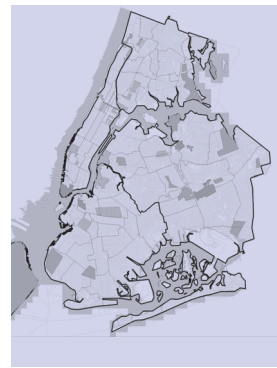


Increasing Housing Opportunity in New York City

The Case for Inclusionary Zoning



Executive Summary

A Report by
PolicyLink
and
Pratt Institute Center for Community and Environmental Development

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Executive Summary

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New York City neighborhoods are about to change dramatically.

The administration of Mayor Michael Bloomberg is undertaking substantial redevelopment plans, neighborhood by neighborhood, which will alter the pattern of growth for generations to come. At the same time, New York City's housing costs have marched dramatically upward, making it increasingly difficult for many New Yorkers to afford housing. The proposed planning changes can either deepen the challenges of affordability, or set a new course toward ensuring a diverse, stable housing stock that serves the needs of the spectrum of New Yorkers.

Inclusionary zoning—setting aside affordable units in new housing developments—offers New Yorkers a tool to guarantee that the benefits of changes occurring in their communities will be fairly shared in the years to come.

New York City's Affordable Housing Challenge

A tight housing market. New York City's population has grown significantly in the last decade. Despite a recent boom, housing construction has been lagging far behind increasing demand. This has pushed up housing prices everywhere, and particularly in “hot” neighborhoods in Manhattan, Brooklyn, and Queens. The lack of housing is marked by extremely low vacancy rates, particularly for lower-rent units, growing waiting lists for subsidized housing, and record-high homelessness.

Affordability diminishing. Incomes of New Yorkers have not kept pace with rising housing costs. The average income for New York renter households grew just 3 percent from 1975 to 1999, but the average rent went up 33 percent. Even with the new financial incentives and subsidy programs introduced by Mayor Bloomberg in late 2002, the demand for affordable units is growing far faster than the supply.

A segregated city. Housing that has been built in the last 15 years has amplified race and income segregation. Most market rate housing has been concentrated in the higher-income neighborhoods of Manhattan and Staten Island, while affordable housing was primarily built in the lower-income neighborhoods of Harlem, the Bronx, and Brooklyn.

Housing is a key element in a family's ability to live in the city. Without new affordable housing in mixed-income communities, low- and moderate-income households will be forced into overcrowded and lower quality housing situations or forced to move out of their neighborhoods.

The Opportunity: Dramatic Neighborhood Redevelopment Plans

The city of New York has significant power to shape patterns of development. Mayor Bloomberg has offered an ambitious set of redevelopment initiatives for New York City that include more than two dozen area-specific plans, in all five boroughs. These plans include: rezoning actions, targeted financial incentives, and public investments in infrastructure, transportation, and parks, as well as sports, convention, and cultural venues. The proposed zoning changes will alter the type and density of developments (residential, commercial, and/or manufacturing) allowed in each neighborhood. The four major types of zoning changes being proposed are:

- Rezoning manufacturing areas to allow residential/office use;
- Upzoning business districts to encourage mixed-use (commercial and residential) development;
- Balanced neighborhood rezonings to preserve community context while allowing growth; and
- Downzonings to prevent larger-scale development.

The rezoning of manufacturing areas will transform formerly industrial warehouse and factory land to residential and commercial centers. Business district upzonings and balanced neighborhood rezonings will create new space for housing units in areas with strong market demand. The downzonings will affect substantial land area throughout New York City and threaten to significantly reduce the potential housing built in these neighborhoods.

These redevelopment plans are likely to result in 40,000 units of housing in the next 10 years and as much as 80,000 total. However, many communities are deeply concerned about the lack of affordable housing guarantees. This analysis estimates that without further action, fewer than 8 percent of the new housing units created in these areas are likely to be affordable to most New Yorkers.

Benefits of Inclusionary Zoning

Inclusionary zoning (IZ) requires or encourages developers to make a percentage of units in new housing developments affordable to low- and moderate-income households. IZ policies have been adopted by hundreds of cities around the country and have produced thousands of units of affordable housing in mixed-income communities. Multiple studies have shown that mandatory IZ programs do not dampen development and are economically feasible for developers and property owners.

Benefits of inclusionary zoning include:

- Producing affordable housing for a diverse labor force;
- Fostering mixed-income communities;
- Insuring affordability in tight housing markets; and
- Stretching scarce public dollars by leveraging market-rate construction.

Recommendations

This report analyzes the housing needs, development opportunities, and market conditions in New York City, as well as the experiences of jurisdictions with IZ programs around the country. The recommendations for New York City are:

Apply mandatory inclusionary zoning to all future neighborhood-wide zoning changes. Many of the proposed large scale rezonings create substantial density and land value increases for property owners. The city can and should require that all developers receiving this benefit create some affordable housing units. Evidence from cities coast to coast makes it clear that mandatory IZ programs produce more affordable housing than voluntary ones. For New York City, mandatory IZ should be applied to the rezoning of manufacturing areas, to the upzoning of mixed-use business districts, and to residential areas that are rezoned for more density. Where downzonings limit development, they should be balanced with nearby density increases that contain IZ requirements.

Maximize affordable housing production by offering inclusionary zoning incentives in high-density residential neighborhoods.

In neighborhoods not going through dramatic rezoning, developers should have the opportunity to participate in New York City's voluntary inclusionary program. In particular the program, which offers developers a modest density increase if they choose to include some affordable housing, should be expanded to wide streets and other appropriate areas within neighborhoods zoned from R6 to R9 (generally 3 to 17 story buildings).

The program should also be amended to make it a more attractive option, including allowing combination with public affordable housing subsidies. Implementing a voluntary program will increase the viability of building on small sites.

Design an economically feasible IZ program that allows developers to create affordable housing and while making a profit.

Developers benefit from inclusionary zoning through non-monetary cost-offsets—usually density bonuses. By utilizing appropriate cost-offsets, the parameters devised for New York should take advantage of the significant density that will be granted through major rezonings to deliver units at deeper levels of affordability. A mandatory program can be crafted so that developers can achieve their profit targets. While the IZ requirement will be imputed into land costs, property owners will still benefit from zoning changes.

Set income levels for affordable housing eligibility to reflect community housing needs; broaden eligibility by connecting IZ to other affordable housing resources.

New York City has a wide array of affordable housing subsidy programs targeted to homeless, low, moderate, and middle income households. An IZ program can be crafted to meet a similar range, and it can be adjusted to meet neighborhood needs. Combining IZ with the Housing Choice Voucher Program (formerly Section 8) and other resources can extend the reach of the program.

Maintain permanent affordability of inclusionary units.

New York is currently at risk of losing tens of thousands of affordable housing units as the requirements of earlier programs expire. This problem need not be repeated with inclusionary zoning. Because the benefit of greater density is permanent, the program can require long-term affordability for inclusionary units.

Prioritize on-site development of inclusionary units to encourage mixed-income communities.

In the neighborhoods where new housing opportunities are being created through rezoning, many residents are concerned about the lack of affordable units. Prioritizing the production of affordable units as part of larger market-rate developments, or nearby in the same community—rather than allowing in-lieu payments or distant off-site units—will help to meet this need and lead to a more equitable distribution of affordable housing throughout the city.

Draft clear legislation and authorize consistent administrative oversight to manage the IZ program.

New York City has a strong history of progressive public policy to create affordable housing, and of high-quality implementation of these programs. The city can build upon this experience, and upon the capacity of its housing and planning departments to establish a program that will succeed.

By adopting these recommendations, the city of New York can guarantee that its redevelopment plans create thousands of units of affordable housing in mixed-income communities throughout the city. Residents, developers, employers, and the city at large will benefit for decades to come from the combination of growth and affordability made possible through inclusionary zoning.

About PolicyLink

PolicyLink is a national nonprofit research, communications, capacity building, and advocacy organization, dedicated to advancing policies to achieve economic and social equity based on the wisdom, voice, and experience of local constituencies.

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About Pratt

Pratt Institute Center for Community and Environmental Development (PICCED) is the oldest university-based advocacy planning organization in the United States. PICCED supports the efforts of low- and moderate-income communities to combat poverty and inequality through sustainable development.

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