantee of affordable housing as part of the new developments in order to meet the existing affordable housing need, we a new and greater guarantee because the market rate housing actually makes the underlying problem worse.

And the common assertion that we need more market-rate development as well as affordable housing development, or that increasing luxury development somehow helps our affordability crisis, is questionable. In the most recent New York City Housing and Vacancy Survey, the vacancy rate for housing renting for $2,500 or more – the current luxury decontrol limit and just above the “middle-income” limits – is at 5.26%. This is healthy vacancy rate, and comparable to that of cities like Charlotte, Cincinnati, and Indianapolis. It is more than twice the vacancy rate of housing in New York renting for less than $1000, or at about the “low-income” range. It is clear at what rental level we need housing in New York, and with virtually all new market rate housing being developed renting for above – and often well above – $2500 dollars a month, it’s also clear that the market supply is not remotely matching the market demand.

Any new rules change that encourages housing production need to be tightly governed, and concretely linked to affordable housing in every case. We have already established this with Inclusionary Zoning – any upzoning is now expected to include Mandatory Inclusionary Zoning, guaranteeing affordable housing is constructed. The same needs to be true of other zoning changes that allow developers to build tall and dense and add value to their building.

Encouraging any and all housing development in the hopes that some will be affordable is not enough. In the best of cases, the city is forced to oversubsidize the affordable development, and in the worst case no affordable housing gets built at. When the city provides new value for developers, an affordable component has to be required as part of the development – period.

There are many programs in the plan designed to specifically spur affordable housing development by leveraging the two major components of affordable housing development that the City controls - money and land. The city is committing to a major funding increase for affordable housing (we will blog about the details on this in two weeks), and is also working on finding more sites for affordable housing. We are no longer the city of the 1980s or 1990s, or even the 2000s, when vacant, city-owned land and buildings provided ample pipeline for
A N E W E R A O F N Y C A F F O R D A B L E H O U S I N G P O L I C Y?

ANALYZING THE MAYOR’S HOUSING NEW YORK PLAN

PART 3: FINDING THE BALANCE OF BUILDING AFFORDABLE FOR ALL NEW YORKERS.

affordable housing development. Finding sites to support 80,000 units of affordable housing is now a real concern. The city is looking at many places that were not previously considered as possible development sites – NYCHA campuses, smaller or underdeveloped city-owned sites previously considered more difficult to build on, and sites that need infrastructure work or brownfield remediation.

Because building affordable housing on these types of sites will be more expensive than in the past, the additional capital commitment is a welcome component. And it will be needed. Because the subsidies needed for smaller affordable buildings are so high, the temptation will be to build market rate or higher-income affordable housing on these sites. Already, the plan calls for only 1/3 of the developments in its new NIHOP program on small sites to be affordable. While finding sites for new housing is important, it has to be balanced with both affordability and other community concerns. There are many of these sites where a community could be better served by utilizing it as open space or other community uses, rather than building just a few, expensive, housing units.

As far as the “affordable” part of “building affordable,” what type of affordable housing is going to be built under this plan is another thing to focus on. And, in a welcome shift from the last administration, for the first time goals and metrics regarding housing affordability – not just housing production – have been explicitly stated.

The city is committing to building more housing for those who have been largely left out of the last plan, by spreading affordability both down, to more very- and extremely-low income households, and up to more moderate- and middle-income households. In many cases, the middle-income housing will be used to cross-subsidize the very low-income housing, providing opportunities for a wider range of households without affecting overall building income. Overall, the city is committed to building 11% middle-income, 11% moderate-income, 58% low-income, 12% very low-income, and 8% extremely low-income.

It should be noted that, the city is continuing to use the skewed definitions of “low-income” provided by the federal government, where 53% of New York City is technically low-income. In reality, low-Income and even very low-income housing is workforce housing, needed by households working one, often two, full-time jobs. Even at the living wage of $10.00 an hour, a family of four with two full-time working adults still don’t make enough to qualify for low-income housing.

It is an unfortunate reality that many of the changes needed to be able to build more truly affordable housing need come on the Federal level. As a result, even with the city commitment to reaching underserved populations, the levels of affordability in the plan are not a huge departure from the last administration. Extremely low-income housing will increase from approximately 3% to 8% of total development, and there are some other small differences, but overall the city remains fairly constrained by the rules set by the Federal, and to a lesser extent the State, governments. There are, however, several innovated proposals, most notable a new M2 program, which seek to build mixed-income developments under current rules. The new M2 developments will contain 50% middle-income, 30% moderate-income, and 20% low-income housing. If the purpose of these are to replace current 80/20, or even 50/30/20 developments where the 50 % is market and the 30% middle-income, in high-income areas it will be a net plus for affordability in the city. However, if these are mostly utilized in gentrifying areas in lieu of 100% affordable developments, then their impact will be questionable.
There are other ways that income-spreading can be introduced as well though, without the need for changes on the federal level. For instance, the city can introduce income spreading in non-basis tax-credit units, and could perhaps make changes to programs like Inclusionary Zoning or even 421a to introduce them as well. And in addition to cross-subsidization in a single development, the city could create a cross-subsidization pool overall – taking excess cash flow from more lucrative affordable housing developments and using it to subsidize truly affordable housing elsewhere on an operational basis.

Building for current demographics is also a focus of the new housing plan. This is already addressed in part by the administration’s recognition that affordable housing production must focus on a broader range of New Yorkers, especially our very-low income New Yorkers. The other demographics that are addressed are mostly on the household-size spectrum.

The most talked about program addressing building to city demographics is the microunit program. Smaller microunit housing is only an efficient public policy if there is a corresponding decrease in rent to go along with the decrease in size. In the City’s first microunit project, on the east side of Manhattan, the rents – including half of the “affordable” rents – were not only unaffordable, but, on a per-square foot basis, were actually more expensive than the market rents for the neighborhood, which is one of the most expensive in New York. Future projects addressing the demographic needs in New York need to also take in to account the most important demographic of New Yorkers as well – the 54% of New Yorkers that are rent burdened, a number which has grown continuously since 1991.

In addition, when examining how to build to the demographic need, we should be looking deeper as well – not just at the population overall, but at the population in that neighborhood, and in that income range, that needs housing. Our single-person households, for instance, are disproportionately elderly and low-income, and new studio apartments should reflect that fact, while working families making incomes appropriate for tax-credit level housing, might need proportionately larger apartments.

It is clear from the new plan that there will be development – significant development – in New York over the next ten years. But ALL DEVELOPMENT IS NOT CREATED EQUAL. It is an easy temptation to “unleash the cranes” and pray for the best. But without those cranes building the kind of housing New Yorkers can actually afford, we will do nothing but exacerbate our current inequality. It will be the city’s job over the course of the plan to make sure that we don’t just build, but build smart, build affordable, and truly build housing for all New Yorkers.
PART 4: BRINGING GOOD HOMELESS PREVENTION POLICY TO SCALE.

While much attention has focused on Housing New York’s ambitious 200,000-unit affordable housing development goal, the plan is also notable for going beyond production to employ other strategies to address the problems related to the city’s housing crisis. In particular, Mayor de Blasio deserves credit for the way the plan takes additional actions to reduce homelessness, even as it targets more of the City’s affordable housing production to the most vulnerable New Yorkers. Chapter Four of the plan, Promoting Homeless, Senior, Supportive and Accessible Housing, offers some promising policy changes and initiatives that may finally address some of the city’s seemingly intractable challenges. These actions have a good chance of succeeding, if they are implemented at a scale approaching the size of the need.

The plan’s fourth chapter offers four key strategies. The first of these, “Assist Homeless Individuals and Families,” focuses on expanding homelessness prevention and assistance activities. These include anti-eviction legal assistance, “one-shot” emergency rental payments and neighborhood stabilization services, as well as increasing the availability of ongoing rental subsidies. One component of the plan reinstates homeless families’ priority for Section 8 rental assistance vouchers and public housing apartments units controlled by the New York City Housing Authority. This reverses a damaging policy of the Bloomberg years based on the perception that families would purposefully enter the homeless shelter system to “cut the line” for vouchers or public housing, which led to the preference being taken away. History has proved this perception false – in fact, after this policy change was made and the preference was no longer available, homelessness skyrocketed to its current levels, with over 53,000 individuals and family members in the shelter system per day, of which over 23,000 are children.

The restoration of a homeless priority for NYCHA apartments and rent subsidies is a welcome change, but in itself, it won’t be enough to make a noticeable dent in the homeless population. Indeed, some homeless advocates are already saying the 750 NYCHA units a year the administration has proposed to make available to homeless families are not sufficient (the number of Section 8 vouchers to be set aside for homeless households has not yet been announced).

With both vacant public housing units and Section 8 vouchers in short supply, the plan acknowledges that some sort of additional rent subsidy for homeless households will be required, citing City tax levy or federal HOME and TANF funds as potential sources. But the plan doesn’t address the need for State resources (previously the primary funder of local rent subsidies) and commits only to a pilot program. With so many families in shelter each night, the City will need the State’s help to scale up any subsidy pilot quickly.

Finding new, creative options for financing homeless shelters is also a focus. One important part of the plan is that it will look to reduce reliance on privately owned apartments converted to emergency shelter. This would prevent the loss of affordable, rent-stabilized stock in outer borough neighborhoods, like parts of the Mid-Bronx and Eastern Brooklyn, which has suffered as significant number of rent-stabilized apartments have been converted to use as homeless shelters (which are far more lucrative for the owner). Leveraging some of the money saved from reducing subsidies to private landlords-turned-shelter-owners would not only lead to better housing situations, it would also save money overall, including financing sources that could be used for more affordable housing. Emergency homeless shelters are one of the most expensive places to house people, often costing the government in excess of $3,000 a month. Reducing our homeless population,
and building more fiscally sustainable housing to replace the rampant conversion of rent-stabilized apartments would be one of the best ways to reduce spending on shelter.

The plan’s second strategy proposes to develop new supportive housing for both homeless families and individuals. Supportive housing is one of the best investments a city can make – homeless shelters, hospitals, and other emergency interventions are all much more expensive to the taxpayer than creating stable, affordable housing with on-site services that allows homeless, disabled and chronically ill people to reduce, and often avoid, utilizing these services. The most recent, peer-reviewed research has shown that each unit of supportive housing in New York City actually saves more than $10,000 dollars in other public spending - after subtracting the costs of the housing and on-site services. Housing New York’s approach recognizes this, and makes a firm commitment to expanding supportive housing.

The plan does not provide a goal for the number of supportive housing units to be produced, however, as half of the capital funding, and most of the ongoing service and operating costs, have been traditionally borne by the State. The administration will have to negotiate a new agreement with the State to set production targets for new supportive housing.

Senior housing is a third focus of the plan. The largest demographic story in New York is the aging of our population. Confronting seniors’ housing needs head-on is a necessity, and the plan has several proposals to do so. For example, the plan proposes to streamline and expand outreach to increase use of the Senior Citizen’s Rent Increase Exemption, which offers landlords a tax credit in exchange for freezing rents paid by low-income seniors in rent-stabilized apartments. To keep pace with the rising cost of living, the State Legislature and City Council recently increased income eligibility for SCRIE, from a top limit of $29,000 to $50,000 annually. The plan takes advantage of this change, and also proposes changes to zoning regulations to encourage production of new senior housing, like reducing minimum apartment size and parking requirements.
The city is also looking to increase the supply of senior housing, and specifically notes NYCHA campuses as a possible development opportunity. Looking to **develop more senior housing on NYCHA property** makes sense – NYCHA residents are aging, with 20% of NYCHA residents 62 years or older. Many NYCHA campuses are already NORCs (Naturally Occurring Retirement Communities). A way for NYCHA residents to age in place, in new senior housing, would not only be a service to the existing residents, it would also free up much-needed NYCHA apartments for families. And the services and facilities that come with the new senior housing could benefit all senior residents throughout the NYCHA campus, not just those in the new senior housing.

Proposals focusing on populations other than homeless people and seniors are a fourth part of the plan: working to end veteran homelessness, improving coordination to help disabled individuals find housing, and assisting stable residents to move out of supportive housing are all mentioned, although specific details will be forthcoming. With the exception of a proposal that the city revamp zoning regulations to facilitate construction of community facilities with sleeping accommodations, better interagency coordination makes up the bulk of these ideas.

Altogether, this is an ambitious chapter, dedicated to making real progress on ending homelessness, providing for our aging population, and supporting disabled New Yorkers, in a fiscally responsible way. It appears that the plan will **provide the network of non-profit supportive housing developers and service providers with real tools to do their job over the next ten years**. And if the administration can identify enough new resources to implement these ideas on a grand enough scale, we will see measurable improvements in the way we house our most vulnerable citizens.
The Mayor’s historic and ambitious housing plan comes with a big price tag. The final section of the de Blasio Housing Plan makes a clear financial commitment to find and spend the required money, but also to stop spending unnecessary or inefficient money. The administration appears serious in its promise to drive the best deals possible, with several much needed reforms on the agenda. In order to maximize the amount of affordable housing, the City is looking to spend that money wisely.

The biggest and most meaningful financing reform is of the 421a tax abatement program. Many cities incentivize new development because it brings an extra benefit for the city – new developments generate crucial property tax revenue. But in New York City’s historically jumbled tax incentive system, far too many market-driven new developments avoid paying their share of taxes, making 421a no longer justifiable. In the 1970s, when the city was in very different condition – population was declining and new development had ceased – we instituted the 421a program to encourage development which gave a huge tax abatement to market-rate developments. While the 421a program has been reformed over the years, most notably by sometimes requiring 20% affordable housing, it simply has not kept pace with the market conditions of the city, and acts as an overly generous, taxpayer-backed subsidy to many luxury developments.

Specifics on the reforms will be formulated by the Mayor’s team later, but the focus, as it should be, is on dialing back this overly-rich subsidy. Under the last administration, 421a was often combined with other city subsidies for a double-dip, or even with Inclusionary Housing bonuses also for a triple-dip. The new administration is committing to examining more closely how 421a fits together with its other programs, and reforming it so that either more affordable housing or deeper affordable housing will required when using it with other subsidies or the Inclusionary Housing program. The details will have to be nuanced to respond to local market conditions, and it should also be noted that State legislation will be needed to enact much of the reforms, but this focus is a huge step forward.

One thing the administration does not mention is extending the length of affordability in the 421a program, from the current 35 years. As we’ve learned so often, our affordable housing comes with an expiration date. Getting more years of affordability is one of the most cost-effective ways to get added value for the public from these affordable housing developments. The administration should consider an extension of the affordability length, as well as some other adjustments to keep the housing more deeply affordable during its term.

In the 421a reforms is a proposal for examining an off-site option for cooperative and condominium development. Considering that condos and coops, as well as rentals, currently have the same affordability requirements in the 421a program, this is a proposal that deserves very careful oversight and monitoring. Offsite and payment-in-lieu options have been abused or manipulated to ill effect before, most notably with the former 421a certificate program, the current “poor door” developments, and midtown luxury towers benefiting from full tax exemptions with questions over just what affordable housing was provided in return. Any offsite or payments-in-lieu option must be equitable, transparent, and structured to build significantly more affordable housing than would be gained from constructing affordable housing onsite.
There are two other tax programs the city proposes revamping – the J-51 program, and 420c program. J-51 is designed to incentivize building renovations, and the city is proposing some tweaks, including incentivizing things like environmental sustainability.

420c was developed in order to provide a tax abatement for low-income housing developed with Tax Credits by an entity with a non-profit component. While the reforms of the 420c program are not spelled out, it is imperative these reforms strengthen the not-for-profit component involved. Already, for-profit developers have been cashing out of low-income housing projects in gentrifying areas like Prospect Heights, which they are only able to do because they initially utilized tax-abatement programs that did not require a not-for-profit component, whose incentive is protecting community benefit, not getting the most profits. The stronger the not-for-profit component in a development, the more likely they are to keep the development affordable for the long term, while requiring only the subsidy needed to keep the building stable and sound. This both protects affordable housing and saves the city money in preservation financing. Currently, the not-for-profit requirements usually provide some level of involvement, but are still fairly weak. Strengthening them should be the first order of business in any 420c reform.

As far as finding new financing tools, the Plan mostly focuses on keeping and expanding some recent innovations, such as with bifurcated 80/20 financing, which is a terrific idea that saves valuable tax-exempt bonds by only allocating the financing to the affordable portion of the development; use of recycled tax-exempt bonds; continuing to find creative ways to lower interest rates on financing tools; and furthering leveraging things like New Markets tax credits, Social Impact Bonds, City pension fund investments, and CDFI Bond Guarantees. EDC is also charged with developing a financing “toolbox” for mixed-income developments, which will help to bring some more clarity to what can be very complex developments to finance.

Better use of Battery Park City funds is also mentioned. But one thing the plan does not mention, which would truly be a game-changer, is exercising its option to buy Battery Park City back from the State for $1, a provision that was written into the original agreement with the State. Doing so would provide a steady and reliable influx of funds for affordable housing. And Battery Park City funds come with much fewer strings than other sources of city capital, making them extremely valuable in getting deals over the finish line. Buying Battery Park City back from the State is one of the biggest things the city can do to expand its funding for affordable housing.

Finally, the administration proposes studying systematic program changes in order to make sure we’re spending our money wisely and achieve three specific goals – better leveraging of private financing, building housing for a wider variety of incomes, and ensuring the city doesn’t overspend on deals.

All of these are good and necessary goals, and it is important that the administration focus on these. However, a fourth goal needs to be added to this focus as well - the administration should encourage more competition in the marketplace, which can be achieve through developer fee reform. Right now, bigger deals don’t just pay more – they pay exponentially more. This is because addition to more money for bigger deals, larger developments are able to access programs that pay a much greater percentage overall. A developer
who does a 60 unit deal through the programs available doesn’t make 3 times the money of one who does a 20 unit deal – they actually make about 10 – 15 times the money. The result is small and mid-size developers are treading water and unable to grow, while the few larger developers at the top of the market grow ever bigger and crowd out competitors. This means less competition for large, lucrative developments, and less competition means worse deals for the city.

Many small developers, especially non-profit developers, have decades of experience building affordable housing. And small deals are often actually more complicated than larger ones. But in addition to experience and expertise, banks want to see a large balance sheet that can provide sufficient collateral in order to do large, costly projects.

The City can solve this by evening out the playing field, paying better developer fees for smaller deals and making it up by paying a little less for larger deals, through a fee pooling arrangement. This would allow these small- and mid-size developers to build up the balance sheet needed to do larger deals, and create more competition at the top end of the market.

A robust development environment, at all levels, benefits everyone, the City most of all. And we’re going to need as much expertise, passion and capacity in the development community we can get, if we’re going to build 200,000 units of affordable housing, and start to truly realize a more equitable city.