

# **Report to the New York City Public Advocate: Affordable Housing in New York City**

## **Part Three: New York City Affordable Housing Policy Options**

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May 18, 2005



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## **Report to the New York City Public Advocate: Affordable Housing in New York City**

- Part One: The Context of Affordable Housing in New York City
- Part Two: Inclusionary and Related Zoning Approaches to Affordable Housing: A Reference Manual
- Part Three: New York City Affordable Housing Policy Options
- Part Four: The New York City Affordable Housing Atlas
- Part Five: Affordable Housing Compendium: New York City & National Affordable Housing Programs





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## Introduction

Part Three of the report on affordable housing in New York City for the Office of the Public Advocate focuses on additional strategies beyond the inclusionary alternative presented in Part Two. Three such additional strategies are presented, each springing from and keyed to a separate focus of initiation and resources. The three strategies are:

### Strategy 1: Market-driven:

The rezoning of commercial corridors and manufacturing districts for enhanced residential development

### Strategy 2: Government-Driven:

The Recreation of a " Mitchell-Lama Style" new housing development program

### Strategy 3: Public-Sites Driven:

An Infill building program for Affordable Housing utilizing public housing authority land and similar publicly owned/publicly developed sites

From the Institute's perspective, land is at the heart of the issue of affordable housing production, the most important constraint. "Solving" the land availability/land acquisition issue is, in the Institute's opinion, the single most important focus for increasing affordable housing in New York City.

Strategy One seeks to develop a completely private-market-focused solution. In this respect, more than in Strategy Two or Three, it presents the only "structural" solution to the long-term, consistent development of affordable housing in New York. It focuses on a rezoning of selected corridors and manufacturing districts in New York City for substantial zoning increases, and seeks to create a path for a near-complete development of affordable housing alongside market housing within these new zones.

Strategy Two focuses on the use of government dollars to acquire a sufficient number of new sites, most probably again within the commercial corridors and manufacturing districts portrayed in Strategy One and depicted in the Housing Atlas, for development. The basis of development would be a re-creation of a Mitchell-Lama program, with modifications, that would use public money to assemble the sites in the ways that Federal funds were usually used in an urban renewal framework to assemble

the Mitchell-Lama sites. Additional "subsidies" in the form of bond-driven special financing rates for construction would be introduced. The key drawback of this strategy is: Where, in the current fiscal climate of city and state government in New York (and the demand as opposed to the supply-side focus of most federal housing programs), would the land acquisition funds come from? In any event, the goal of Alternative Two is to answer the questions regarding the scope of needed funds and the locations of the assembled sites.

Strategy Three further answers the question of site availability by arguing that there is an untapped reservoir of already publicly owned land in a large group of housing authority sites in New York City. These sites have often been underbuilt, even by current zoning standards, and usually to design frameworks that are at variance with the typical urban design development patterns of New York City. Strategy Three traces the possibility of infill for these sites and its consequences in terms of unit production. Presumably, the financing of the construction of these sites could be accomplished with bond financing, especially if acquisition costs are no longer relevant.

A variety of ancillary issues, including the question of how much density is appropriate and what are the structures of community support for additional density that would be required, are also approached in Part Three.



## 1: Summary: The Current Context in New York City

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## 1: Summary: The Current Context in New York City

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# 1: Summary: The Current Context in New York City

## A. Housing production in New York City: 1995-2005:

Affordable housing production in New York City of the past decade, while notable by today's standards, cannot compare with the production peaks of the early-1950s, early-1960s and mid-1970s, and comes nowhere near satisfying the need for it. One reason is inevitably the reduction of funding applied to housing support programs operated by City and State agencies. Another reason is the restructuring of programs to address very specific objectives, localities, and demographics. Fewer units are being produced through direct subsidies, while more are being produced through bond financing mechanisms and tax credits/abatements.

Historically, the New York City Housing Authority (NYCHA) and the Department of Housing Preservation and Development (HPD), drawing funds directly from the City budget, represent the greatest portion of affordable housing units in New York City. Together these two agencies control, or have contributed to the development of, 392,167 units, or 62 percent, since their respective inceptions. Second are the State Housing and Finance Agency (HFA) and the Division of Housing and Community Renewal (DHCR), which control, or have contributed to the development of, 138,787 units, or 22 percent, since their respective inceptions. Finally, the private and government corporations Community Preservation Corporation (CPC) and the Housing Development Corporation (HDC) have financed 104,358 units, or 16 percent.

Unlike direct subsidies and tax abatements/exemptions, loan and operational funds are recovered through debt service and rent (respectively). Loans and government-operated units therefore represent the greatest portion of housing units produced (538,995 units, or 82 percent).

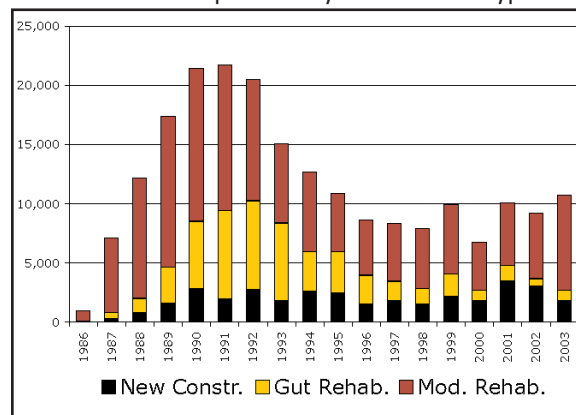
Since 1986, HPD has issued direct subsidies and project financing to 211,572 units. HPD applies its financing and subsidy programs to three construction types: New Construction (i.e., the development of entirely new units), Gut Rehabilitation (i.e., full overhaul of the unit or building whereby residents are temporarily displaced), and Moderate Rehabilitation (i.e., redevelop-

ment of units that would otherwise be deemed uninhabitable, but with residents still in occupancy).

At 60% (127,279 units), Moderate Rehabilitation is the most applied construction type. This is because of far less demanding scope of construction, and consequently lower costs per unit. Conversely, new construction, with the most demanding and expensive construction, only accounts for 16 percent (34,456) of units to which HPD support was applied.

Over the years, the volume of new and rehabilitated units supported by HPD has fluctuated (for the most part) between 7,000 and 20,000 per annum. Housing support peaks in 1991 at 21,723 units. A trench in the curve occurs in 2000, at which point only 6,757 were supported. The volume of new-construction support remains relatively level around 2,000 units per annum. New construction peaks in 2001 with 3,454 units.

Table 1: HPD Units per Year by Construction Type



Year	New Constr.	Mod. Rehab.	Gut Rehab.	Aggregate
1986	77	897	32	1,006
1987	284	6,336	528	7,148
1988	778	10,133	1,242	12,153
1989	1,586	12,772	3,050	17,408
1990	2,844	12,848	5,866	21,458
1991	1,863	12,278	7,482	21,723
1992	2,769	10,230	7,485	20,484
1993	1,863	6,670	6,516	15,049
1994	2,611	5,769	3,324	12,704
1995	2,484	4,890	3,485	10,859
1996	1,534	4,658	2,426	8,618
1997	1,857	4,920	1,598	8,375
1998	1,502	5,039	1,361	7,902
1999	2,168	5,846	1,885	9,919
2000	1,864	4,029	864	6,757
2001	3,454	5,284	1,327	10,065
2002	3,018	5,511	656	9,185
2003	1,780	8,069	910	10,759
<b>Total</b>	<b>34,456</b>	<b>127,279</b>	<b>49,837</b>	<b>211,572</b>

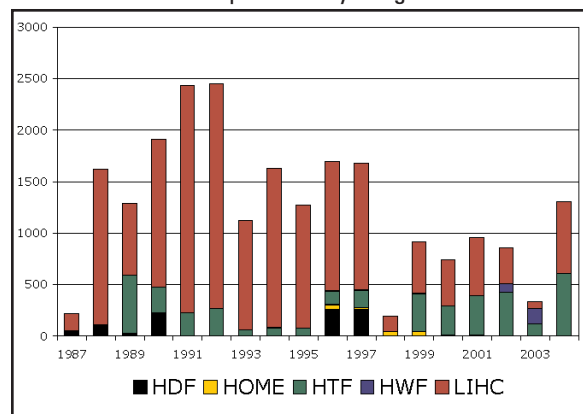
Since 1971, HDC has invested almost \$3.5 billion to finance the development of more than 77,000 units of affordable housing. Currently, outstanding projects, most of which have been issued in the past decade, amount to 32,570 units.

The most popular program HDC uses to finance new construction is the 80/20 program. Under this program, and predominantly in Manhattan, 8,434 units have been produced with loans amounting to more than \$1.6 billion. The Bronx has primarily utilized the Affordable Housing Permanent Loan program (2,625 units); Brooklyn has primarily utilized the General Housing program (1,527 units); and Queens has primarily utilized the affordable Middle-Income Rental (also known as NewHOP) program (1,454 units).

At \$233,874, Liberty Bonds represent the highest cost per unit, as they only target development in Downtown Manhattan. The 80/20 program (at \$194,086 per unit) and Mixed-Income program (at \$202,381 per unit) also present a high cost, as bonds issued through these programs also support the development of market units, which tend to demand a higher construction standard. Conversely, the least expensive projects are found under the Affordable Housing Permanent Loan Program, and are located – for the most part – in the Bronx.

The greatest number of units produced with DHCR support utilized Low-Income Housing Credits, predominantly in the early 1990s, peaking at 2,209 units in 1991. The limited amount of units supported by direct subsidies came online, for the most part, between 1996 and 1999. The disbursement of direct subsidies under the HOME program peaked at approximately \$2,591,000 in 1999.

Table 2: DHCR Units per Year by Program

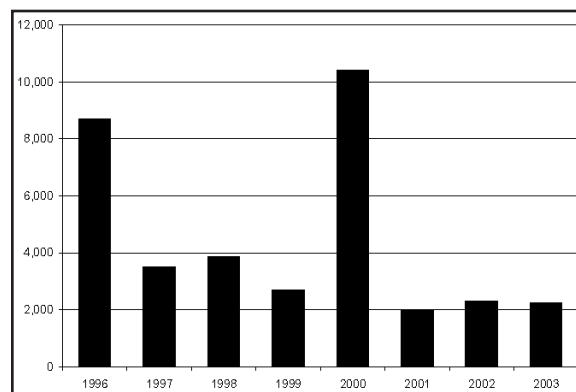


Year	HDF	HOME	HTF	HWF	LIHC	TOTAL
1987	48	0	0	0	173	221
1988	105	0	0	0	1,514	1,619
1989	22	0	570	0	693	1,285
1990	227	0	248	0	1,438	1,913
1991	0	0	222	0	2,209	2,431
1992	0	0	265	0	2,175	2,448
1993	0	0	58	0	1,059	1,118
1994	0	0	79	0	1,548	1,627
1995	0	0	78	0	1,197	1,273
1996	255	43	131	0	1,258	1,683
1997	281	11	174	0	1,232	1,678
1998	0	43	0	0	155	195
1999	0	44	368	0	531	914
2000	0	12	278	0	450	740
2001	0	11	383	0	555	959
2002	0	0	425	80	352	857
2003	0	0	118	151	55	334
2004	0	0	308	0	698	1,306

DHCR’s issuance of loans peaks at \$ 29,565,000 in 1990 and at \$ 20,693,000 in 2002, respectively corresponding to the peaks of the HDF program and subsequently the HWF program. Tax relief disbursements are calculated per annum, and thus accumulate as more relief is issued.

CPC tends to finance between 2,000 and 4,000 newly constructed affordable housing units per annum in the five boroughs. In the year 2000, CPC financed the redevelopment of Parkchester South in the Bronx – which amounted to 8,286 units in 117 buildings. This brought the year’s total to 10,409 units throughout NYC.

Table 3: CPC Units per Year



Year	Loans	Units	\$ / Unit
1996	\$ 238 MM	8,700	\$ 27,152
1997	\$ 130 MM	3,516	\$ 36,989
1998	\$ 129 MM	3,867	\$ 33,360
1999	\$ 159 MM	2,699	\$ 59,053
2000	\$ 273 MM	10,409	\$ 26,184
2001	\$ 165 MM	1,975	\$ 83,626
2002	\$ 210 MM	2,301	\$ 91,367
2003	\$ 260 MM	2,258	\$ 115,076



## **B. Demand for affordable housing in New York City: 2005-2015:**

### *i. Overview*

#### **a. Introduction**

Report One on demand indicated that there were three basic types of affordable housing demand that were applicable to those households for which housing should be provided. The latter are households below 135 percent of median income (\$62,100) in New York City. By this definition, these households are income-eligible to receive affordable housing. The first consists of those households that are currently paying too much of their income for housing. For renters this is more than 35 percent of annual income; for owners it is more than 40 percent of annual income. These are sound housing units whose only limitation is that those who occupy them are paying excessive housing costs relative to income. This is not an insignificant number, however. It involves over 1 million housing units, or almost one-third of New York City's housing stock.

The meliorative response to this issue is creating a housing cost write-down paid directly to a landlord for rental housing, or to an owner for ownership housing. A secondary strategy is the initiation of a large middle-income housing program to produce significant numbers of new affordable units within the overall market response of largely expensive units. The program would be of the scale of the Mitchell-Lama housing efforts of the late-1950s and the 1960s.

The second component of affordable housing demand comprises those who are income-eligible and live in deteriorated housing. This typically involves those below 135 percent of median income who live in units that: (1) do not have a complete bathroom; (2) do not have a complete kitchen or who share a kitchen; or (3) are overcrowded housing, i.e., house more than one person per room. If the unit was built before 1940, only one of these conditions plus the age of the structure need be present to signal it as deteriorated; if the unit was built in 1940 or after, two of the above conditions need to be present to signal it as deteriorated. This category of need comprises 165,000 units, or about 5 percent of New York City's total housing stock. It is about 7 percent of the low- and moderate-income housing stock. This category of affordable housing need can be potentially responded to by establishing a grant pool from which owners of low- or moderate-

income deteriorated structures would apply for funds. These funds could come from an increase in building permit charges for improvements (additions, alterations or repairs) to existing residential structures in the city.

The third component of affordable housing demand is those who will form households in the future below 135 percent of income for whom the market will not provide affordable housing. This amounts to about 80,000 households of the 105,000 that will grow over the period 2005 to 2010, or about 76 percent. The magnitude of this type of affordable housing need is the smallest of all but the ratio of low- and moderate-income households (80,000) to middle- or higher-income households (105,000 minus 80,000, or 25,000) is over 3 to 1. This means that, theoretically, only 25,000 new middle- and upper-income households will be available for a market supply of about 115,000 (including vacancy) new housing units. Almost all of these new market units will be built for middle- and upper-income families (95,000 units). In reality, 70,000 households that occupy existing market housing in New York City will trade up to these units with their vacated units becoming available for market-level housing at somewhat lower costs.

#### **b. Purpose**

This portion of the affordable housing study will display affordable housing demand by the approximately 60 community districts in New York City. These comprise three (Staten Island) to eighteen (Brooklyn) community districts per borough.<sup>1</sup> Affordable housing demand will be shown for these components of boroughs by its three main dimensions: cost burden, rehabilitation, and new construction (future) affordable housing need. In addition, linkages to potential funding sources will be proposed and these funding sources will be tapped to determine the amount of affordable housing need that can potentially be provided. This exercise enables a look at a relative impact of meliorative strategies: (1) inclusionary zoning and a new, large moderate-income housing program to address new construction need; (2) tapping residential improvement building permit fees to address rehabilitation need; and (3) using a portion of the New York City Real Estate Transfer Tax to address cost burden affordable housing need. It should be realized that the affordable housing situation in New York City is protracted and it has taken at least 20

years of relatively good economic times (post-1985) to create this situation. No strategy, no matter how inventive nor how aggressive, can materially affect the scope of affordable housing need in the five boroughs over a 5-year projection period. It is almost accepted that affordable housing need is pervasive and significant throughout New York City, and strategies to combat it will have only relatively minor short-run effects.

## ***ii. Affordable housing need by component and Community District in New York City***

### **a. Cost-burdened affordable housing need**

In New York City, there are 3.1 million housing units of which 2.4 million, or 76 percent, fall below 135 percent (\$84,100) of median income (\$62,300) (see Table 4, cols. 2 and 3). These households are located primarily in The Bronx, Brooklyn, and Queens. As a share of total housing units, income-qualified households in these boroughs range from 88 to 77 percent (see Table 4, col. 3, and Figure 1). Of income-qualified households, approximately 1.02 million renters (800,000) and owners (220,000) pay more than 35 percent or 40 percent, respectively, for income. This is about 43 percent of the income-eligible households of New York City (see Table 4, col. 4). The greatest percentage of cost burden (45 percent of income-eligible households) is found in Manhattan, followed by Brooklyn (44 percent), Bronx (42 percent), Queens (41 percent), and Staten Island (37 percent).

Within the various boroughs, cost burden is much more uneven. It is most pronounced (50 percent or above for income-eligible households) in Manhattan in Community Districts 1 and 2 (Tribeca, Noho, Soho, Little Italy), in Community District 6 (Murray Hill, Stuyvesant Town), and in Community District 8 (Lenox Hill, Yorkville, Roosevelt Island) (Table 4, col. 4). It is also high in Brooklyn in Community District 12 (Borough Park, Ocean Parkway). On the other hand, cost-burdened affordable housing need is lower (below 40 percent of income-eligible households) in Manhattan in Community District 3 (Lower East Side, Chinatown), Community District 11 (East Harlem), and Community District 12 (Washington Heights, Inwood) (see Table 4, col. 4, and Figure 2). In Brooklyn, cost-burdened affordable housing need is lower in Community District 2 (Brooklyn Heights, Boerum Hill). In Queens, it is lower (below 40 percent of income-eli-

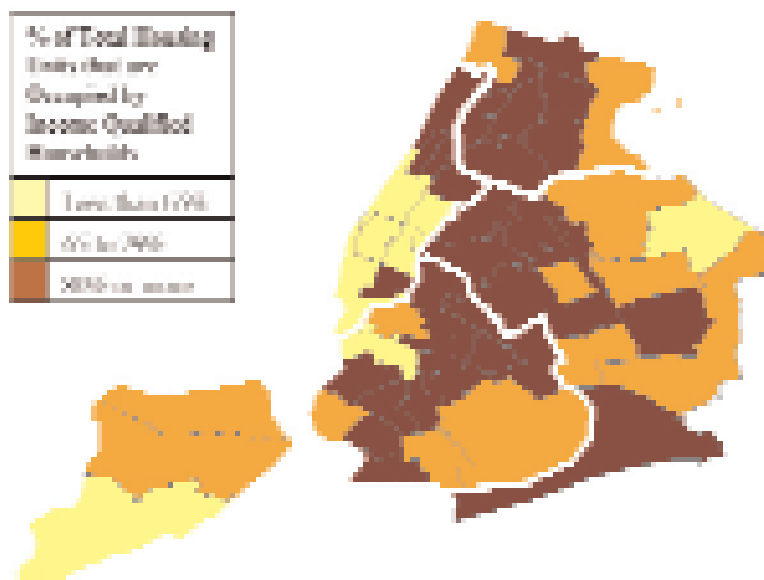
gible households) in Community District 2 (Sunnyside and Woodside), in Community District 8 (Fresh Meadows, Kew Gardens Hills, Jamaica Hills), in Community District 13 (Laurelton, Queens Village, Glen Oaks), and in Community District 14 (The Rockaways and Broad Channel) (see Table 4, col. 4). In the Bronx, cost-burdened affordable housing need is high and, in fact, never falls below 40 percent in any of the community districts. On the other hand, in the three community districts in Staten Island (North Island, Mid Island, and South Island), cost-burdened affordable housing need is relatively low and never gets higher than 38 percent of income-qualified households. Thus, cost burden is most severe in Manhattan and Brooklyn community districts and least severe in Staten Island and Queens community districts. There are also community districts in Manhattan where cost-burdened households, as a share of income-eligible households, are less of a problem (East Harlem—CD11) and Washington Heights—CD12).

In closing, the numerical scale of the cost-burdened population also bears mentioning. The cost-burdened population is eight times higher in Brooklyn (330,000 households) than it is in Staten Island (42,500 households) due both to their differences in overall income-qualified households (Brooklyn [745,000] has 6.5 times the income-qualified households of Staten Island [115,000]) and also due to the lower median household incomes found in Brooklyn (\$36,700 annual median versus about \$61,000 in Staten Island) (see Table 4, col. 4).

In addition, again in terms of the scale of cost burden, Queens is second in overall magnitude with 258,000 cost-burdened households; Manhattan is third with 214,000 cost-burdened households; The Bronx is fourth with 177,000 cost-burdened households; and Staten Island is fifth with 42,500 cost-burdened households (see Table 4, col. 4).

With regard to large concentrations of cost-burdened households in community districts, i.e., more than 25,000 cost-burdened households per district, the following locations are clearly noticeable (see Table 4, col. 4). More than 25,000 cost-burdened households are found in Manhattan's Community District 7 (Lincoln Square, Upper West Side), Community District 8 (Lenox Hill, Yorkville, Roosevelt Island), and Community District 12 (Washington Heights, Inwood).

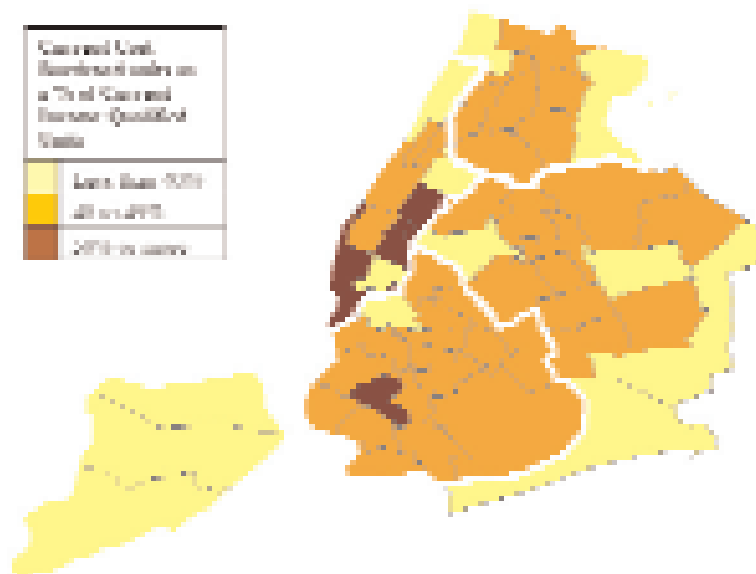
**Figure 1: Significant locations of income qualified units as a percent of all units**



*Note:* Visual depiction of location of community districts (in boroughs) with high and low percentages of income-qualified households (< 135%) occupying housing units. Source of data is Table 1 (col. 3—%).

*Source:* U.S. Census Bureau, 2000 Census of Population and Housing, 5% Public Use Microdata Sample, (updated to 2005)

**Figure 2: Significant locations of cost burdened affordable housing need**



*Note:* Visual depiction of location of community districts (in boroughs) with high and low percentages of income-qualified households (< 135%) that are cost-burdened (pay more than 35 percent [renters] or 40 percent [owners] of annual income for housing).

*Source:* U.S. Census Bureau, 2000 Census of Population and Housing, 5% Public Use Microdata Sample, (updated to 2005)

**Table 4: Cost-burdened, rehabilitation, and future affordable housing need:  
New York City 2005-2010**

Community District	Col. 1	Col. 2	Col. 3		Col. 4		Col. 5		Col. 6	
	PUMA Area	Total Units -2005	Income Qualified Units -2005	%	Cost Burdened Households -2005	%	Rehab Need Households -2005	%	Future Very Low, Low or Moderate Need (2005-2010)	%
<b>Manhattan</b>		#	#	%	#	%	#	%	#	%
1&2	3810	68,775	32,930	-48	17,393	-53	2,503	-8	932	-3
3	3809	71,019	59,533	-84	22,514	-38	6,701	-11	1,884	-3
4&5	3807	72,934	42,244	-58	19,958	-47	3,179	-8	1,152	-3
6	3808	89,789	42,165	-47	22,033	-52	1,869	-4	1,372	-3
7	3806	110,687	55,658	-50	25,387	-46	4,124	-7	2,055	-4
8	3805	126,693	54,064	-43	29,100	-54	1,347	-2	1,318	-2
9	3802	47,904	39,292	-82	16,686	-42	3,586	-9	1,096	-3
10	3803	48,728	44,426	-91	19,097	-43	2,433	-5	1,321	-3
11	3804	44,021	39,583	-90	15,184	-38	2,425	-6	1,486	-4
12	3801	77,450	68,583	-89	26,513	-39	9,324	-14	1,952	-3
<b>Manhattan Total</b>		<b>758,000</b>	<b>478,478</b>	<b>-63</b>	<b>213,865</b>	<b>-45</b>	<b>37,491</b>	<b>-8</b>	<b>14,568</b>	<b>-3</b>
<b>Brooklyn</b>										
1	4001	51,902	46,035	-89	18,355	-40	4,643	-10	786	-2
2	4004	49,818	34,896	-70	13,728	-39	2,027	-6	515	-1
3	4003	44,161	40,487	-92	19,056	-47	2,585	-6	659	-2
4	4002	36,389	34,435	-95	16,148	-47	3,913	-11	570	-2
5	4008	47,542	43,323	-91	19,805	-46	2,909	-7	1,020	-2
6	4005	48,907	30,298	-62	13,066	-43	1,934	-6	193	-1
7	4012	45,182	38,707	-86	15,830	-41	5,172	-13	472	-1
8	4006	47,221	40,827	-86	17,125	-42	2,571	-6	665	-2
9	4011	42,777	37,627	-88	16,923	-45	3,146	-8	816	-2
10	4013	52,430	38,082	-73	15,511	-41	2,487	-7	395	-1
11	4017	65,197	53,836	-83	25,167	-47	4,367	-8	791	-1
12	4014	50,642	42,472	-84	21,044	-50	4,937	-12	281	-1
13	4018	47,266	41,724	-88	18,485	-44	2,361	-6	865	-2
14	4015	58,310	48,578	-83	20,307	-42	5,695	-12	677	-1
15	4016	57,725	44,524	-77	18,782	-42	2,887	-6	639	-1
16	4007	38,975	36,682	-94	17,690	-48	1,528	-4	602	-2
17	4010	50,523	43,138	-85	20,125	-47	3,285	-8	920	-2
18	4009	66,836	49,274	-74	22,054	-45	1,216	-2	707	-1
<b>Brooklyn Total</b>		<b>901,803</b>	<b>744,945</b>	<b>-83</b>	<b>329,201</b>	<b>-44</b>	<b>57,663</b>	<b>-8</b>	<b>11,573</b>	<b>-2</b>

**Notes:**

- Col. 1 U.S. Census geographic areas encompassing at least 100,000 population and established to coincide with community district locations.
- Col. 2 Total housing units in New York City by community district and borough.
- Col. 3 Number of housing units of total housing units that are occupied by households whose income falls below 135 percent of income.
- Col. 4 Number of units of income-qualified units that pay more than 35 percent of income for rental housing, or 40 percent of income for ownership housing.



**Table 4: Cost-burdened, rehabilitation, and future affordable housing need:  
New York City 2005-2010 (Continued)**

Community District	Col. 1	Col. 2	Col. 3		Col. 4		Col. 5		Col. 6	
	PUMA Area	Total Units -2005	Income Qualified Units -2005		Cost Burdened Households -2005		Rehab Need Households -2005		Future Very Low, Low or Moderate Need (2005-2010)	
		#	#	%	#	%	#	%	#	%
<b>Queens</b>										
1	4101	79,733	65,074	-82	27,015	-42	4,837	-7	2,731	-4
2	4109	51,606	41,792	-81	16,125	-39	4,227	-10	1,589	-4
3	4102	58,272	49,951	-86	19,808	-40	4,531	-9	2,058	-4
4	4107	46,686	39,907	-85	17,430	-44	3,457	-9	1,637	-4
5	4110	65,913	52,942	-80	20,988	-40	2,682	-5	2,203	-4
6	4108	54,162	37,121	-69	15,620	-42	1,333	-4	1,493	-4
7	4103	93,997	70,889	-75	28,977	-41	3,346	-5	2,921	-4
8	4106	56,920	40,415	-71	14,668	-36	1,242	-3	1,672	-4
9	4111	48,235	38,708	-80	17,435	-45	3,191	-8	1,446	-4
10	4113	42,235	32,508	-77	13,513	-42	2,105	-6	1,369	-4
11	4104	46,473	29,150	-63	11,753	-40	390	-1	1,167	-4
12	4112	72,811	60,229	-83	25,653	-43	2,484	-4	2,900	-5
13	4105	64,640	44,306	-69	16,595	-37	1,170	-3	2,096	-5
14	4114	37,841	31,627	-84	12,341	-39	1,039	-3	1,288	-4
<b>Queens Total</b>		<b>819,524</b>	<b>634,619</b>	<b>-77</b>	<b>257,921</b>	<b>-41</b>	<b>36,034</b>	<b>-6</b>	<b>26,570</b>	<b>-4</b>
<b>Bronx</b>										
1&2	3710	43,563	41,559	-95	16,871	-41	2,982	-7	1,821	-4
3&6	3705	48,039	45,915	-96	20,927	-46	2,565	-6	2,011	-4
4	3708	44,268	41,962	-95	18,335	-44	4,927	-12	1,702	-4
5	3707	44,548	42,251	-95	19,865	-47	4,977	-12	1,754	-4
7	3706	44,936	41,123	-92	18,005	-44	5,353	-13	1,576	-4
8	3701	43,956	32,566	-74	12,498	-38	2,124	-7	1,199	-4
9	3709	64,615	58,177	-90	24,158	-42	3,449	-6	2,512	-4
10	3703	47,629	36,709	-77	11,711	-32	759	-2	1,498	-4
11	3704	47,814	40,103	-84	16,201	-40	2,406	-6	1,651	-4
12	3702	50,279	41,262	-82	18,773	-45	2,136	-5	1,752	-4
<b>Bronx Total</b>		<b>479,647</b>	<b>421,627</b>	<b>-88</b>	<b>177,344</b>	<b>-42</b>	<b>31,678</b>	<b>-8</b>	<b>17,476</b>	<b>-4</b>
<b>Staten Island</b>										
1	3903	61,527	45,433	-74	16,789	-37	1,311	-3	3,793	-8
2	3902	50,343	33,019	-66	12,632	-38	304	-1	2,766	-8
3	3901	57,886	35,099	-61	13,139	-37	149	0	2,936	-8
<b>Staten Island Total</b>		<b>169,756</b>	<b>113,551</b>	<b>-67</b>	<b>42,560</b>	<b>-37</b>	<b>1,764</b>	<b>-2</b>	<b>9,495</b>	<b>-8</b>
<b>City Total</b>		<b>3,128,730</b>	<b>2,393,220</b>	<b>-76</b>	<b>1,020,891</b>	<b>-43</b>	<b>164,630</b>	<b>-7</b>	<b>79,682</b>	<b>-3</b>

*Notes (continued):*

Col. 5 Number of units of income-qualified units that are deteriorated according to the criteria of this report.

Col. 6 Projected income-qualified households (&lt; 135%) for the period 2005-2010.

Source: U.S. Census Bureau, 2000 Census of Population and Housing, 5% Public Use Microdata Sample, (updated to 2005)

Cost-burdened households in significant number are also found in Brooklyn's Community District 11 (Bensonhurst, Bath Beach, Gravesend); and in Queen's Community District 1 (Astoria and Long Island City), Community District 7 (Flushing, Whitestone, College Point), and Community District 12 (Jamaica, South Jamaica, Hollis) (see Table 4, col. 4). The only other concentration of cost burden in community districts of more than 25,000 households is found in the Bronx Community District 9 (Soundview, Castle Hill, Parkchester).

In sum, cost burden affects New York City residents (except for those living in Staten Island) relatively evenly (in terms of share of the population) at 41 to 45 percent of those who are income-eligible. In Staten Island, 37 percent of those who are income eligible are cost-burdened. This means that there are somewhat compensating effects in the cost of the local housing stock for the significant differences that are found between median incomes in Manhattan (\$52,500+) and median incomes in Brooklyn (\$36,700). Median housing cost in Manhattan (2004 dollars) is \$1,035 monthly to occupy housing; median housing cost in Brooklyn is \$872 monthly to occupy housing.

#### **b. Rehabilitation affordable housing need**

There are approximately 165,000 deteriorated housing units that are occupied by income-qualified households (see Table 4, col. 5). These are units that lack a complete bathroom, lack a complete or do not have exclusive use of a kitchen, or are overcrowded. These characteristics are paired with the age of a housing unit such that if the unit is older (pre-1940), only one of the above characteristics need apply to designate the unit as deteriorated; if the unit is newer (1940 to 2000), two characteristics must be evident to signal a deteriorated unit. Ninety (90) percent (149,000) of the 165,000 units are older units (built 1939 or earlier). These are units that, for the most part, are restorable through rehabilitation. Most (84 percent) of the older units are overcrowded. Crowding is not overly severe; it about 1.5 persons per room. A four-room unit would have six rather than four occupants. Of the 16,000 deteriorated new units (1940 or newer), most (51 percent) have both kitchen and bathroom (lack a component) deficiencies.

On average, in New York City, 7 percent of the housing stock occupied by income-qualified households is

deteriorated. This ranges from highs of 8 percent in Manhattan, Brooklyn, and The Bronx to a low of 2 percent in Staten Island. Six percent of the housing stock occupied by income eligible households is deteriorated in Queens (see Table 4, col. 5).

Significant locations of housing deterioration below the borough level (where 10 percent or more of the housing stock is deteriorated) are in Manhattan's Community District 3 (Lower East Side, Chinatown) and Community District 12 (Washington Heights, Inwood) (see Table 1, col. 5, and Figure 3). In Brooklyn, locations of significant housing deterioration are found in Community District 1 (Greenpoint, Williamsburg), Community District 4 (Bushwick), Community District 7 (Sunset Park, Windsor Terrace), Community District 12 (Borough Park, Ocean Parkway), and Community District 14 (Flatbush, Midwood). In Queens, the only location of housing deterioration is found in Community District 2 (Sunnyside, Woodside). In the Bronx, locations of significant housing deterioration are found in Community District 4 (Highbridge, Concourse), in Community District 5 (Morris Heights, University Heights), and in Community District 7 (Kingsbridge Heights, Bedford Park, Fordham) (see Table 4, col. 5). In Staten Island, there are no locations of significant housing deterioration.

At the other end of the spectrum, locations of relatively *low* housing deterioration (less than 5 percent of the housing stock occupied by income qualified households) are found in Manhattan's Community District 6 (Murray Hill, Stuyvesant Town), and Community District 8 (Upper East Side, Yorkville, Roosevelt Island) (see Figure 3). Other locations of *lower* housing deterioration are found in Brooklyn's Community District 16 (Ocean Hill, Brownsville), Community District 18 (Canarsie, Marine Park, Mill Basin); and, in Queens' Community District 6 (Rego Park, Forest Hills), Community District 8 (Fresh Meadows, Kew Gardens), Community District 11 (Bayside, Douglaston, Little Neck), Community District 12 (Jamaica, South Jamaica, Hollis), Community District 13 (Laurelton, Queens Village, Glen Oaks), and Community District 14 (the Rockaways, Broad Channel).

In the Bronx, the *only* location of relatively *low* housing deterioration is Community District 10 (Throgs Neck, Co-op City, City Island). In Staten Island, all

community districts (North Island, Mid Island, South Island) have relatively low housing deterioration.

The relative numerical scale of housing deterioration (for units occupied by income-eligible households) also bears inquiry. Housing deterioration in Manhattan, Queens, and the Bronx amounts to 32,000 to 37,500 units in each borough. In Brooklyn, housing deterioration is approaching 58,000 units, and in Staten Island it is not even 2,000 units. Large numerical concentrations of deteriorated units (more than 5,000 units) are found in Manhattan's Community District 3 (Lower East Side, Chinatown) and Community District 12 (Washington Heights, Inwood); in Brooklyn's Community District 7 (Sunset Park, Windsor Terrace), Community District 14 (Flatbush, Midwood); and in the Bronx's Community District 7 (Kingsbridge Heights, Bedford Park, Fordham). Concentrations of deteriorated units of more than 5,000 are not found in community districts in either Queens or Staten Island (see Table 4, col. 5).

In sum, rehabilitation affordable housing need is relatively evenly distributed in select locations of each of the boroughs except Staten Island. Staten Island's percentage distribution of the stock occupied by income-qualified households is one-quarter to one-third that of the other boroughs.

### **c. New construction affordable housing need**

Over the period of 2005 to 2010, New York City will expand its household population by 105,200. This will comprise 79,200 low- and moderate-income households (below 135 percent of median income; see Table 1, col. 6) and 25,500 middle- and upper-income households. If future (2005-2010) New York City experience reflects the past (1990-2000), this will be met by about 115,000 new housing units almost all directed to middle- and upper-income households. The reality of this is that the new construction market is predictably building to the middle and upper income levels of the housing market at a rate of four times what is needed and not building at all to the very low and low income levels. This leaves unsatisfied future low- and moderate-income housing demand in significant numbers in all parts of the city. This type of situation cries out for an inclusionary component related to market housing as well as a large new housing program targeted to the lower middle-income sector of the population.

New construction affordable housing demand for the period 2005 to 2010 (approximately 80,000 units in total) will be highest in Queens (26,600 units), second in the Bronx (17,700 units), third in Manhattan (14,600 units), fourth in Brooklyn (11,600 units), and fifth in Staten Island (9,500 units) (see Table 4, col. 6). As a percentage of the current 2005 housing stock, occupied by income-eligible households, future affordable housing need has a pattern somewhat different from absolute need. It is highest in Staten Island (8 percent of the existing stock); it is in the middle in Queens and the Bronx (4 percent of the existing stock); and it is lowest in Manhattan and Brooklyn (3 percent of the existing stock), respectively (see Table 4). Thus, Staten Island often is immune from affordable housing need due to its relatively high household incomes, and its sound housing stock is at two and one-half times the New York City average in terms of percent of future affordable housing need of the existing income-eligible stock. In terms of absolute numbers, Queens has one-third of the future affordable housing need (see Table 4, col. 6).

Below the borough level, significant locations of future affordable housing need (5 percent or above of the income eligible stock) are found in Queens in Community District 12 (Jamaica, South Jamaica, Hollis), Community District 13 (Laurelton, Queens Village, Cambria Heights); and in all three of Staten Island's Community Districts (North Island, Mid Island, and South Island) (see Table 4, col. 6, and and Figure 4). Low relative levels of affordable housing need (2 percent or below of the stock) are found in Manhattan's Community District 8 (Upper East Side, Yorkville, Roosevelt Island); and all of Brooklyn's eighteen community districts.

Significant absolute concentrations of future affordable housing need (above 2,000 units for the period 2005-2010) are found in: Manhattan's Community District 7 (Lincoln Square, Upper West Side); Queen's Community District 1 (Astoria, Long Island City), Community District 3 (Jackson Heights, East Elmhurst, North Corona), Community District 5 (Maspeth, Middle Village, Glendale), Community District 7 (Flushing, Whitestone, College Point), Community District 12 (Jamaica, South Jamaica, Hollis), Community District 13 (Laurelton, Cambria Heights, Glen Oaks); Bronx's Community District 3 and 6 (Melrose, Claremont, Croton's Park East; East Tremont, Belmont, West

Farms), Community District 9 (Soundview, Castle Hill, Parkchester); and in all three of Staten Island’s community districts (North Island, Mid Island, South Island) (see Table 4, col. 6).

In sum, more new construction affordable housing need is required in Queens and in the Bronx and less so in Manhattan, Brooklyn, and Staten Island. As a share of existing income-qualified units, Staten Island has significant (two to three times the other boroughs’) relative new construction affordable housing need.

**iii. Affordable housing responses by component and Community District in New York City**

**a. Cost-burdened affordable housing need**

Cost-burdened affordable housing need is related to the amount of real estate market pressure in an area. It is a function of the amount of real estate transfer in a particular geographic location, which drives up prices there. The most closely related source of revenue to real estate transfers in New York City is the Real Property Transfer Tax. The Real Property Transfer Tax applies to conveyances of residential real estate including shares of a cooperative. The Real Estate

Owner of rental properties	Value (minus outstanding mortgages)	Rate
1-3 family house cooperative unit	<\$500,000	1%
condominium unit 4+ family residence	>\$500,000	1.425

Property Transfer Tax Rate is as follows: It will be assumed that increased New York City Real Property Transfer Tax revenues (20 percent) are available to provide a write-down on rental units that are cost-burdened. The revenue will come from all residential real estate transfers, both owner and rental units, but it would be applied only against those living in cost-burdened units of rental tenure. To estimate the effects of such a program, the revenue calculation procedure proceeds as follows. From the number of existing units in each of the five boroughs encompassing about 60 community districts is subtracted those units that are at 30 percent of median rent or below. These units are assumed to be mostly subsidized or in structures likely not to be transferred. In addition, 25 percent of the remaining rental units are randomly removed from transfer considerations because they

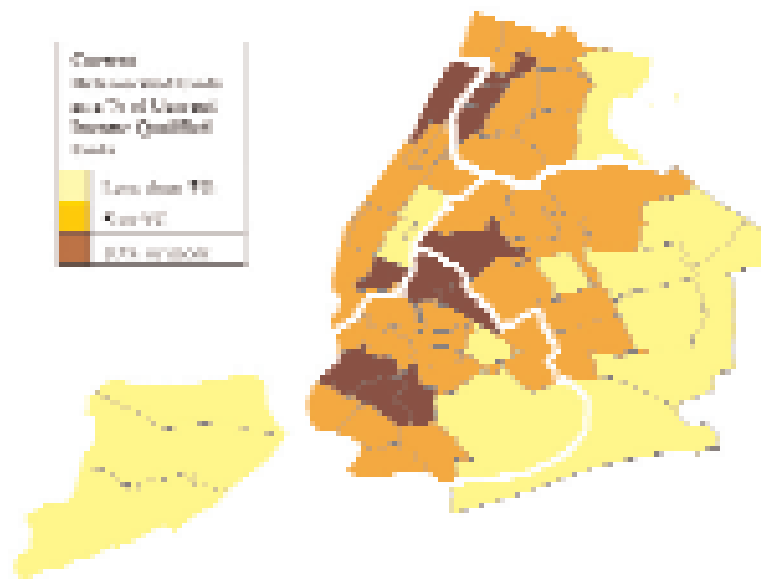
are in structures that probably would not be transferred because long-term rental income is desired. This produces a number of units citywide (2.45 million) that is about 75 percent of total units (Table 5, col. 2). These are units likely to be transferred over the next ten years at an average of 10 percent annually. The value associated with these units is then produced by borough and community district (Table 5, col. 3). This information is the actual value of properties from the U.S. Census Public Use Microdata Sample (PUMS 2000) provided by owners for ownership property and renters (monthly gross rent) for rental properties. It is taken to the year 2004 by a 6 percent annual inflation rate. One hundred times monthly gross rent is used for the value of rental properties. Since the New York City Real Property Transfer Tax does not tax the value of outstanding mortgages on transfer, 20 percent of the value of properties is subtracted after 10 percent of total value is taken for the annual turnover of properties (Table 5, col. 4). Thus, close to 245,000 units are projected to turn over annually, yielding Real Property Transfer Tax Revenues of \$363 million (see Table 5, col. 5). Increasing the Real Property Transfer Tax by 20 percent for both price levels (<\$500,000/>\$500,000 minus outstanding mortgage) of housing transferred would yield about \$72.5 million for a fund to address cost-burdened housing in the various community districts (Table 5, col. 6). This would render relief from cost burden for about 79,000 households, or about 8 percent of the 1.2 million cost-burdened units (see Table 5, col. 7). Close to 942,000 units would still remain unaddressed because the \$7.3 billion to respond to this additional need would be almost impossible to raise. It should be noted that the only reason that this number of units can be addressed with the \$72.5 million raised through the increased Real Property Transfer Tax is that one-third of the money is spent at the top, middle, and bottom of the cost-burden distribution. This enables an uneven emphasis on low-cost efforts at the top of the distribution to swell the number of cost-burdened households that can be addressed annually.

For the purpose of this exercise, real estate transfer funds are left in the community district where the funds are generated. Obviously, multiple systems of distribution, including a citywide fund, could be devised. This is discussed in a following section.

Specific areas of significant cost-burden response (about 2,000 units addressed per community district)



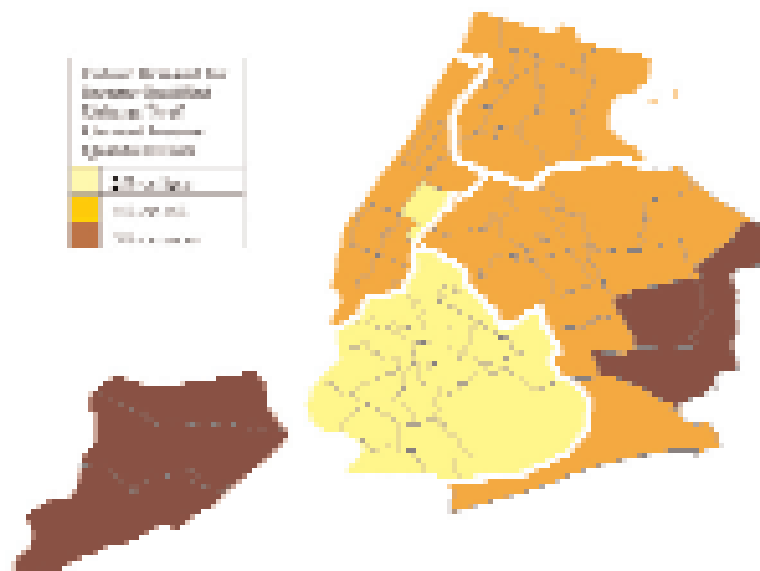
**Figure 3: Significant locations of rehabilitation affordable housing need**



*Note:* Visual depiction of location of community districts (in boroughs) with high and low percentages of income-qualified households (< 135%) that live in deteriorated housing (have one housing deficiency—1939 or older) or have two housing deficiencies (1940 or newer). Source of data is Table 1 (col. 5—%).

*Source:* U.S. Census Bureau, 2000 Census of Population and Housing, 5% Public Use Microdata Sample, (updated to 2005)

**Figure 4: Significant locations of new construction affordable housing need**



*Note:* Visual depiction of location of community districts (in boroughs) with high and low percentages of income-qualified households (<135%) that will be produced from 2005-2010 and will not have affordable housing available to them. Source of data is Table 1 (Col. 6—%).

*Source:* New York State Information System (NYSIS): Projections 2005-2015, U.S. Census Bureau, 2000 Census of Population and Housing, 5% Public Use Microdata Sample, (updated to 2005)

**Table 5: Using a portion of the Real Property Transfer Tax to fund cost-burdened affordable housing need**

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
Community District	PUMA Area	Number of Units	Value of Units (\$)	Value of Annual Unit Turnover (\$)	Annual Transfer Tax (\$)	20% Increment of Transfer Tax	Cost Burdened Units Removed	Cost to Cure	Cost Burdened Units Remaining	Remaining Cost to Cure
<b>Manhattan</b>										
1&2	3910	53,873	16,373,882,342	1,309,910,587	15,773,481	3,154,696	2,243	3,154,696	15,150	205,043,373
3	3909	47,768	5,895,974,780	479,677,881	5,150,847	1,030,169	1,480	1,030,169	21,034	132,323,632
4&5	3907	55,166	13,097,762,137	1,047,820,971	12,108,811	2,421,722	2,027	2,421,722	17,931	200,475,170
6	3908	71,180	17,944,002,260	1,435,520,181	16,292,908	3,258,582	2,343	3,258,582	19,699	257,520,545
7	3906	87,362	26,235,215,776	2,098,817,262	25,498,587	5,099,717	4,628	5,099,717	20,759	232,961,135
8	3905	102,226	36,115,050,147	2,889,204,012	35,783,048	7,156,610	5,213	7,156,610	23,887	332,847,406
9	3902	33,733	4,242,125,857	339,370,053	3,667,745	733,549	1,074	733,549	15,813	98,266,269
10	3903	31,653	2,890,590,396	231,247,232	2,442,856	488,571	922	488,571	18,174	85,613,834
11	3904	26,157	2,990,393,266	239,231,461	2,684,395	536,879	988	536,879	14,196	69,678,670
12	3901	56,027	5,100,348,563	408,027,865	4,139,857	827,971	1,320	827,971	25,193	140,695,191
<b>Manhattan Total</b>	<b>665,147</b>	<b>130,985,346,305</b>	<b>10,478,827,704</b>	<b>123,542,335</b>	<b>24,708,467</b>	<b>22,239</b>	<b>24,708,467</b>	<b>191,625</b>	<b>1,753,446,225</b>	
<b>Brooklyn</b>										
1	4001	38,110	4,393,310,842	351,464,867	3,605,415	721,083	1,042	721,083	17,313	107,364,279
2	4004	38,982	7,210,057,820	576,804,610	6,643,787	1,328,757	1,871	1,328,757	12,058	91,586,736
3	4003	31,011	3,856,295,782	292,503,883	3,023,994	604,799	778	604,799	18,278	125,412,163
4	4002	26,161	2,727,023,289	218,161,863	2,223,224	444,645	613	444,645	15,535	99,303,016
5	4008	35,455	3,891,107,987	311,288,639	3,135,530	627,106	792	627,106	19,013	132,761,534
6	4005	37,806	9,429,515,736	754,361,259	8,859,616	1,771,923	1,932	1,771,923	11,133	100,194,812
7	4012	35,767	4,763,283,528	381,062,682	3,889,118	777,824	1,029	777,824	14,802	101,091,204
8	4006	34,208	4,025,824,250	322,065,940	3,369,059	673,812	962	673,812	16,163	101,388,949
9	4011	32,728	3,845,504,725	307,640,378	3,135,001	627,000	809	627,000	16,113	111,007,094
10	4013	42,646	7,625,229,950	610,018,396	6,389,725	1,277,945	1,611	1,277,945	13,900	103,468,420
11	4017	53,456	8,783,148,170	702,651,854	7,185,559	1,437,112	1,593	1,437,112	23,574	191,791,052
12	4014	40,278	7,594,450,793	607,556,063	6,613,451	1,322,690	1,481	1,322,690	19,563	158,662,097
13	4018	34,842	3,969,067,658	317,527,013	3,267,806	653,561	1,050	653,561	17,435	97,245,900
14	4015	44,758	6,837,663,657	547,013,093	5,948,904	1,189,781	1,559	1,189,781	18,749	130,726,011
15	4016	47,629	8,257,543,630	660,603,490	7,074,203	1,414,841	1,709	1,414,841	17,073	130,892,335
16	4007	25,856	2,561,747,891	204,939,831	2,067,251	413,450	655	413,450	17,034	94,547,197
17	4010	40,631	5,550,746,980	444,050,758	4,479,525	895,905	985	895,905	19,140	154,844,958
18	4009	57,758	11,171,348,253	893,707,860	9,141,399	1,828,280	1,775	1,828,280	20,278	191,519,693
<b>Brooklyn Total</b>	<b>696,081</b>	<b>106,292,890,751</b>	<b>8,503,431,260</b>	<b>90,662,567</b>	<b>18,010,513</b>	<b>22,047</b>	<b>18,010,513</b>	<b>307,154</b>	<b>2,223,807,448</b>	

**Notes:**

- Col. 1 U.S. Census geographic areas encompassing at least 100,000 population and established to coincide with community district locations.
- Col. 2 Total housing units in New York City by borough and community district, reduced by those rental units at the lowest end of the distribution (30 percent of median rent and below) and by rental units in structures not likely to be sold (25 percent of the remaining rental units randomly chosen).
- Col. 3 Value of the remaining units priced according to occupant's estimate of value in 2000 (ownership units) or at 100 times monthly gross rent (rental units). Value is brought to 2004 dollars using an inflation rate of 6 percent annually.
- Col. 4 Ten (10) percent of the value of the housing stock (2004 dollars) that would turn over annually, minus 20 percent of this value for units that would contain mortgages. (The mortgage portion of value is not taxable.)
- Col. 5 Revenues from the Real Property Transfer Tax applied at a rate of 1 percent for properties valued at \$500,000 or less (2004 dollars) or at 1.425 percent for properties valued at more than \$500,000 (2004 dollars).

**Table 5: Using a portion of the Real Property Transfer Tax to fund cost-burdened affordable housing need (Continued)**

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
Community District	PUMA Area	Number of Units	Value of Units (\$)	Value of Annual Unit Turnover (\$)	Annual Transfer Tax (\$)	20% Increment of Transfer Tax	Cost Burdened Units Removed	Cost to Cure	Cost Burdened Units Remaining	Remaining Cost to Cure
<b>Queens</b>										
1	4101	58,940	8,629,938,879	690,395,118	7,042,251	1,408,450	1,824	1,408,450	25,181	178,188,274
2	4108	41,973	5,810,416,300	448,833,304	4,548,235	909,647	1,113	909,647	15,013	111,301,844
3	4102	47,260	6,422,518,341	513,801,467	5,179,749	1,035,950	1,130	1,035,950	18,678	153,490,955
4	4107	38,485	4,832,172,104	386,573,768	3,908,343	781,269	921	781,269	16,509	125,010,771
5	4110	54,971	9,073,032,213	725,842,577	7,330,827	1,466,165	1,795	1,466,165	19,192	144,409,859
6	4108	45,094	7,084,078,422	566,726,274	6,004,337	1,200,867	1,436	1,200,867	14,184	109,991,195
7	4103	80,499	15,073,787,020	1,205,902,962	12,537,283	2,507,457	2,748	2,507,457	26,229	222,543,895
8	4106	48,275	8,180,363,495	654,428,080	6,701,128	1,340,226	1,596	1,340,226	13,073	103,506,053
9	4111	39,417	6,156,484,085	492,518,727	4,870,318	994,084	1,063	994,084	16,373	137,799,954
10	4113	38,292	7,033,962,719	562,717,017	5,727,974	1,145,595	1,078	1,145,595	12,435	121,038,091
11	4104	42,465	9,851,716,350	788,137,308	8,329,866	1,665,973	1,482	1,665,973	10,272	110,803,232
12	4112	61,151	8,663,847,387	693,107,791	6,981,110	1,398,222	1,448	1,398,222	24,205	209,079,253
13	4105	60,197	10,993,646,666	879,491,733	8,878,115	1,775,623	1,710	1,775,623	14,885	144,899,837
14	4114	28,960	4,490,245,230	356,819,618	3,755,428	751,095	1,039	751,095	11,302	75,142,321
<b>Queens Total</b>		<b>684,950</b>	<b>112,066,209,310</b>	<b>8,965,296,746</b>	<b>91,892,966</b>	<b>18,370,693</b>	<b>20,382</b>	<b>18,378,693</b>	<b>237,541</b>	<b>1,945,184,456</b>
<b>Bronx</b>										
1&2	3710	28,005	1,967,967,727	157,439,018	1,574,390	314,878	628	314,878	16,243	71,634,757
3&6	3705	30,048	2,503,689,849	200,295,188	2,037,804	407,561	716	407,561	20,212	101,008,135
4	3708	31,829	2,590,351,947	206,428,156	2,090,918	418,184	639	418,184	17,696	101,736,908
5	3707	31,106	2,652,171,786	212,173,743	2,121,737	424,347	627	424,347	19,238	114,019,376
7	3706	31,976	2,959,049,577	236,723,966	2,389,994	477,999	692	477,999	17,312	105,352,657
8	3701	34,196	4,597,599,252	367,807,940	3,941,406	788,281	1,092	788,281	11,406	75,963,193
9	3709	46,695	5,141,660,285	411,332,821	4,181,641	836,328	1,094	836,328	23,064	156,380,305
10	3703	40,129	5,374,582,602	429,966,608	4,433,571	886,714	1,195	886,714	10,515	73,021,663
11	3704	37,284	5,039,946,879	403,195,750	4,055,262	811,052	1,034	811,052	15,168	107,354,084
12	3702	40,115	5,852,544,805	470,803,584	4,753,701	950,740	1,013	950,740	17,759	146,952,001
<b>Bronx Total</b>		<b>349,383</b>	<b>38,699,584,689</b>	<b>3,095,966,775</b>	<b>31,580,424</b>	<b>6,316,085</b>	<b>8,731</b>	<b>6,316,085</b>	<b>168,613</b>	<b>1,055,423,078</b>
<b>Staten Island</b>										
1	3603	51,337	8,329,939,292	666,395,143	6,795,129	1,359,026	1,778	1,359,026	15,011	107,875,257
2	3602	44,576	9,408,562,630	752,685,010	7,918,984	1,583,797	1,759	1,583,797	10,873	95,206,356
3	3601	54,226	12,966,011,862	1,037,280,949	10,939,632	2,187,826	2,223	2,187,826	10,916	107,885,292
<b>Staten Island Total</b>		<b>150,139</b>	<b>30,704,513,785</b>	<b>2,456,361,103</b>	<b>25,653,745</b>	<b>5,130,749</b>	<b>5,759</b>	<b>5,130,749</b>	<b>36,800</b>	<b>310,966,905</b>
<b>City Total</b>		<b>2,445,701</b>	<b>418,748,544,840</b>	<b>33,499,883,587</b>	<b>362,722,036</b>	<b>72,544,407</b>	<b>79,158</b>	<b>72,544,407</b>	<b>941,733</b>	<b>7,288,828,113</b>

*Notes (continued):*

- Col. 6 Twenty (20) percent of Real Property Transfer Tax revenues dedicated to affordable housing by a 20 percent increase in this revenue.
- Col. 7 Cost-burdened units that are no longer cost-burdened because aggregate Real Property Transfer Tax revenues are applied at a one-third share each, at the top, middle, and bottom of the cost-burden distribution.
- Col. 8 The cost in 2004 dollars to achieve the reduction of units stated in column 7.
- Col. 9 Those cost-burdened units that remain because they are outside the funds generated by the Real Property Transfer Tax increase.
- Col. 10 The annual costs that would be required to render these remaining units affordable.

*Source:* U.S. Census Bureau, 2000 Census of Population and Housing, Public Use Microdata Sample, United States.

are Manhattan’s Community Districts 1 and 2 (Civic Center, Wall Street, Tribeca, Governor’s Island, Greenwich Village, Little Italy), Community Districts 4 and 5 (Chelsea, Clinton, Midtown Times Square, Herald Square), Community District 7 (Lincoln Square, Upper West Side), Community District 8 (Upper East Side, Yorkville, Roosevelt Island); Brooklyn’s Community District 2 (Downtown Brooklyn, Brooklyn Heights, Boerum Hill), Community District 6 (Red Hook, Park Slope, Carroll Gardens), Community District 10 (Bay Ridge, Fort Hamilton), Community District 11 (Bensonhurst, Bath Beach, Gravesend), Community District 12 (Borough Park, Ocean Parkway), Community District 14 (Flatbush, Ocean Parkway, Redwood), Community District 15 (Sheepshead Bay, Manhattan Beach, Gravesend), Community District 18 (Canarsie, Marine Park, Mill Basin) (see Table 5, col. 7).

Other areas of significant potential cost burden response are Queen’s Community District 1 (Astoria and Long Island City), Community District 5 (Maspath, Middle Village, Glendale), Community District 7 (Flushing, Whitestone, College Point), Community District 13 (Laurelton, Cambria Heights, Glen Oaks). All of Staten Island’s Community Districts are potentially significant cost-burden response sites (North, Mid, and South Island) (see Table 5, col. 7).

In sum, the New York City Real Property Transfer Tax (which is between 1 and 1.5 percent of value depending upon class of property), if increased by 20 percent annually, would yield subsidies that would allow approximately 80,000 units annually to no longer be cost-burdened. This is only 8 percent of total cost-burdened affordable housing need and leaves more than 1 million units still cost-burdened. Nonetheless, this begins to make a dent in addressing cost-burdened housing throughout the city.

**b. Rehabilitation affordable housing need**

Rehabilitation affordable housing need reflects those households whose income falls below 135 percent of median and live in deteriorated housing. These are households whose housing unit is deteriorated (lacks a basic component of plumbing; lacks a basic component of a kitchen or occupants of multiple units must share a kitchen; or there are too many occupants relative to the number of rooms). These households further are at income levels where most do not have the wherewithal to rehabilitate their units.

There is also a very different group of households living in other neighborhoods or other parts of the same neighborhood that spend considerable amounts of money improving their housing units. Major kitchen and bath repairs and structural reconfigurations are undertaken to make the unit more accessible, more efficient, or more up-to-date. This latter group of households maintains their units regularly and in so doing must obtain a building permit. New York City has a schedule of fees to obtain building permits for improvements to residential structures. These are “Alteration” building permits that have the following fee structure:

Dwelling Type	Cost of Permit
1-, 2-, or 3-family dwelling	\$100 for first \$5,000 \$5.15 per \$1,000 increment above \$5,000
All other	\$100 for first \$3,000 \$20 per \$1,000 increment up to \$5,000 \$10.30 per \$1,000 increment above \$5,000

Using the above fee structure, it is assumed that, on average, 12 percent of the owners of the non-immediately-new (pre-1990) housing stock will attempt a major repair or alteration that is 25 percent of the value of the unit during one year in the next eight. For affordable housing purposes, it is assumed that the above fee structure is increased by 25 percent to establish a grant pool for building owners whose tenants are income-eligible and who live in units that require repair. A condition for receiving this improvement money might be to permanently dedicate units to serve this income level of tenantry. Using the 1990 housing stock as a base that needs potential repair (units would now be at least 15 years old) would reduce the stock of units from 3.1 million to just under 3.0 million units.

In addition to using just the nondeteriorated 1990 housing stock as a base, those rental units below 30 percent of median rent (converted to value) and those ownership units below 30 percent of median value are also removed. This leaves about 2.8 million units, 12 percent of which might file annually for a building permit for 25 percent of the value of the building (Table 6, col. 2). In essence, this means that in 8 years, 100 percent of the nondeteriorated, 1990 and earlier housing stock, that is 30 percent or above median value, would apply for a building permit for 25 percent of the value



of the unit or building. The value of such units is \$428.5 billion (Table 6, col. 3). The annual value of repairs is one-eighth of the value of the above portion of the stock multiplied by 25 percent. This amounts to about \$12.85 billion annually (Table 6, col. 4). The building permit fees from this amount of repairs is \$110.5 million annually (Table 3, col.5). Increasing this amount by 25 percent (a 25 percent increase in building permit fees) and dedicating this to a grant fund for the repair of deteriorated housing units occupied by income-eligible families would create a fund of about \$27.5 million annually (Table 6, col. 6).

At the average costs to repair a unit (render it free from deterioration)—approximately \$30,000 per unit—16,471 units are rendered sound at a cost of \$27.6 million annually (Table 6, col.7). This leaves 82,440 units deteriorated, to be addressed at a cost of \$818 million annually (if this money could be found) (see Table 3, cols. 9 and 10). These cost calculations involve multiple steps and are explained below. The initial calculation is made by using *American Housing Survey* data (2003) on the cost to effect various types of repairs and expressing these figures in 2004 dollars.\* Depending upon the number of deficiencies in a unit, these costs are applied, and the cost of these repairs is amortized over 15 years, expressed as an annual payment, and added to existing rent or ownership-occupancy costs. The difference between this cost added to rent or occupancy costs and the ability to pay at 35 percent (renters) or 40 percent (owners) of income is the annual cost of repairing deteriorated units in structures occupied by the income-eligible population.

Thus, annually tapping building permits from 12 percent of the nonsubsidized, nondeteriorated, housing stock for the 1990 or earlier period yields \$27.6 million in building permit fees that would support close to 16,500 deteriorated dwelling units rendered sound. Only about 15 percent of the stock of deteriorated units occupied by income-eligible households is able to be repaired given the chosen funding source and increment in revenues raised.

The locations of rehabilitation units potentially rendered sound (about 16,500) are found in the greatest numbers in Manhattan (5,600), followed by Brooklyn (4,100), Queens (3,900), The Bronx (2,000), and Staten Island (800). Units are rehabilitated citywide according to their cost. Units are rehabilitated in community districts according to the revenues raised there and the

average costs to repair units in these locations.

In the five boroughs, locations where significant numbers of units (more than 300 units per community district) potentially will be rehabilitated are: Manhattan's Community Districts 1 and 2 (Civic Center, Wall Street, Tribeca, Governor's Island, Greenwich Village, Little Italy); Community District 3 (Lower East Side, Chinatown); Community Districts 4 and 5 (Chelsea, Clinton, Midtown, Times Square, Herald Square); Community District 6 (Murray Hill, East Midtown, Stuyvesant Town); Community District 7 (Lincoln Square, Upper West Side); Community District 8 (Upper East Side, Yorkville, Roosevelt Island); and Community District 12 (Washington Heights, Inwood) (Table 6, col. 7).

Other locations of significant potential rehabilitation activity are Brooklyn's Community District 2 (Downtown Brooklyn, Fort Greene, Brooklyn Heights, Boerum Hill); Community District 6 (Red Hook, Park Slope, Carroll Gardens); Community District 14 (Flatbush, Ocean Parkway, Midwood); Community District 18 (Canarsie, Marine Park, Mill Basin). Still other locations are Queens's Community District 1 (Astoria and Long Island City); Community District 6 (Rego Park and Forest Hills); Community District 7 (Flushing, Whitestone, College Point); Community District 11 (Bayside, Douglaston, Little Neck). The only other location of significant potential rehabilitation is Staten Island's Community District 2 (Mid Island) (Table 6, col. 7).

Rehabilitation funds are generated by moderate-, middle-, and upper-income households living in units that are not deteriorated, seeking to improve their properties. A 25-percent increase in the building permit fee for these purposes is dedicated to pay for deteriorated units occupied by low- and moderate-income families. The modeling done in this exercise allows more units to be rehabilitated in areas where substantial numbers of nondeteriorated units exist and they are of high value. Clearly, more units are able to be rehabilitated in community districts in Manhattan and Brooklyn than is the case for Queens and The Bronx. If building permit fees are tapped for this purpose, the fund could be a citywide fund to allow monies generated from more-affluent boroughs to assist in paying for the rehabilitation needs found in the poorer boroughs.

**Table 6: Using a portion of building permit fees to fund rehabilitation affordable housing need**

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
Community District	PUMA Area	Number of Units	Value of Units	Annual Value of Repairs	Annual Building Permit Fees	25 % Increment of Fees	Rehab Units Rendered Sound	Cost to Cure	Rehab Units Remaining	Remaining Cost to Cure
<b>Manhattan</b>										
1&2	3810	80,208	18,732,247,170	501,967,415	4,823,268	1,230,817	886	1,230,817	803	13,558,324
3	3809	80,009	8,270,265,119	188,107,854	1,824,414	481,103	355	481,103	3,872	30,717,222
4&5	3807	64,152	13,783,950,544	413,518,516	4,234,642	1,058,660	891	1,058,660	1,485	17,102,781
6	3808	83,809	19,565,558,802	588,966,794	6,028,120	1,506,530	703	1,506,530	709	14,979,229
7	3806	98,677	26,627,009,719	798,810,292	8,139,759	2,034,940	1,379	2,034,940	890	16,211,083
8	3805	118,819	38,061,925,365	1,141,857,761	11,638,861	2,909,715	978	2,909,715	-342	7,385,925
9	3802	42,037	4,656,448,195	139,693,386	1,433,103	358,276	212	358,276	2,220	22,060,171
10	3803	41,006	3,010,208,578	90,306,257	913,357	228,339	165	228,339	1,366	11,297,784
11	3804	38,220	3,203,215,879	96,096,470	991,286	247,821	166	247,821	1,391	12,393,817
12	3801	65,370	5,630,885,323	168,926,590	1,771,505	442,878	300	442,878	5,292	44,586,038
<b>Manhattan Total</b>	<b>672,307</b>	<b>137,541,713,492</b>	<b>4,128,251,405</b>	<b>41,996,314</b>	<b>10,498,079</b>	<b>5,617</b>	<b>10,498,079</b>	<b>17,685</b>	<b>190,300,353</b>	
<b>Brooklyn</b>										
1	4001	43,658	4,431,409,257	132,942,278	1,161,556	290,389	201	290,389	2,850	23,716,831
2	4004	45,751	7,689,515,052	230,685,452	1,933,285	483,321	376	483,321	792	7,708,757
3	4003	37,080	3,524,022,301	105,720,889	871,183	217,796	124	217,796	1,522	15,517,821
4	4002	29,429	2,600,588,186	78,017,846	700,395	175,099	121	175,099	2,419	19,875,718
5	4008	41,780	3,904,932,589	117,147,877	988,545	249,638	128	249,638	1,850	20,708,298
6	4005	44,874	10,008,694,531	300,260,836	2,235,831	558,958	363	558,958	905	10,086,638
7	4012	38,007	4,769,696,088	143,060,883	1,171,194	292,798	184	292,798	3,309	30,032,850
8	4006	42,212	4,302,787,126	129,083,614	1,149,285	287,321	188	287,321	1,147	10,828,948
9	4011	39,364	4,179,304,200	125,379,126	1,112,577	278,144	193	278,144	1,442	12,565,735
10	4013	47,946	7,889,819,549	236,694,586	1,807,320	451,830	247	451,830	1,106	13,055,840
11	4017	58,094	8,888,782,295	286,663,489	1,893,122	468,280	284	468,280	2,537	26,493,383
12	4014	42,574	7,328,282,018	219,848,481	1,615,617	403,804	250	403,804	3,306	30,890,278
13	4018	43,397	4,194,714,889	125,841,441	1,134,864	283,721	192	283,721	1,471	13,118,021
14	4015	50,719	7,052,010,537	211,560,316	1,733,486	433,371	309	433,371	2,906	24,138,986
15	4016	52,586	8,340,012,893	250,200,387	1,888,318	471,579	252	471,579	1,453	16,892,875
16	4007	34,074	2,643,904,303	79,317,129	693,210	173,303	91	173,303	717	8,237,452
17	4010	45,788	5,851,798,012	175,553,940	1,392,171	348,043	212	348,043	1,878	18,380,592
18	4009	62,763	11,280,107,742	338,403,232	2,323,426	580,856	404	580,856	262	4,563,154
<b>Brooklyn Total</b>	<b>789,095</b>	<b>106,880,381,349</b>	<b>3,266,411,440</b>	<b>26,913,404</b>	<b>6,478,361</b>	<b>4,118</b>	<b>6,478,361</b>	<b>31,867</b>	<b>306,812,174</b>	

**Notes:**

- Col. 1 U.S. Census geographic areas encompassing at least 100,000 population and established to coincide with community district locations.
- Col. 2 The nondeteriorated housing stock of New York City except for the portion occupied by renter and ownership households below 30 percent of median income. The former is the portion of the housing stock likely to improve their units.
- Col. 3 The value (in 2004 dollars) of the nondeteriorated housing stock that is likely to be improved. Rental-unit value equals 100 times gross rent. Ownership-unit value is as reported by owners in 2000. A 6 percent annual inflation rate is used to convert 2000 value to 2004 value.
- Col. 4 Twelve (12) percent of nondeteriorated, non-lower-end units is improved annually to a level of 25 percent of their value.
- Col. 5 Building permit fees generated by various types of units undergoing improvement at a rate of about 0.5 percent of the value of improvements for one- to three-family dwellings, and 1.0 percent of the value of improvements for all others. The improvement amount is 25 percent of structure value.

**Table 6: Using a portion of building permit fees to fund rehabilitation affordable housing need (Continued)**

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10
Community District	PUMA Area	Number of Units	Value of Units	Annual Value of Repairs	Annual Building Permit Fees	25 % Increment of Fees	Rehab Units Rendered Sound	Cost to Cure	Rehab Units Remaining	Remaining Cost to Cure
<b>Queens</b>										
1	4101	71,035	9,295,043,686	278,851,311	2,286,654	571,663	398	571,663	2,248	20,124,595
2	4109	44,493	5,659,315,928	169,779,478	1,446,003	361,501	231	361,501	2,152	19,973,801
3	4102	50,907	6,570,123,880	197,103,716	1,615,125	403,781	223	403,781	2,136	22,918,556
4	4107	40,573	5,062,808,466	151,884,254	1,279,928	319,982	219	319,982	1,932	16,826,501
5	4110	60,956	9,433,030,214	282,990,906	2,082,705	520,676	279	520,676	1,159	14,080,723
6	4108	51,084	7,624,069,360	228,722,081	1,968,346	492,086	354	492,086	346	4,744,544
7	4103	86,462	15,265,708,859	457,971,266	3,454,305	863,576	546	863,576	1,492	16,714,433
8	4106	54,263	8,609,029,912	258,270,897	1,968,592	492,148	215	492,148	285	5,733,550
9	4111	43,145	6,315,550,126	189,466,504	1,448,461	362,115	188	362,115	1,783	20,357,929
10	4113	38,676	6,867,615,263	206,028,458	1,438,141	359,535	188	359,535	1,095	13,017,229
11	4104	44,237	9,904,666,431	297,139,993	1,979,142	494,785	372	494,785	-70	1,694,213
12	4112	65,660	8,596,805,268	257,904,158	1,978,494	494,623	248	494,623	1,030	13,408,874
13	4105	61,296	10,932,890,906	327,966,727	2,315,550	578,887	287	578,887	540	8,525,185
14	4114	34,947	4,541,396,469	136,241,894	1,061,376	265,344	176	265,344	399	4,448,913
<b>Queens Total</b>		<b>747,734</b>	<b>114,678,054,768</b>	<b>3,440,341,643</b>	<b>26,322,820</b>	<b>6,580,705</b>	<b>3,933</b>	<b>6,580,705</b>	<b>16,525</b>	<b>182,569,046</b>
<b>Bronx</b>										
1&2	3710	35,386	1,754,148,367	52,624,451	532,934	133,233	111	133,233	1,543	10,725,685
3&6	3705	38,016	2,362,533,676	70,876,010	708,978	177,244	143	177,244	1,378	10,088,593
4	3708	35,297	2,595,089,083	77,852,672	800,265	200,066	124	200,066	2,883	26,300,975
5	3707	36,005	2,739,018,351	82,170,551	838,737	209,684	168	209,684	2,613	18,703,772
7	3706	37,905	3,292,632,277	98,778,968	1,008,860	252,215	199	252,215	2,898	21,143,106
8	3701	40,485	5,028,274,185	150,848,226	1,407,573	351,893	238	351,893	956	9,284,032
9	3709	59,299	5,599,069,899	167,972,097	1,486,836	371,709	281	371,709	1,635	13,428,005
10	3703	45,012	5,628,880,256	168,866,408	1,322,200	330,550	225	330,550	101	2,282,883
11	3704	43,355	5,334,918,633	160,047,559	1,306,340	326,585	246	326,585	1,145	9,743,131
12	3702	45,756	6,098,002,542	182,940,076	1,411,024	352,756	286	352,756	825	7,119,595
<b>Bronx Total</b>		<b>416,517</b>	<b>40,432,567,269</b>	<b>1,212,977,018</b>	<b>10,823,747</b>	<b>2,705,937</b>	<b>2,020</b>	<b>2,705,937</b>	<b>15,978</b>	<b>128,819,777</b>
<b>Staten Island</b>										
1	3903	53,196	7,963,143,414	238,894,302	1,739,382	434,846	245	434,846	676	8,459,494
2	3902	44,217	8,705,883,253	261,176,498	1,763,790	440,947	315	440,947	-155	779,743
3	3901	45,544	10,336,433,036	310,092,991	2,020,321	505,080	223	505,080	-135	581,186
<b>Staten Island Total</b>		<b>142,957</b>	<b>27,005,459,703</b>	<b>810,163,791</b>	<b>5,523,493</b>	<b>1,380,873</b>	<b>783</b>	<b>1,380,873</b>	<b>386</b>	<b>9,820,424</b>
<b>City Total</b>		<b>2,778,611</b>	<b>428,538,176,581</b>	<b>12,856,145,297</b>	<b>110,579,779</b>	<b>27,644,945</b>	<b>16,471</b>	<b>27,644,945</b>	<b>82,440</b>	<b>818,321,774</b>

*Notes (continued):*

- Col. 6 Improvement building permit-generated fees raised by one-quarter of current magnitude, and these funds dedicated to rehabilitating deteriorated units occupied by those below 135 percent of median income.
- Col. 7 The number of units rendered sound, reflecting the amount of money raised in a community district for affordable housing purposes and the average cost to rehabilitate units there.
- Col. 8 The costs to render sound the number of units specified in column 7.
- Col. 9 The number of units that could not be repaired due to insufficiency of funds beyond what would be raised by building permit fee increases.
- Col. 10 The costs to render sound these remaining units.

*Source:* U.S. Census Bureau, 2000 Census of Population and Housing, Public Use Microdata Sample, United States.



### c. New construction affordable housing need

New construction affordable housing need relates to households that will grow in the future below a certain percentage of median income, for whom unassisted new market housing will not be available. For New York City, the target group is defined as those who fall below 135 percent of regional (PMSA) median income of \$62,300. One hundred thirty-five percent (135 percent) of regional median income is \$84,100. Households are defined as very low income if they earn below \$31,150; low income if they earn between \$31,150 and \$49,840; and moderate income if they earn between \$49,840 and \$84,100. In New York City, household growth for the period 2005 to 2010 will comprise 105,250 households, approximately 79,750 of which will be very low, low, and moderate-income households, and 25,500 households will be middle- and upper-income households. Over the decade 1990 to 2000, New York City grew by 130,000 units, the vast majority of which was occupied by households whose income was greater than 135 percent of income. For the period 2005 to 2010, a similar value distribution of units is assumed. About 115,000 units, including vacancy, will be assumed to be delivered over the period. Ninety percent (90 percent) of the nonvacant units (105,100 units), or nearly 95,000 units, will be above the affordability requirements of those making 135 percent of median income (Table 7, col. 2). Of these units, approximately 75 percent will be built in residential zones that encourage inclusionary zoning. This amounts to just over 71,000 units (Table 5, col. 3). Applied to these 71,000 units is a 20 percent bonus for inclusionary housing. This would enable another 14,200 units (Table 7, col. 4). Total units allowed in the zones would be 85,250, of which 10 percent inclusionary would be 8,525 units (see Table 7, cols. 5 and 6). The cost of these units would be at new construction costs in New York City, by borough. The subsidy cost would be what is required to occupy these units at 35 percent of income for renters and 40 percent for owners versus what these units would cost to occupy. The difference between income required to occupy housing and what can be afforded by new households is the subsidy cost for this housing. This cost will be borne by a combination of subsidies by the developer in reaction to density increases and the operating revenues provided by the new housing occupant.

The location of housing created in the future in New York City will reflect both the immediate past period of

housing delivery in the city (1990 to 2000). Ninety-five thousand (95,000) housing units for households whose income exceeds 135 percent of median will be delivered of the 105,000 total housing units produced. Of the former, 26 percent (24,800 units) will be delivered in Manhattan; 21 percent (19,800 units) will be delivered in Brooklyn; 19 percent (17,400 units) will be delivered in Staten Island; 18 percent (17,000 units) will be delivered in Queens; and 16 percent (15,600 units) will be delivered in the Bronx (Table 7, col. 2). In zones that will allow inclusionary zoning, this will produce 71,000 units: 18,600 units in Manhattan, 14,900 units in Brooklyn, 13,000 units in Staten Island, 12,800 units in Queens, and 11,700 units in the Bronx (see Table 7, col. 3). Taking 10 percent of the above numbers after inflating them by 20 percent for a density bonus, the following number of inclusionary units are produced in each of the boroughs: Manhattan 2,235; Brooklyn 1,785; Staten Island 1,565; Queens 1,533; and the Bronx 1,407. Total inclusionary units supported by future market growth over the period is 8,525 units (see Table 7, col. 6).

Significant concentrations (above 200 units per community district) of inclusionary units (below the borough level) potentially could take place in Manhattan's Community Districts 1&2 (Civic Center, Wall Street, Governor's Island, Tribeca, Greenwich Village, Little Italy), Community Districts 4&5 (Chelsea, Clinton, Midtown, Times Square, Herald Square), Community District 7 (Lincoln Square, Upper West Side), Community District 8 (Upper East Side, Yorkville, Roosevelt Island); and Community District 10 (Central Harlem); Brooklyn's Community District 3 (Bedford Stuyvesant, Tompkins Park North, Stuyvesant Heights); Queens' Community District 12 (Jamaica, South Jamaica, Hollis); the Bronx Community Districts 1&2 (Mott Haven, Melrose, Port Morris), Community Districts 3&6 (Melrose, Morrisania, East Tremont, Bathgate, Belmont); Community District 4 (Highbridge, Coucourse); and all three of Staten Island's Community Districts: Community District 1 (North Island), Community District 2 (Mid Island), and Community District 3 (South Island) (see Table 7, col 6).

In sum, inclusionary zoning as a portion of the new market housing stock coming on-stream potentially can produce about 8,500 new affordable housing units. These will be distributed in Manhattan (2,235 units), followed by Brooklyn (1,785 units), Staten Island (565



units), Queens (1,533 units), and the Bronx (1,407 units). These are new units added to the stock of housing specifically for households of low and moderate income. This is not a program that eases cost burden in nondeteriorated, existing low- and moderate-income units or makes units sound in deteriorated low- and moderate-income units: It is a program that actually contributes net additional units to the housing stock. Even though, in a numerical sense, it is diminished by both potential cost-burden efforts (80,000 units rendered affordable) and rehabilitation activities (16,500 units repaired), neither of the above produces net new units. Inclusionary zoning, therefore, should receive special attention.

#### **d. Locations of affordable housing demand versus affordable housing supply**

The way in which all affordable housing supply strategies were modeled in this report was to allow the activities of the housing market at and below the borough level to provide resources to address affordable housing need in these locations. Where markets are stronger, more affordable housing need is addressed; where markets are weaker less affordable housing is addressed. In other words, if there is a significant amount of cost-burdened affordable housing need in The Bronx and less so in Manhattan, and a significant amount of real estate transfer revenues is raised in Manhattan and less so in the Bronx, these revenues are retained to Manhattan to address affordable housing need there, and similarly retained in The Bronx to address affordable housing need there. This procedure is employed for cost-burdened, rehabilitation, and new construction affordable housing need (Table 8, cols. 2, 3, and 4). In all of these cases proportional shares of real property transfer taxes, building permit revenues, and new construction inclusionary units are being used to address affordable housing need in these locations. Yet, these resources may be needed more in weaker market locations to answer affordable housing need there. Thus, revenue support activity for affordable housing development is taking place at a rate higher in Manhattan, Brooklyn, and Staten Island and lower in Queens and The Bronx because housing markets are stronger in the former location. Thus, housing unit turnover, property improvements, and housing unit growth is taking place more in locations where affordable housing need is not large and less in locations where it is large. The result of this is proportionally more affordable housing unit demand being

addressed in locations where housing markets are stronger and proportionally less where housing markets are weaker. To avoid this a citywide fund could be established to redistribute raised resources in direct proportion to the locations of greatest affordable housing need. Table 8 shows need addressed versus actual need by borough and community district. This, reflective of market conditions, shows proportionally more need addressed in Manhattan, Brooklyn, and Staten Island and proportionally less in Queens and the Bronx. To reverse this situation and deliver affordable housing more where it is needed versus where it is supplied, one would divide the numbers found in Table 5, col. 7; Table 6, col. 7; and Table 7, col. 6 by the ratios found in Table 8, cols. 2, 3, and 4, respectively. Locations of potential housing delivery versus housing need will be an issue as affordable housing need is addressed in New York City in the future. It clearly involves questions of equity, linkage, and, possibly, property rights.

#### ***iv. A new construction program for moderate- and lower-middle-income housing***

While the above statements on inclusionary zoning are clearly accurate, the ability to deliver new units through this mechanism is limited. Barely 10 percent of the new households formed that would be income-qualified would have their need addressed via inclusionary zoning. What is needed in New York City currently to enable more first responders (police, fire, EMS), teachers, government workers, and those in business and personal services to live here is a new large, publicly supported housing program. This could resemble the 1955 Mitchell-Lama housing program sponsored by Manhattan State Senator MacNeil Mitchell and former Brooklyn Assemblyman Alfred Lama. New York State and New York City low-interest loans spurred the development of 105,000 apartments in the city, of which slightly over one-half remain. The program benefited both tenants and landlords. In exchange for keeping rents affordable (limitations on developers profit and income limits on tenants), the city and state provided landlords with low-interest loans and tax breaks.

Such a program would raise money at the city and state levels to subsidize construction loans and permanent financing for the developers of these buildings down to rates of 1 to 3 percent for borrowed money.

**Table 7: Using inclusionary zoning to fund new construction affordable housing need**

Community District	Col. 1 PUMA	Col. 2 90% of Total Growth Forms Market Growth	Col. 3 75% of Market Growth Forms Inclusionary Share	Col. 4 Density Bonus (20%) of Inclusionary Share	Col. 5 Total Inclusionary Share	Col. 6 10% Additional Inclusionary Units	Col. 7 Subsidy* Cost of Inclusionary Units	Col. 8 Housing Need Not Met by Inclusionary units	Col. 9 Cost of Housing Need Not Met by Inclusionary Units
<b>Manhattan</b>									
1&2	3810	3,632	2,724	545	3,269	327	7,950,392	605	14,715,459
3	3809	2,175	1,631	328	1,957	198	4,114,313	1,668	35,489,882
4&5	3807	3,389	2,542	508	3,050	305	7,971,269	847	22,136,471
6	3808	2,072	1,554	311	1,864	186	5,529,185	1,186	35,160,574
7	3806	4,430	3,322	664	3,987	399	10,073,061	1,656	41,848,235
8	3805	3,470	2,603	521	3,123	312	9,786,199	1,006	31,509,713
9	3802	804	603	121	723	72	1,450,998	1,024	20,536,377
10	3803	2,579	1,934	387	2,321	232	4,712,646	1,089	22,107,506
11	3804	1,709	1,282	256	1,538	154	3,079,927	1,332	26,668,930
12	3801	578	433	87	520	52	940,275	1,900	34,360,163
<b>Manhattan Total</b>		<b>24,838</b>	<b>18,628</b>	<b>3,726</b>	<b>22,354</b>	<b>2,235</b>	<b>65,608,284</b>	<b>12,333</b>	<b>284,533,309</b>
<b>Brooklyn</b>									
1	4001	1,281	961	192	1,153	115	919,748	671	5,349,327
2	4004	861	646	129	775	78	781,851	437	4,411,869
3	4003	2,440	1,830	366	2,196	220	2,156,410	439	4,315,303
4	4002	1,932	1,449	290	1,739	174	1,671,456	396	3,807,094
5	4008	1,510	1,133	227	1,359	136	1,404,162	884	9,132,795
6	4005	1,046	785	157	941	94	1,329,807	99	1,396,291
7	4012	691	518	104	622	62	847,857	410	5,585,288
8	4006	1,047	785	157	942	94	817,432	571	4,950,777
9	4011	539	404	81	485	48	426,678	768	6,757,117
10	4013	583	437	87	525	52	893,492	343	5,834,308
11	4017	1,040	780	156	936	94	1,142,836	697	8,516,196
12	4014	1,417	1,063	213	1,276	128	1,797,831	153	2,162,232
13	4018	642	481	96	578	58	555,723	807	7,767,995
14	4015	515	386	77	463	46	484,191	631	6,591,005
15	4016	901	675	135	811	81	1,203,243	558	8,282,550
16	4007	1,426	1,069	214	1,283	128	1,531,518	474	5,653,771
17	4010	614	460	92	552	55	703,437	865	11,011,215
18	4009	1,336	1,002	200	1,202	120	2,108,575	567	10,290,015
<b>Brooklyn Total</b>		<b>19,821</b>	<b>14,866</b>	<b>2,973</b>	<b>17,839</b>	<b>1,784</b>	<b>20,776,270</b>	<b>9,789</b>	<b>111,815,149</b>

**Notes:**

\* Cost to construct at market prices occupied by those who cannot afford market prices. Subsidy is the yearly occupancy cost amount minus the tenants' contribution at 35% (renters) or 40 percent (owners) of annual income times the number of units provided by inclusionary zoning.

- Col. 1 U.S. Census geographic areas encompassing at least 100,000 population and established to coincide with community district locations.
- Col. 2 Ninety (90) percent of 105,000-unit housing-unit growth projected for the period 2005-2010.
- Col. 3 Seventy-five (75) percent of market growth is the share to which an inclusionary requirement can be attached. This is an expansion of the prime higher-density inclusionary zones to the lower-density zones.
- Col. 4 A density bonus of 20 percent (20 percent more units) added to the number of units that could potentially support inclusionary zoning initiatives.
- Col. 5 Total inclusionary-supporting housing units likely to be constructed over the period 2005-2010.

**Table 7: Using inclusionary zoning to fund new construction affordable housing need  
(Continued)**

Community District	Col. 1 PUMA	Col. 2 90% of Total Growth Forms Market Growth	Col. 3 75% of Market Growth Forms Inclusionary Share	Col. 4 Density Bonus (20%) of Inclusionary Share	Col. 5 Total Inclusionary Share	Col. 6 10% Additional Inclusionary Units	Col. 7 Subsidy* Cost of Inclusionary Units	Col. 8 Housing Need Not Met by Inclusionary units	Col. 9 Cost of Housing Need Not Met by Inclusionary Units
<b>Queens</b>									
1	4101	1,677	1,258	252	1,510	151	988,217	2,580	16,888,474
2	4109	1,807	1,205	241	1,447	145	979,270	1,444	9,777,766
3	4102	1,389	1,041	208	1,250	125	1,003,138	1,933	15,516,267
4	4107	1,348	1,011	202	1,214	121	846,884	1,516	10,577,440
5	4110	703	527	105	632	63	552,960	2,140	18,713,174
6	4108	659	494	99	593	59	460,842	1,434	11,136,131
7	4103	1,946	1,459	292	1,751	175	1,630,757	2,748	25,571,988
8	4106	681	511	102	613	61	578,641	1,611	15,209,651
9	4111	499	374	75	449	45	469,334	1,401	14,632,812
10	4113	624	468	94	562	56	828,964	1,313	19,374,116
11	4104	970	727	145	873	87	1,191,718	1,080	14,743,209
12	4112	2,912	2,184	437	2,621	262	2,759,620	2,638	27,773,413
13	4105	1,131	848	170	1,018	102	1,487,095	1,994	29,143,329
14	4114	888	666	133	799	80	718,111	1,208	10,852,003
<b>Queens Total</b>		<b>17,034</b>	<b>12,776</b>	<b>2,556</b>	<b>16,331</b>	<b>1,533</b>	<b>14,496,561</b>	<b>25,037</b>	<b>239,909,773</b>
<b>Bronx</b>									
1&2	3710	2,525	1,894	379	2,273	227	710,435	1,594	4,981,457
3&6	3705	4,014	3,011	602	3,613	361	1,087,006	1,650	4,963,842
4	3708	2,232	1,674	335	2,009	201	608,128	1,501	4,528,381
5	3707	2,028	1,521	304	1,825	183	441,425	1,571	3,800,240
7	3706	417	313	63	375	38	102,150	1,538	4,189,732
8	3701	340	255	51	306	31	176,953	1,168	6,747,665
9	3709	996	740	148	888	89	477,682	2,423	13,041,007
10	3703	850	638	128	765	77	638,034	1,421	11,854,832
11	3704	938	703	141	844	84	493,513	1,567	9,160,875
12	3702	1,304	978	196	1,174	117	873,169	1,635	12,162,061
<b>Bronx Total</b>		<b>15,635</b>	<b>11,727</b>	<b>2,345</b>	<b>14,072</b>	<b>1,407</b>	<b>5,606,493</b>	<b>16,069</b>	<b>75,429,891</b>
<b>Staten Island</b>									
1	3903	4,448	3,336	667	4,004	400	4,628,370	3,393	39,221,242
2	3902	3,706	2,779	556	3,335	334	4,119,336	2,432	30,045,291
3	3901	9,234	6,926	1,385	8,311	831	11,659,271	2,105	29,530,509
<b>Staten Island Total</b>		<b>17,388</b>	<b>13,041</b>	<b>2,608</b>	<b>16,649</b>	<b>1,665</b>	<b>20,406,977</b>	<b>7,930</b>	<b>98,797,042</b>
<b>City Total</b>		<b>94,716</b>	<b>71,037</b>	<b>14,207</b>	<b>85,244</b>	<b>8,524</b>	<b>116,893,574</b>	<b>71,158</b>	<b>810,485,165</b>

*Notes (continued):*

- Col. 6 Ten (10) percent of inclusionary-supporting units reserved for affordable housing units.
- Col. 7 Cost to construct affordable units at market prices, yielding an occupancy cost per month. The occupancy cost per month is paired with the ability to pay for housing within households formed, matching housing-unit size and household size. The difference in cost to produce and what the household can pay at 35 or 40 percent of income is the subsidy cost.
- Col. 8 Units remaining in future housing demand not able to be met by inclusionary zoning.
- Col. 9 The cost of units remaining, not able to be met by inclusionary zoning.

Source: U.S. Census Bureau, 2000 Census of Population and Housing, Public Use Microdata Sample, United States.

**Table 8: Affordable housing demand versus affordable housing supply**

	Col. 1	Col. 2	Col. 3	Col. 4
Community District	PUMA Area	Ratio of Real Estate Transfer Tax Supported Cost Burden (Supply) to Actual Cost Burdened Units (Demand) (2005)	Ratio of Building Permit Fee Charges to Rehabilitate Units (Supply) to Units that Require Rehabilitation (Demand)	Ratio of New Housing Construction for the Period 2005 to 2010 (Supply) to Total Future Demand 2005 to 2010 (Demand)
<b>Manhattan</b>				
1&2	3810	1.66	2.66	3.67
3	3809	0.85	0.53	1.32
4&5	3807	1.31	2.17	3.12
6	3808	1.37	3.76	1.01
7	3806	2.35	3.34	1.67
8	3805	2.31	7.26	1.32
9	3802	0.83	0.59	0.71
10	3803	0.62	0.68	2.05
11	3804	0.84	0.69	1.16
12	3801	0.64	0.32	0.29
<b>Manhattan Total</b>		<b>1.34</b>	<b>1.5</b>	<b>1.47</b>
<b>Brooklyn</b>				
1	4001	0.73	0.43	1.67
2	4004	1.57	1.85	1.29
3	4003	0.53	0.48	3.46
4	4002	0.49	0.31	3.25
5	4008	0.52	0.44	1.47
6	4005	1.91	1.87	4.45
7	4012	0.84	0.36	1.31
8	4006	0.72	0.73	1.49
9	4011	0.62	0.61	0.58
10	4013	1.34	0.99	0.99
11	4017	0.82	0.65	1.04
12	4014	0.91	0.51	3.27
13	4018	0.73	0.81	0.65
14	4015	0.99	0.54	0.63
15	4016	1.17	0.87	0.99
16	4007	0.48	0.59	2.28
17	4010	0.63	0.64	0.55
18	4009	1.04	3.32	1.26
<b>Brooklyn Total</b>		<b>0.86</b>	<b>0.71</b>	<b>1.45</b>

*Notes:*

- Col. 1 U.S. Census geographic areas encompassing at least 100,000 population and established to coincide with community district locations.
- Col. 2 Ratio of cost-burdened affordable housing units delivered to cost-burdened affordable housing units required, if there was a 1 to 1 parity between the scale of units required and scale of units delivered. (Required units and delivered units are actually scaled to delivered units.)
- Col. 3 Ratio of rehabilitation affordable housing units required if there was 1-to-1 parity between the scale of units required and units delivered. (Required units and delivered units are actually scaled to delivered units.)



**Table 8: Affordable housing demand versus affordable housing supply (Continued)**

	Col. 1	Col. 2	Col. 3	Col. 4
Community District	PUMA Area	Ratio of Real Estate Transfer Tax Supported Cost Burden (Supply) to Actual Cost Burdened Units (Demand) (2005)	Ratio of Building Permit Fee Charges to Rehabilitate Units (Supply) to Units that Require Rehabilitation (Demand)	Ratio of New Housing Construction for the Period 2005 to 2010 (Supply) to Total Future Demand 2005 to 2010 (Demand)
<b>Queens</b>				
1	4101	0.87	0.82	0.54
2	4109	0.89	0.55	0.85
3	4102	0.74	0.49	0.62
4	4107	0.68	0.63	0.76
5	4110	1.1	1.04	0.27
6	4108	1.19	2.73	0.32
7	4103	1.22	1.63	0.51
8	4106	1.4	1.73	0.29
9	4111	0.79	0.59	0.28
10	4113	1.03	0.89	0.35
11	4104	1.63	9.54	0.48
12	4112	0.73	1	0.87
13	4105	1.33	2.45	0.37
14	4114	1.09	1.7	0.6
<b>Queens Total</b>		<b>1.02</b>	<b>1.09</b>	<b>0.51</b>
<b>Bronx</b>				
1&2	3710	0.48	0.37	1.44
3&6	3705	0.44	0.56	2.13
4	3708	0.45	0.25	1.38
5	3707	0.41	0.34	1.21
7	3706	0.5	0.37	0.26
8	3701	1.13	1.12	0.22
9	3709	0.58	0.82	0.38
10	3703	1.32	2.96	0.46
11	3704	0.82	1.02	0.51
12	3702	0.7	1.34	0.63
<b>Bronx Total</b>		<b>0.63</b>	<b>0.64</b>	<b>0.85</b>
<b>Staten Island</b>				
1	3903	1.37	1.87	0.98
2	3902	1.8	10.35	0.98
3	3901	2.18	14.93	2.21
<b>Staten Island Total</b>		<b>1.75</b>	<b>4.44</b>	<b>1.39</b>
<b>City Total</b>		<b>1</b>	<b>1</b>	<b>1</b>

Notes (continued):

Col. 4 Ratio of new construction affordable housing units delivered to new construction affordable housing units required, if there was a 1-to-1 parity between the scale of units required and scale of units delivered. (Required units and delivered units are scaled to delivered units.)

Source: Rutgers University, Center for Urban Policy Research, 2005.

Real estate taxes would be reduced to 10 percent of actual taxes. This would require a commitment from the city and state to raise the difference between what it could purchase construction and permanent financing for and what they would charge to the developer. In addition, the city would have to do without real estate taxes for a share of the population to which it would be providing public services. Even if this type of program produced only one-third (34,000 units) of what was produced through Mitchell-Lama efforts (105,000 units) over the next five years, this would be four times what could be produced from inclusionary zoning (8,500 units). It is time to re-initiate a large-scale housing subsidy program in the City of New York.

#### ***v. Conclusions and Recommendations***

This portion of the Report Three sought to examine the various types of affordable housing needs as they exist at the borough level and below. Cost-burdened, rehabilitation, and new construction affordable housing need were scrutinized in terms of their magnitude in community districts throughout New York City. The gross numbers of affordable housing need were given specific locations. In addition, various types of revenue and ameliorative strategies were viewed to respond to affordable housing need. Using an increase (20 percent) in the Real Property Transfer Tax to address cost burden; an increase in residential building permit charges (25 percent) to address rehabilitation need; and inclusionary zoning where it is applicable (at a rate of 10 percent) to address new construction need, the three demand components of affordable housing need were responded to by supply. The findings below are the results of these investigations.

#### **a. Affordable housing need**

1. Cost burden affects New York City residents (except for those living in Staten Island) relatively evenly (in terms of share of the population) at 41 to 45 percent of those who are income-eligible. In Staten Island, 37 percent of those who are income eligible are cost-burdened. This means that there are somewhat compensating effects in the cost of the local housing stock for the significant differences that are found between median incomes (2004\$) in Manhattan (\$52,500+) and median incomes in Brooklyn (\$36,700). Median housing cost (2004 dollars) in Manhattan is \$1,035 monthly

to occupy housing; median housing cost in Brooklyn is \$872 monthly to occupy housing.

2. Rehabilitation affordable housing need is relatively evenly distributed in select locations of each of the boroughs except Staten Island. Staten Island's percentage distribution of the stock occupied by income-qualified households is one-quarter to one-third that of the other boroughs.
3. In terms of absolute numbers, more new construction affordable housing need would be required in Queens and in The Bronx and somewhat less in Manhattan, Brooklyn, and Staten Island. Relatively, as a share of existing income-qualified units, Staten Island has significant (two to three times the other boroughs') new construction affordable housing need.

#### **b. Mitigating affordable housing need**

1. The New York City Real Property Transfer Tax (which is between 1 and 1.5 percent of value depending upon class of property), if increased by 20 percent annually, would yield subsidies that would allow approximately 80,000 units annually to no longer be cost-burdened. This is only 8 percent of total cost-burdened affordable housing need and leaves more than 1 million units still cost-burdened. Nonetheless, this begins to make a dent in addressing cost-burdened housing need throughout the city.
2. Rehabilitation funds are generated by moderate-, middle-, and upper-income households living in units that are not deteriorated, seeking to improve their properties. A 25-percent increase in the building permit fee for these purposes is dedicated to pay for deteriorated units occupied by low- and moderate-income families. The modeling done in this exercise allows more units to be rehabilitated in an area where substantial numbers of nondeteriorated units exist and they are of high value. Clearly, more units are able to be rehabilitated in community districts in Manhattan and Brooklyn than is the case for Queens and The Bronx. If building permit fees are tapped for this purpose, the fund could be a citywide fund to allow monies generated from more-affluent boroughs to assist in paying for the rehabilitation needs found in the poorer boroughs.



3. Inclusionary zoning as a portion of the new market housing stock coming on-stream potentially can produce about 8,500 new affordable housing units. These will be distributed mostly in Manhattan (1,235 units), followed by Brooklyn (1,785 units), Staten Island (1,565 units), Queens (1,533 units), and The Bronx (1,407 units). These are new units added to the stock of housing specifically for households of low and moderate income.

It is clear that affordable housing need in New York is large. The revenues to address such need, if they can be found, are relatively small. This means that only a small fraction of any category of affordable housing need can be addressed with revenue streams or public policies that appear to be related to affordable housing delivery (inclusionary zoning). Even if New York City is successful in using a portion of the Real Property Transfer Tax to ease cost burden, a portion of building permit fees to address rehabilitation need, and inclusionary zoning to address new construction affordable housing need, significant amounts (> 90 percent) of affordable housing need remains. A large-scale housing program similar to the Mitchell-Lama housing program must be added. If this is done and only one-third of the units that were built under the Mitchell-Lama program were built, together with the inclusionary component, 50 percent of future affordable need could be addressed. Obviously, this leaves only 10 percent of cost-burdened housing need addressed and 15 percent of rehabilitation need addressed, but the future need response would be significant. This is the direction in which New York City should go in the future.



### **C. Traditionally argued impediments to meeting affordable housing demand:**

#### ***i. Construction costs***

A study by the Furman Center for Real Estate and Urban Policy at The New York University School of Law and the Robert F. Wagner Graduate School of Public Service names the “high cost of construction in New York City as the primary culprit in the imbalance of supply and demand” and examines ways to alleviate the continuing housing shortage through reduction of construction costs. The 2005 update to the 1999 Furman Center report, “Reducing the Cost of New Housing Construction in New York City,” makes several recommendations necessary to restore the balance in housing supply and demand that we will summarize here:

#### **a. Labor costs**

Cost of labor is viewed as a main factor in high construction costs: New York City construction wages are 52 percent above the national average. Labor Unions are said to have too much power. Furman Center recommendations:

- Eliminate inefficient and costly work rules without compromising worker safety;
- Negotiate lower wages for work in lower rent areas outside of the Manhattan core and for affordable housing projects;
- Coordinate hours and holidays to allow for longer work day, greater use of apprentices and minimize overtime requirements;
- Lobby Congress to amend the Davis-Bacon Act and establish a residential wage rate that is the average of union and non-union wages; and
- Diversify union and non-union membership to include more minorities and women.

#### **b. Building code**

The Furman Center concludes that an overhaul of the archaic building code currently in use will reduce the cost of development through increased competition, decreased opportunities for corruption and cost-saving new technology. Furman Center recommendations:

- Adopt the International Building Code, with only modifications absolutely necessary to reflect the unique nature of New York City development while limiting the influence of special interest groups in this process;

- Adopt the International Fire Code; and
- Do away with the materials and equipment acceptance (MEA) process to foster competition.

#### **c. Permitting approval process**

The ineffective and inefficient Department of Buildings (DOB) is, in the Furman Center’s viewpoint, a major component in the high cost of housing construction. Furman Center recommendations:

- Enlarge and improve DOB staff and implement consistent training and policies across all five boroughs;
- Upgrade DOB computer systems to allow automation of the plan examination submission process to include the pre-filing of plans, automation of internal processing functions and to make more records available on the Web;
- Create a uniform set of DOB directives that provides definitive rulings on each substantive topic; and
- Track and publicize performance indicators tied to meaningful customer service outputs.

#### **d. Taxation and fees**

The Furman Center indicates that New York City property tax system discourages new constructions by imposing high taxes on multifamily residences compared to vacant land and taxation levels that are constant regardless of the housing development’s level of affordability. In addition, several New York agencies impose what are viewed as excessive fines and fees during the construction process. Furman Center recommendations:

- Tax vacant land at a higher price to encourage development;
- Waive or reduce real property transfer, mortgage recording and sales taxes of affordable housing projects; and
- Reduce permit fees for housing construction and waive permit fees for affordable housing production.

#### **e. Scaffold Law/insurance premiums**

Current New York State Scaffold Law is unique in the nation in that it imposes absolute liability on contractors and owners for gravity-related injuries on construction sites. Some see this as responsible for higher insurance losses and insurance rates for contractors. Furman Center recommendations:

- Amend the Scaffold Law to allow the introduction

of evidence of worker negligence to reduce the injured worker's recovery in proportion to their negligence; and

- Reduce the State Insurance Department's insurance rates to reflect this cost savings.

#### **g. Green building**

The health and resource-efficiency benefits of green building in the construction, renovation, operation, maintenance, and demolition processes generate positive long-term effects despite substantial up-front costs. New York State maintained a Green Building Tax Credit program from 2000 to 2004 that was the first of its kind in the nation. Furman Center recommendations:

- Reinstate the Green Building Tax Credit program to continue financial support of green building to developers while also providing guidance on how to pass the tax credit on to apartment buyers who are also burdened with the increased cost; and
- Encourage the New York State Energy Research and Development Authority to pass the underwriting on to third parties that already underwrite construction projects and create a single source for developers to access information on all green building benefits for which they may be eligible.

#### **h. Corruption**

Corruption and organized crime in the construction industry is a well-documented phenomenon. While the incidence of infiltration may have improved as a result of repeated investigations and well-publicized prosecutions, the illegal practices of solicitation of bribes by both union officials and municipal employees, embezzlement by union officials, bid rigging, and threatened violence still generate additional costs for housing developers. Furman Center recommendations:

- Continue to investigate and prosecute real estate industry corruption; and
- Simplify the building process, especially through reform of the Department of Buildings and adoption of a model building code, to streamline the development process to give fewer opportunities for delay and extortion.

#### **ii. Land availability**

Several suppositions shape any discussion of the availability of land in the City of New York.

#### **a. Theory one: Total land availability**

The first theory is that there is simply an absolute shortage of available land for development. Actually, there is a shortage of suitably zoned land. The Newman Institute Team prepared (and will be publishing separately) the New York City Affordable Housing Atlas. This new atlas illustrates the availability of underutilized land in selected industrial districts and along low-scale commercial corridors. The principal conclusion of this analysis is that there is plenty of land available for redevelopment in the areas considered, involving mainly vacant and significantly underutilized land. It is the lack of suitably zoned land that drives down the supply and therefore drives up the price of property, given today's seller's market for land as well as housing units.

To be clear, the study does not recommend specific rezonings at this time. Such determinations would require far more study, on a neighborhood and district basis, since more than housing policy is at stake with such rezoning; e.g., there would need to be consideration of land use, economic development, traffic, infrastructure and other questions. Yet the analysis presented below (Section 3.K.) is inescapable, as is evident from contrasting just two prospective redevelopment corridors: Queens Boulevard in Queens, and Fourth Avenue in Brooklyn.

- It would be easier and more productive to promote development on Queens Boulevard, given the presence of larger parcels – as indicated in the number of lots per mile. However, given that the Queens Boulevard corridor is nearly built out, an upzoning would be needed to promote housing production.
- The greater number and smaller size of Fourth Avenue parcels means that a strategy to promote assemblage would be valuable, in addition to upzoning.
- In both districts: A modest increase of less than 1.0 FAR would lead to a dramatic doubling in the number of units that could be built in the corridor. But given the level of development along Queens Boulevard and the parcelization along Fourth Avenue, this may not be enough of a density inducement for redevelopment.
- In both districts: Far greater yields can be realized with each step up in density than with each addition of a corridor; i.e., a rezoning strategy to go to very high densities in a limited number of

places would be more productive (numerically) than a rezoning strategy to go to slightly higher densities in a greater number of places. This is also the case since the greater the increase in density, the greater the prospect that the development will be able to amortize land acquisition and any relocation costs.

#### **b. Theory two: Publicly owned land**

The second and related theory is that the City's own inventory of land available for affordable housing is exhausted. A series of maps prepared for this study by the Center for Advanced Research of Spatial Information at Hunter College confirmed that the once swarthy inventory of in rem property (i.e., parcels taken in connection with foreclosures on delinquent real estate taxes) has been disposed of and developed for housing. This is not only true; it is truly a great success story!

Nonetheless, other analysis prepared by the Environmental Simulation Center of the New School for Social Research (for the New York City Department of Housing Preservation and Development and others) showed that the City still owns much underutilized land, including Housing Authority projects that are not built to the limits of zoning or reasonable land capacity. The Simulation Center and other Newman Institute Team members also documented a number of instances in which New York City's (and other) Housing Authorities designed low-scale housing in place of on-site parking lots and open space, with the further benefits of making these usually tower-in-the-park projects more contextual within their neighborhoods, as well as safer due to greater "eyes on the street" as a "defensible space" design principle.

#### **c. Theory three: Density bonuses**

The third theory is that density bonuses to incentivize private development of affordable housing are all but impossible without compromising the popular urban design principles inherent in the contextual zoning movement. The Newman Institute team prepared a series of architectural tests involving a 20 percent density bonus in connection with a 10 percent set aside for affordable housing, applied to four zoning districts: R4, R6, R7 and R9, with a contextual, Quality Housing prototype employed for the latter three zones. (Refer to Report 2.) The test site was a simple, corner parcel with a dimension of 100 feet by 200 feet (along

the avenue).

These tests showed that the additional density could be accommodated in compliance with the intent of the contextual zoning -- i.e., that the added floor area could be provided without creating buildings that were so large or bulky as to be very problematic. Only minor alterations in the building envelope requirements were needed -- e.g., an extra story on part of the building. Surprisingly, parking requirements emerged as a major impediment, arguing for greater liberality as to the required siting, arrangement, or number of parking spaces if a density bonus is employed to induce affordable housing development.

#### **d. Theory four: Community animus**

The fourth theory is that the level of community animus to density is so high that development is effectively forestalled unless it is as-of-right, and that rezoning for as-of-right housing or for higher density development is all but impossible. This may or may not be the case, depending on the specific neighborhood. True: vast parts of the city have in the past decade been rezoned for contextual development in response to popular concerns about density and development. But as true: in the Greenpoint/Williamsburg and Park Slope neighborhoods of Brooklyn, the rezoning debates of the past year have had more to do with whether and how to meet affordable housing needs than with whether to rezone from industry to housing, or from low to high density.

One implication is that upzoning to promote affordable housing production should be carried out in concert with neighborhood planning. This would allow the benefits of the upzoning to be weighed against other policy considerations; and it would help build consensus for the hard decisions involved.

#### **e. Theory five: Market support by neighborhoods**

The fifth theory is that there is no shortage of land in the city, only neighborhoods. This theory gained favor during the 1980s recession, but has since been put aside as once unmarketable neighborhoods have been targeted for new development. Yet, it still has validity for unsubsidized, privately built, mixed-income projects.

The Newman Institute team produced a series of pro forma (financial spread sheet) analysis, based on the

R6 architectural prototype indicated above. (Refer to Report 2.) These pro formas compared the financial impact on land value of different assumptions regarding tenure (ownership or rental) and zoning policy (provision of the units off-site, ability of developers to opt out of building the units themselves by paying into a housing fund, etc.). Residual land value was selected as the comparative measure, on the assumption that developers would, in an as-of-right regulatory regime such as New York City's, back into what they would be willing to bid on for the land based on the cost of development inclusive of any cross subsidies for affordable housing. These analyses attest to the way in which the added burden of these cross subsidies ripples through financial feasibility to greatly reduce the amount of money that developers are willing to bid for land. They showed that while there are a vast number of neighborhoods where new housing is economically viable, that even a modest cross-subsidy burden only works in the most lucrative housing markets within the city.

**f. Theory six: Efficacy of inclusionary housing strategy**

The sixth and perhaps pivotal theory is that if properly designed, an inclusionary housing program mandating or providing incentives for affordable housing would still not solve the city's affordable housing problem. The Center for Policy Research of Rutgers University calculated the total need for affordable housing in the City of New York. (Refer to Chapter 2 of Report 1.) This sum encompassed households living in substandard units (160,000 households), as well as cost-burdened households that are paying more than a benchmark of 35 percent of annual income for housing (1,020,000 households). This need was then compared to the actual production of housing, which has in these recent boom times been approximating 20,000 dwelling units.

The upshot of this analysis was that in order to have a meaningful impact in terms of the housing marketplace – i.e., to redress the present paucity of the supply relative to the enormity of the demand – it would be necessary to produce something like several hundred thousand affordable housing units. This far exceeds what would be generated within even a decade under a simple set-aside of 5, 10 or even 20 percent of housing unit construction for affordable housing.

The composite of all of these theories leads to a sobering conclusion. Inclusionary housing policy is perhaps the right thing to do: it will certainly assure that the city's mixed-income character is incorporated into new development, and that a modicum of new affordable housing units is created during boom periods. But inclusionary housing will not go far enough on its own to redress the acute shortage in the supply of housing relative to the present demand. It is possible to stimulate additional housing construction, provided that the City is prepared to upzone and rezone land that is lucrative for housing (for market-rate development), and/or suitable for housing (for subsidized as well as market-rate development).



## 2: Inclusionary housing programs

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## 2: Inclusionary housing programs

### A. Recommendations

#### i. Preface

During the past several years a number of large cities have adopted or explored inclusionary zoning, joining a larger number of suburban jurisdictions that pioneered the technique. Those cities include San Francisco, Boston, Denver, Chicago, San Diego and Washington, D.C. With its rezoning of the Far West Side of Manhattan and the Williamsburg/Greenpoint area of Brooklyn, the City of New York is also in the process of expanding its previously circumscribed inclusionary housing program.

The impetus for adopting, expanding or exploring inclusionary zoning is similar in all of those cities: the need to cope with skyrocketing housing costs at the same time federal support for housing is shrinking. Policy makers, as well as housing advocates, see inclusionary zoning as an opportunity to leverage rising land and housing values to satisfy a growing shortage of affordable housing, especially for middle- and moderate-income working households who are necessary to the smooth functioning of municipal government and the metropolitan economy. It is not coincidental that virtually all of the cities adopting or considering inclusionary zoning are “hot market” cities in which real estate values have soared; cities such as Philadelphia, Detroit and St. Louis, which are struggling to retain their middle- and upper-middle classes, have not seriously considered inclusionary zoning.

For cities considering an inclusionary zoning program, the critical decision is whether the program is voluntary, offering a menu of incentives to encourage developers to set-aside a portion of their projects for below market lease or sale, or mandatory, requiring developers to do the same with or without cost offsets. Proponents of a mandatory program for New York often point to those other cities, most of which have adopted some form of mandatory program, as evidence that voluntary programs are ineffective. Such evidence is misleading for a number of reasons. San Francisco, for example, recently codified a mandatory program, whereas it had previously pursued a non-statutory planning policy of inclusion. The new requirements, however, do not impose perpetual affordability on the inclusionary units and the

200 percent of area median income (AMI) income targets allow significant cost recovery, if not profits, on the affordable units. Furthermore, San Francisco and Boston allow developers to pay an in lieu fee to satisfy their inclusionary requirements, making it a de facto impact fee that can be paid in cash or in kind. Most importantly, those cities, much like suburban areas that have adopted mandatory inclusionary programs, do not have as-of-right zoning regimes. In effect, most or all housing development projects must pass through a public review process, where the line between a voluntary and a mandatory requirement is easily blurred. In such a zoning environment, developers may well prefer the predictability of a codified program compared to the uncertainty of a voluntary one.

The careful financial analysis of inclusionary scenarios performed by the research team for Part Two of the Affordable Housing Study suggested that the percentage of units that can be set aside under either a mandatory or voluntary program, without risking disruption to the housing development industry, is fairly low. For example, a 10 percent mandatory set-aside requirement in a generic R6 project without a compensating density bonus would depress land values by nearly 60 percent. With a land impact of that degree, inclusionary requirements of 10 percent or more could lead to a shift in land supply towards commercial or industrial uses, negatively impacting market-rate housing production. Overall, the simulations suggested that a mandatory program without density bonuses would have to have a relatively low set-aside percentage and would be viable only in the strongest market areas of the city. This means that the impact of the program would be relatively limited, producing on the order of several hundred units per year of affordable housing.

According to the Team’s simulations, even a density bonus of 20 percent, coupled with a 10 percent set-aside, would generally depress land values for rental housing and would be only marginally more attractive for condominium development. Nevertheless, the greater densities might somewhat expand the geographic area of market viability for new housing development, thereby expanding overall housing production. A voluntary program should therefore be seen primarily as a means of stimulating market-rate housing production through greater density, and only

secondly as an affordable housing program. A voluntary inclusionary housing program should consequently be preferred in New York City, because it offers the opportunity to stimulate overall housing construction, in contrast to a mandatory program which risks curtailing it. In either case, however, the expectations for the program should be modest.

One could also argue, although somewhat more subjectively, that a voluntary approach is more consistent with New York's as-of-right zoning and development culture. New York City has often, through various financial and regulatory incentives, encouraged the development industry to participate in publicly beneficial endeavors. Given that a mandatory program appears to offer no significant advantages over a voluntary approach, it seems politically sensible to place inclusionary zoning within the context of public-private partnership, rather than public-private coercion.

Another issue deserving careful consideration is how affordable set-asides are to be satisfied. The very notion of "inclusionary" zoning suggests that market-rate and affordable units should be intermingled, promoting racial and economic integration of communities. These are highly desirable goals. However, we need to recognize that suburban subdivisions and high-rise housing towers represent entirely different housing contexts. It seems that in New York's dense environment, community-level inclusion, rather than building-level inclusion, should be considered an acceptable policy objective. This also conforms to the legal and contractual difficulties of incorporating subsidized tenants into the structure of private condominium corporations.

## *ii. Summary*

There are two underlying concepts for the inclusionary housing policy recommendations:

- An emphasis on primarily voluntary programs that respond to market forces.
- Programs that offer flexibility so that developers have a menu of options.

### *Voluntary program*

A voluntary program avoids issues of legal sustainability, lets the developer determine whether the incentives work, and has no dampening effect on the

overall housing market.

The basic formula for a voluntary program is a density increase in return for providing affordable units. Most programs in New York State and elsewhere aim at providing a proportion (such as 10 to 20 percent) of a development's total units as affordable to moderate and in some cases even middle-class households, with a corresponding bonus in gross floor area (such as 10 to 20 percent) for providing the affordable units. In New York City, our tests showed that such incentives would prove inadequate without subsidies in most outer-borough markets; though the economics in Manhattan and other prime markets should prove more favorable. Regardless of market context, in order to make the gross square footage bonus work in New York City, height setback and parking requirements would generally need adjustments.

The only instances when a possible mandatory component should be considered are in the case of a rezoning and variances, where there is an argument for recapturing part of increased land values. Both voluntary and mandatory inclusionary zoning could work well in concert with affordable housing funding and incentive programs. Each case would need specific analysis.

### *Flexibility*

A second major concept of an affordable program is flexibility. The most successful programs would be those that allow each developer to choose from a menu of options. These include:

- **Target market:** The people served should range in income from 50 percent of the median income of New York to as high as 135 percent. This way, both federal and state subsidy programs are accommodated, and a wide range of people is served. For New York City, these programs use an average median income (AMI) of \$62,800 for a family of four.
- **Geographic location:** Developers should be able to choose whether to provide the affordable units within the building ("on-site"), within a defined community ("off-site"), or making payments to a housing fund ("opt-out"). The obligation could rise in each instance, providing an incentive for economic and social integration in connection with new development.
- **Tenure:** Incentives should apply to both rental and ownership or a mix of both. The affordable housing

obligations should be for as long a period as practical.

- Unit mix: While affordable units should be indistinguishable from market rate units, there can be some flexibility on distribution throughout a building.
- Design: Broad use of the incentive bonus requires relaxation of particular bulk, envelope and parking requirements. A menu of options needs to be provided to reflect the wide variety of site configurations and housing building types. This would require significant modeling to see which zoning controls are best relaxed in which districts.

It is the belief of the Newman Institute that these recommendations can provide a solid basis for expanding New York City's existing inclusionary housing program (now limited to a high density residential district R-10 – only found in Manhattan) to other residential multi-family districts in Manhattan and the other boroughs. To be effective, such incentives should be available to the development community in as many multi-family districts as possible.

### **iii. Background**

#### *Basic considerations*

1. Although financial analysis informs the design of an inclusionary zoning program, it cannot be the final determinant as to the perfect combination of mandates and incentives. Market and financing conditions vary from site to site and from time to time, so no set formula will be optimal for every situation. Ultimately, public officials must make an informed political judgment that may vary by condition and change over time, and work well under most but not all situations.
2. The most successful inclusionary housing programs will employ generous annualized profit rates. Housing developers must quickly recover their capital or they will not long be housing developers. Generous profit rates better assure that the program will be applied in a wider number of settings and conditions.
3. A number of large cities have adopted or are considering inclusionary housing programs, including Boston, Chicago, Denver, Los Angeles, San Francisco and Washington, D.C. Earlier prece-

cedents are more often from suburban jurisdictions, especially including many in New Jersey, where there is extensive case law and precedent. Since 1987, New York City has had a limited, optional inclusionary zoning program, applicable in R10 zoning districts, only.

4. The Department of City Planning (DCP) advocates employing zoning to regulate use and density, and placing the cost of providing affordable housing on the public generally (through tax incentives or housing subsidies), rather than on developer exactions or incentives. DCP points out that the City's subsidized housing programs are targeted at a range of income groups, while inclusionary housing programs in other municipalities have generally benefited middle-income families above others. Recently, DCP has endorsed compromises combining inclusionary housing incentives with public subsidies.

#### *Incentives or mandates*

5. The Institute's Part Two analysis of a generously sized hypothetical site indicates that a bonus program could not generally work without relaxation of other zoning constraints, in particular on-site parking requirements. (Interestingly, underground and structured parking proved viable on sites large enough for efficient layouts, in locations where there is market support for garage fees.)
6. Developers point out that for zoning (and financial) incentives to work in concert with as-of-right zoning regime, they would have to be significant, timely and predictable. The Institute's Part Two analysis of a Quality Housing mid-rise in a lucrative outer-borough setting shows that an incentive ratio of one more market rate unit for every one affordable unit provides far too little incentive in and of itself.
7. Economic theory suggests that the added cost of mandatory inclusionary housing (without a bonus) will eventually lead to lower land values, as developers back into lower purchase prices for land ("residual land value"). In the short term, the marketplace will be disrupted, as alternative uses appear more competitive, developers who already own sites realize lower revenues than anticipated, and landowners hold out for their earlier, higher

expectations as to land value. In our financial analysis of a Quality Housing mid-rise in a lucrative outer-borough setting, a set-aside as low as 10 percent reduced land value by a substantial amount (more than 50 percent for rentals). That suggests that non-residential uses of property will become more attractive and that such a mandate will have an adverse effect on housing creation.

8. Affordable housing mandates (i.e., without incentives) would be added issues that could confound developers venturing into new market settings and building on waterfront and formerly industrial sites. New market settings require higher profits to offset greater risks. Waterfront sites involve higher costs for required public amenities and infrastructure. Industrial and many commercial (e.g., gas station) sites have premium and unpredictable expenses for environmental remediation. There are existing and proposed City, State and federal funding programs for infrastructure and brownfield costs. But without sufficient and predictable offsets, these compounding costs are not incremental—i.e., easily absorbed within the anticipated range of construction costs. They are structural and thus effect the developer's assessment of land value and risk.

#### *Opt-out and off-site provisions*

9. Opt-out provisions allow the developer to pay into an affordable housing fund in lieu of providing the required units directly. It is, in effect, a "linkage fee" that raises money for local housing programs. Off-site provisions allow the developer to build the affordable housing units on another (usually lower-cost) site within a set geographic range.
10. Opt-out and off-site provisions offer flexibility to developers. The entire property can be built for market-rate housing, allowing the developer to realize a greater value on their primary development site. The complication of providing affordable units in an ownership project is avoided. The opt-out option is especially appealing by virtue of its transactional simplicity. However, for project financing to be improved, the cost to the developer for opt-out and off-site must be less than or comparable to the total cost of development for the affordable units.

11. The opt-out and off-site options also provide the ability to promote small developments, infill housing, housing rehab, and other programs where federal and State sources are not easily employed. The opt-out option could provide added revenue for affordable housing programs. The off-site provisions would lead to more joint ventures involving not-for-profit housing developers.
12. The optimal geographic constraints for the opt-out and off-site options hinges on the relative importance of providing the maximum number of units (which argues for the widest possible geographic range to reach less expensive sites), or of offsetting local gentrification and promoting economic and racial integration (which argues for a smaller geographic range shaped by community board or neighborhood boundaries). This concern could be addressed by increasing the obligation under off-site and opt-out options. Other technical, but potentially surmountable issues involve safeguards that the opt-out fee remains current; that the off-site option is in fact carried out; and that these fees do not simply disappear within the City's overall budget.

#### *Rental programs, ownership programs, permanently affordable housing, flexible income targeting*

13. Most jurisdictions that have inclusionary zoning programs apply them to both rental and ownership developments. Affordability is usually defined as rents not exceeding 30 percent of a household's gross income. Income eligibility is determined by municipal policy goals, but generally range from 50 to 200 percent of area median income (AMI), with 80 percent and 100 percent of AMI most common. In New York City, the AMI is presently \$62,800 for a family of four.
14. Inclusionary housing programs that treat rentals and condominiums equally will likely tip the housing market further toward condominiums, according to our financial analysis. Counterweights will prove tricky and pose trade-offs. The market is now singularly favorable to condominiums; yet, the reverse has often been the case. Many developers may prefer the simplicity of condo development; others are interested solely in rental hous-