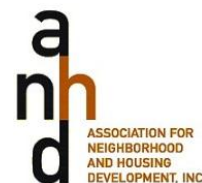


MANDATORY INCLUSIONARY ZONING

Developing Affordability for New York City's Future



Over the past several years, Mayor Bloomberg's administration has aggressively pushed to reshape numerous neighborhoods through changes to zoning codes. The administration has led redevelopment initiatives that include more than two dozen area-specific plans in all five boroughs and nearly 100 rezonings from 2005 to 2010. Large scale developments like Atlantic Yards, Hunter's Point South, Hudson Yards and more, are cropping up in neighborhoods across the City.

As a part of this process numerous communities have large city blocks or entire neighborhoods rezoned. These zoning changes alter the type and density of developments allowed in neighborhoods. Manufacturing or industrial areas are being converted to commercial or residential corridors. And low and moderate density communities are being green-lighted for higher density towers. These Bloomberg championed rezonings, have facilitated more than 100,000 new units of housing development across the city.

In addition to creating new units, these **rezonings also create an enormous increase in the value of the rezoned land for the owner and/or developer.** As a property moves from low-density to a higher-density, its value will increase due in part to the land's higher potential income. A higher-density property can support a greater number of tenants or owners on the same size land parcel and therefore presents a greater possible income for the owner in rents or in sales. City officials often fail to recognize that by rezoning sites they are, nearly immediately, putting money into owners' pockets by upping land values. However these increased land values are currently given away, generally with no public benefit. **These city actions that result in increased land values should result in a benefit to the local neighborhood that will inevitably be impacted by the zoning changes.**

Furthermore, instead of relieving neighborhoods' housing shortage, many rezonings have fueled an upward spiral in the cost of local real estate. **The increased land values are making it more and more difficult for long-time residents to afford to live –either as renters or homeowners– in their communities.** Developments are displacing current residents as they are priced out of the neighborhood. New York's proud and committed residents deserve a place in the continued growth and future of the City.

In order to ensure that developments do not squeeze out affordable housing and that residents are not priced out of developing communities, the City should adopt a **Mandatory Inclusionary Zoning** policy. This policy would establish a binding commitment through the land use process, that a substantial portion of residential development projects be affordable to the neighborhoods' longtime residents. And in doing so, ensure that future City development generates new affordable housing opportunities for generations to come.

New York City currently operates a Voluntary Inclusionary Zoning program. The Inclusionary Housing Program (IHP) offers an "optional floor area bonus in exchange for the creation or preservation of affordable housing, on-site or off-site, principally for low-income households." Developments participating in IHP are required to set aside a percentage of the dwelling units within a building or rehabilitate affordable units off-site within the same community district or within one-half mile of the development and all IHP affordable units must remain permanently affordable.

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The IHP program has created a number of affordable housing units. In the five years between 2005 and 2011 an estimated 1,900 affordable units were created under IHP.¹ However, this is less than 2% of the more than 100,000 units developed under the Bloomberg administration's rezonings. And is a far cry from the 10,000 units of affordable housing the city projected would be generated from IHP. Furthermore the IHP units are nowhere near close to replacing the average 6,500 rent stabilized units that were lost to the market each year from 2005-2008.

Critics point to a number of key challenges with the City's current Inclusionary Housing Program. Since the program is voluntary, **many developers have opted out of participating in IHP generating far fewer affordable housing units than the city expected and then neighborhoods need.** Those developers that do participate in IHP receive an incentive (a density bonus) for building or preserving affordable units from the city, but then are also granted a portion of the limited public subsidies used for by non-for-profit community developers to fund the building of the affordable units. And finally, housing advocates criticize that IHP focuses solely on the physical dimensions of buildings and plots of land at the expense of meeting the needs of the residents who live, work and pass through our neighborhoods.

While The Inclusionary Housing Program was a step in the right direction, a voluntary IZ policy was a starting point. Large cities such as Boston, Denver, Colorado, Sacramento, San Diego, San Francisco, and Washington DC have all adopted mandatory inclusionary zoning laws. **The pace and scale of development across NYC is leaving low-, moderate, and even middle- income residents behind with heavy rent burdens and struggling to find affordable homes.** Without directly linking affordable housing production to new development production and the City's growth, New York will continue to see high housing costs climb out of reach of more and more New Yorkers.

A Mandatory Inclusionary Zoning policy would apply to all rezonings that result in a substantial increase in residential housing. Developers would be required to set-aside a required percentage of the total buildings square footage as affordable housing. A Mandatory Inclusionary Zoning policy will be critical to the City's affordable housing production in the future. **ANHD estimates that 25,000 to 50,000 affordable housing units could be generated over the next 8 years depending on the structure of the policy and the number of rezonings.** Assuming the City's real estate growth and development continue, NY could reasonably generate a rate of 4,000 affordable units per year by instituting mandatory inclusionary zoning, and thus yield approximately 32,000 units over the next 8 years.

The city has and will continue to be committed to producing affordable housing opportunities. Given the booming real estate market in NYC, it is not feasible for the City alone to produce affordable housing development, property developers must take on some of this responsibility. In order to ensure affordable housing opportunities for generations to come, the City must put in place a Mandatory Inclusionary Zoning policy.

¹ http://www.huduser.org/portal/rbc/newsletter/vol10iss4_1.html