TO: Bill de Blasio, Mayor of New York City and Carl Weisbrod, Director of the New York City Department of City Planning
FROM: Emily Alber Chase and Brandy Heath
DATE: May 6th, 2016
SUBJECT: *An Evaluation of the Inclusionary Housing Program: Improving Equity for NYC Residents*

INTRODUCTION

We recommend that New York City adopt a blended inclusionary housing program. This plan would come the closest to successfully achieving the desired program outputs and outcomes (provision of units, affordability of units, and integration of socioeconomic groups) while valuing all stakeholders – municipalities, developers, and renters. Any plan undertaken must be tailored to the specific geographic region, needs of the municipality, and demographics of renters to be truly effective.

This memo will first provide a background and definition of housing issues in New York City, followed by a presentation of the Inclusionary Housing Program as it was proposed by your office and adopted by New York City Council in March 2016. Finally, we will provide an evaluation of this plan and four recommendations for potential amendments before outlining our conclusionary plan.

BACKGROUND OF HOUSING IN NEW YORK CITY

The issues of inclusion and affordability of housing have been an issue for New York City since the mid-twentieth century. Redlining property was a discriminatory practice used by banking institutions and real estate developers by either directly denying services or selectively raising prices of certain residents to segregate communities. This practice was made possible with the creation of the Federal Housing Administration (FHA) of 1930. The FHA in partnership with the Home Owner Loan Corporations (HOLC) sought to standardize the process of writing mortgage loans and avoiding "risky" lending in an attempt to improve the accuracy of real estate appraisals.[1] Figure 1 is the 1938 Redlining Map of Manhattan in which red shaded areas were denoted as those within which banks were advised not to invest. The green shaded areas or "first grade" levels were typically white, affluent, Protestant, and Anglo-Saxon. Further policies of urban development created inferior public housing which was inadequately funded and maintained by the City.

Beginning in the 1980's young, white, professional, technical, and managerial workers with higher education and income level began to rapidly return to the city.[2] Residents moving back to the city found the opportunity to avoid high rental costs by moving into historically disenfranchised communities. Real estate developers followed this trend and have seized the opportunity to buy low valued properties and create high income residential and

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[1] Nono, Emily. "Redlining: How One Racist, Depression-era Policy Still Shapes New York Real Estate." Brick Underground. N.p., 5 Nov. 2015. Web.
[2] Marcuse, Peter. "Gentrification, Abandonment, and Displacement: Connections, Causes, and Policy Responses in New York City." Urban Law Annual; Journal of Urban and Contemporary Law 28 (1985): 195-240. Http://openscholarship.wustl.edu. Web.

commercial properties. The private initiative taken to accommodate high income renters revitalizes major parts of the city, improves the quality of housing, and contributes to the tax base. However, low to moderate income renters are becoming increasingly displaced as more of their household income is spent on rising rental prices. In an effort to combat the affordable housing crisis the New York City Planning Department created the Mandatory Inclusionary Housing Program to close the gap between rents and incomes, lower the rent burden on residents, increase the production and supply of affordable housing units, and accommodate across incomes to serve the ever growing population.

NEW YORK CITY'S MANDATORY INCLUSIONARY HOUSING PROGRAM

The most recent amendments to the Mandatory Inclusionary Housing text were approved by the New York City Council on March 22nd, 2016.[3] In assessing the needs of city economic enrichment and expanding the tax base a tradeoff exists between the percentage of affordable housing and reaching lower income levels. Taking into consideration the necessity of long-term inclusionary and affordability of these units the plan includes a mandatory and permanent commitment to newly constructed units. Unlike some major cities, which include a duration between 30 to 50 years, there is no expiration to the affordability requirement of apartments making them a long-term, stable reservoir of affordable housing. [4] This program applies to not only new developments, but also enlargements and conversions of building with more than 10 units being constructed.

<u>Proposed Requirement by City Planning Commission and City Council for each rezoning:</u>

- **Option 1**: 25% of affordable housing set-aside for a 60% AMI[5] ($47,000 for a household of three), additionally a minimum of 10% of housing to be affordable at 40% AMI ($31,080 for a household of three)
- **Option 2**: 30% of affordable housing set-aside for a 80% AMI ($62,000 for a household of three)

<u>The City Planning Commission and City Council may also add one or both of the following options:</u>

- **Option 3**: 20% of affordable housing set-aside for a 40% AMI (without direct subsidy unless additional affordable housing provided)
- In limited emerging or mid-market areas, additional **Option 4**: 30 % at an average of 115% AMI with a required 5% at 70% AMI and another 5% at 90% AMI (without direct subsidy)

[3] One-page summary of the Mandatory Inclusionary Housing program as adopted. We transcribed the following figures and options from the following link: www1.nyc.gov/assets/planning/download/pdf/plans-studies/mih/mih-summanry-adopted.pdf
[4] NYC Planning Department "Comparison with Other Jurisdictions". http://www1.nyc.gov/site/planning/plans/mih/mandatory-inclusionary-housing.page
[5] Average Median Income. Income guidelines are based on how the Department of Housing and Urban Development (HUD) calculates the Area Median Income (AMI) of the New York City region. Income guidelines are calculated annually and therefore subject to change on a yearly basis.

The mandatory affordable units provisions works in conjunction with the Reform of State 421- a tax exemption program, city housing subsidies, and Zoning for Quality and Affordability. The 421-a tax exemption is a partial real estate tax exemption for the construction of multifamily units. In order to be eligible buildings must either contain 20% affordable units, receive governmental assistance, or owners participate in the 421-a Affordable Housing Program. The 421-a Affordable Housing program applies to lots that are vacant, predominantly vacant, or being improved with nonconforming use three years prior to the start of construction. The exemption offers developers a three-year construction period real estate exemption plus a post-construction exemption of either 10, 15, 20, or 25 years. The original plan called for the reformation of the 421-a tax exemption program, however due to conflict amongst lawmakers 421-a was not renewed this past January. Our study seeks to analyze the effects of each component in NYC's Mandatory Inclusionary Housing Plan (MIHP).

EVALUATION

The same handful of issues are frequently offered as critiques by opponents of inclusionary housing programs. The first issue called into question is the whether the number of affordable units built are actually sufficient to meet the need of renters. Figures from 2012 indicate that 81% of very low income households experience *rent-burden* – they are paying 30% or more of their total household income on gross rent.[6] The number of rent-burdened households in New York City has risen 11% since 2000, and now comprises almost 55% of all renter households.[7] These figures coupled with an extremely constrained supply of housing (NYC vacancy rates are around 3.45% while the national rate is around 7%) create the large gap between supply and demand of affordable housing. The New York City Housing Plan aims to subsidize 16,000 apartments for families making $42,000 annually, accounting for merely 4% of the 425,000 units demanded.[8]

Furthering the affordable housing supply issue is the implementation of control periods. By creating programs that do not include permanent affordability and instituting time limits on exactly how long developers must maintain a predetermined level of adequate housing, the availability of affordable housing can be limited long term.[9] In New York City's program the affordability requirement would be permanent and would not expire.[10] By instituting requirements permanently, developers can build them into their long term business plans in a more meaningful way, as well as both project and maintain levels of availability of units in the future.

A second critique relates to the equity of the program and the extent to which the program is actually inclusionary as well as the affordability of the units that are built. The structure of the plan will do little to hinder gentrification. To make it economically feasible to include

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[6] *The Cost of Renting In New York City*. Publication. NYU Furman Center, 23 Apr. 2014. Web. 19 Mar. 2016.
[7] "Mandatory Inclusionary Housing." NYC Planning, Mar. 2016. Web. 20 Mar. 2016.
[8] Calculations done by reviewing the supply and demand figures of NYC Mayor Bill de Blasio's Housing New York: A Five Borough, Ten-Year plan.www.nyc.gov/html/housing/assets/downloads/pdf/housing_plan.pdf
[9] *Planning Advisory Service Quick Notes: Inclusionary Housing*. Publication. American Planning Association, n.d. Web. 22 Mar. 2016.
[10] "Mandatory Inclusionary Housing." NYC Planning, Mar. 2016. Web. 20 Mar. 2016.

affordable units in their buildings, developers must include a proportional number of high-rent or luxury units as well, which will potentially displace low-income renters if they reside in units that are not subjected to rent controls and their rental rates rise to cover the developer's costs of meeting the new standards. The affordability of units is calculated utilizing metropolitan Area Median Income (AMI) figures. In its original form, the New York City plan determined the lowest level of affordable rent amounts based on renters whose income was 60% the metropolitan AMI. The issue, according to the Metropolitan Council on Housing, is that the city's median household income, slightly over $50,000, is well below the metropolitan AMI (which includes wealthier Rockland, Westchester, and Putnam counties).[11] This means that a significant portion of renters are not actually being served by a program that is intended to target them. To address the critique of the degree of affordability, the plan was adopted to include a caveat provision with a lower threshold (now, buildings must include a minimum of 10 percent of units at 40% AMI).[12] This change makes strides to meet the needs of renters at the lowest income levels, however, some critics argue it could go further. New York City Councilman, Jumaane Williams, argues the plan should push for deeper levels of affordability and consider thresholds below 30%.[13] Adjusting these thresholds or moving to a more localized community-based AMI measure would substantially increase affordability.

Finally, it has been shown that Inclusionary Housing Programs could potentially incentivize the destruction of existing affordable housing units. In high rent areas with a strong housing market (such as Manhattan) developers can face extreme opportunity costs. One estimate indicates that developers could lose $1.1 million in income by including rent-restricted units in their properties.[14] Many neighborhoods are made up of rent-controlled buildings or buildings with lower unit density than what the new zoning regulations would allow. The loss in future revenue creates a scenario in which developers would make more money by purchasing the old, low-density buildings, demolishing them, and building larger more-densely populated buildings in their place. These new properties would have a portion of affordable units, but would also include the high-rent units as well, furthering the displacement of lower-income renters.[15] Additionally, NYC has experienced a dramatic loss of rent-controlled units in recent decades – some estimates indicate a decrease of 50,000 rent-controlled apartments in the last eight years alone.[16] These newly deregulated units are prime real estate for developers to demolish and rebuild and causes further reductions in available affordable housing.

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[11] Wishnia, Steven. "Is De Blasio's Housing Plan Really 'Affordable'?" *Is De Blasio's Housing Plan Really 'Affordable'?* Metropolitan Council on Housing, Mar. 2016. Web. 20 Mar. 2016.
[12] Mandatory Inclusionary Housing Report published by *Housing New York.*
[13] Max, Ben. "Sides Near Deal on Major Zoning Changes Aimed at Creating Affordable Housing." *Gotham Gazette*. N.p., 14 Mar. 2016. Web. 1 May 2016.
[14] Madar, Josiah. *Inclusionary Housing Policy in New York City: Assessing New Opportunities, Constraints, and Trade-offs*. Publication. NYU Furman Center, 26 Mar. 2015. Web. Mar. 2015.
[15] Stein, Samuel. "De Blasio's Doomed Housing Plan." *Paint The Town Red*. Jacobin, Fall 2014. Web. Mar. 2016.
[16] Wishnia, Steven. "Interactive Map Shows NYC's Disappearing Rent-Stabilized Apartments." *Gothamist*. Gothamist, LLC., 15 July 2015. Web. 25 Apr. 2016.

An aspect of the mandatory inclusionary housing plan in New York City includes increased zoning density in high-rent districts. This element allows developers to construct even more units than previously allowed, as long as a portion of them are offered at affordable rental rates. The key for this element of the plan to be effective is whether the rental prices on the market-rate units offer enough return to cover the costs of providing the below-market rate units. In a city like New York, development and construction costs are dramatically high comparative to other cities. Not to mention the high cost of land acquisition as well as relevant property taxes incurred as a result of ownership. The Furman Center for Real Estate and Urban Policy at New York University calculated optimal rental rates for units that would cover developer's costs. Their model estimates rental rates of $61 per square foot per year for high-rise buildings subjected to full NYC property taxes. This translates to an estimated monthly rent of $3,600 for a one-bedroom unit, requiring a two-person household to have 220% of the NYC metropolitan AMI. The opportunity for developers to take advantage of a tax exemption, like 421-a, allows associated costs to be lowered significantly. This allows for both the creation of below-market rate affordable units and lowers rental costs for market-rate units as well (a decrease from $61 to $39 per square foot per year).[17]

Evaluation Across Other Jurisdictions

Several other cities have adopted their own inclusionary housing plans to address the respective housing markets and needs of residents. As outlined in Table 1 below, plans vary based on geographic scope, targeted residents, longevity of regulations, and program type.

Table 1: Comparison Across Other Jurisdictions[18]

	Boston	Chicago	District of Colombia	San Francisco	Seattle*	NYC MIH Program
Year Adopted	2000	2003	2006	2002	2001	2016
Program Type	Voluntary	Voluntary	Mandatory	Mandatory	Voluntary	Mandatory
Duration of Affordability	50 years	30 or 99 years	Permanent	Permanent	50 years	Permanent
Set Aside (%)	15%	10%	Varies	12% onsite 20% offsite	5%	Varies onsite 35% offsite
Income Targets (AMI)	<70% to 100%	≤ 60% to 100%	<50% to 80%	≤ 55% to 90%	80% to 100%	Basic options at 60% and/or 80%; additional options at average of 40% and/or 115%

* Seattle's program is being reevaluated

With the drastic geographic and demographic differences in these cities it is imperative for municipalities to target specific zones or census tracts to implement the most effective

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[17] *Creating Affordable Housing Out Of Thin Ari: The Economics of Mandatory Inclusionary Zoning in New York City*. Publication. NYU Furman Center, March 2015. Web. 16 April. 2016.

[18] Adapted from NYC Planning "Comparison with other Jurisdictions"

affordable housing program. For example, Washington DC's policy applies only to specific zoning or planning districts. Chicago's plan varies by project or building type.[19]

Boston's plan was recently updated at the end of 2015 to include higher off-site percentages and a higher in-lieu fee. Requirements have also been recalibrated and tailored to specific geographic zones within the city in an effort to more effectively address the needs of renters and the fiscal demands of developers in relation to real estate costs. The Boston plan has been labeled a success, and is responsible for the creation of over 2,000 affordable units and $74 million in affordable housing funds for completed projects since its creation in 2000.[20] Chicago has seen difficulty with developers opting to pay fees rather than create affordable units in neighborhoods made up of predominantly affluent white residents.[21] Critics of San Francisco's plan argue that not enough units are being created. There is further complaint that the plan goes too far in meeting the needs of developers. The City has allowed a "separate-but-equal" like standard that creates a loophole and allows real estate investors to pay a minimal fee to build off-site units. This seems to negate the core mission of the program and does nothing to create housing that is actually inclusionary and blended across incomes.[22] It is also important to note that all plans outlined in Table 1 have been (or are in the process of being) re-evaluated in the years since they were originally implemented. This speaks to the ever-changing nature of the economy, housing markets, and needs of renters overall. Despite the long-term implementation or permanency of the plans, there is recognition that policy makers must be open to adapting the plans as the market dictates.

KEEP PLAN AS ADOPTED

With the current amendments recently adopted the implementation of the NYC mandatory inclusionary housing program is underway. A possible option is to let the program and plan run its current projected course. Under the proposal the city will require either 25% of residential floor areas to be designated as affordable housing units for residents with an average AMI of 60% (family of 3 with an annual income of roughly $46,620) or 30% of residential floor areas to be designated as affordable housing units for residents with an average AMI of 80% (family of 3 with an annual income of roughly $62,150).[23] The current policy seeks to spur the construction of more affordable housing by incentivizing developers with various cost-effective savings provisions. The Zoning for Quality Affordability provision allows developers to raise building heights and relax parking requirements for certain projects in an effort to create more below-market and senior housing. The R-10 program (R-10 high bulk and density districts) provides developers with a floor-to-area ratio bonus (FAR) permitting up to 20% allowed residential floor area for

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[19] Hollingshead, Ann. *When and How Should Cities Implement Inclusionary Housing Policies?* Publication. Cornerstone Partnership, June 2015. Web. Mar. 2016.
[20] Tyler, Sam, and Matthew Kiefer. "Doing The Math on Affordable Housing." Editorial. *Boston Globe*. Boston Globe Media Partners, LLC, 21 Jan. 2016. Web. 29 Apr. 2016.
[21] https://www.wbez.org/shows/wbez-news/chicago-developers-shell-out-millions-rather-than-build-affordable-housing/560b249f-a2ea-43c8-8883-263b27ae3d91
[22] Weinberg, Cory. "S.F. Loses Affordable Housing Almost as Quickly as It Builds It." *San Francisco Business Times*. N.p., 8 July 2015. Web.
[23] http://www1.nyc.gov/site/planning/plans/mih/mandatory-inclusionary-housing.page

the building.[24] The bonuses are designed to stimulate new construction, substantial rehabilitation, and/or the preservation of permanently affordable housing in eligible areas.

Issues arise with the feasibility of keeping the adopted plan due to the expiration of the 421-a and the lack of reaching very-low to extremely-low income families. Without the development of a new tax-abatement program, developers may turn to luxury condos and commercial properties over mixed-income rentals. The combination of high construction and land costs with high taxes on rentals make the construction of mixed income rentals unprofitable. Although NYC's plan reaches a low AMI of 40% as compared to other major cities, very-low and extremely-low communities continue to be further marginalized.

Reform Existing Zoning and Rent Rate Regulations

A large number of renters living below the 40% AMI aren't reached with the current policy, and it may therefore be a wiser option to reform and strengthen the current affordable housing market. This would require an increase and strengthening of regulations on rent control, a closure of existing loopholes, and the maintenance and acquirement of existing public housing. Currently less than 2% of NYC apartments are rent-controlled and there are no set requirements for an apartment to qualify as rent stabilized. With city government intervention we can ensure landlords only increase the rent by a small percent or possibly cap rents based on the duration of a lease. For a one year lease the cap exists at 1% and for a 2 year lease the cap is set at 2.75%.[25]

Although rent control is used as a mechanism to curb the rental burden on low-income residents, the substantial costs fall heavily on the poor while benefiting the higher income families. These costs include lowering the quality of existing housing and reducing access to new housing. Rent control creates a tight housing market in which there is high competition for the units, housing providers utilize their own discretion in choosing amongst residents. In an unregulated market selection is guided by rent levels, however in rent-controlled providers turn toward credit and income history. For low-income, single-parent households such criteria works against them from obtaining such units. The winners of rent control are higher income households with incomes greater than $75,000 receiving double the average subsidy of rent-controlled households with low-incomes.[26] Assistance to renters must come through direct financial assistance and increasing the supply of affordable units.

Implement a Fee-Based Element

Some jurisdictions use in-lieu fees rather than unit based fees for achieving their housing targets housing. In this model, developers would have the ability to pay a predetermined fee directly to the municipality rather than including rent-restricted units in their building plans. These fees would then be utilized by the municipality to fund their own provision of

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[24] NYC Planning Commission. "Approved Text of the Zoning Resolution." http://www1.nyc.gov/assets/planning/download/pdf/plans-studies/mih/approved-text-032216.pdf

[25] Rent Regulation. http://www.nakedapartments.com/guides/nyc/renting-in-new-york-city/rent-regulation

[26] Blackwell, Lisa. "The High Cost of Rent Control". National Multifamily Housing Council. http://www.nmhc.org/News/The-High-Cost-of-Rent-Control/#N_11_

affordable housing. The key to implementing a fee-based policy is setting the fee at the appropriate level. The fee structure must be designed to account for both opportunity costs and realized costs of developers and must incentivize developers to pay the fee rather than pursuing other options. Additionally, the level of funding a municipality required to build and provide affordable housing must be considered in calculations.[27] Funds generated can be used to expand existing affordable housing programs such as: home improvement programs with loans and grants for renovation; housing scholarship programs; rehabilitation of existing affordable units; and first time homebuyer assistance. Additionally, funds can be used to support off-site land acquisition and provide bridge funding for new constructed affordable units. In March 2016 the the NYU Furman center advocated the use of in-lieu fees, stating:

> "Requiring that developers build affordable units on-site promotes economic diversity and helps ensure the long term financial sustainability of affordable units, but there may be significant opportunity costs in very strong markets. If the developer were permitted instead to pay an "in lieu fee" to the city close to this $1.2 million value, the city government could likely use it to subsidize the development of a higher number of affordable units in lower-rent neighborhoods, helping more low and moderate-income households. Similarly, a developer may be able to provide a larger number of affordable units off-site in lower-rent neighborhoods instead of a single on-site unit."

A critical drawback to this policy is its effect on driving up the price of housing to exclude low-income or minority consumers, as well as the further segregation of mixed-income development. Local officials lacking the capacity to provide off-site affordable units face extreme administrative burdens if a high proportion of developers opt into in-lieu fees. In a case study of several districts in California utilizing in-lieu fees, data showed large amounts of collected fees, but no allocation or distribution of fees to any particular program for the purpose of expanding inclusionary housing.[28] In Chicago, in-lieu fees set at the low rate $100,000 per unit incentivized developers to opt-out of including affordable units instead creating 1,6000 units in the poor neighborhoods of the city's West and South Side.[29] An in-lieu fee set to low eliminates mixed-income development as developers create luxury condos for their wealthy tenants and either create low-income housing in poor neighborhoods to save money or pay into a housing fund managed by local officials. The ability to create off-site housing further segregates low income communities from middle

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[27] Hollingshead, Ann. *When and How Should Cities Implement Inclusionary Housing Policies?* Publication. Cornerstone Partnership, June 2015. Web. Mar. 2016.

[28] Marin County. "Financing Affordable Housing: Local In-Lieu Fees And Set-Aside Funds". http://www.marincounty.org/~/media/files/departments/gj/reports-responses/2002/affordable_housing_financing_studyfinal.pdf

[29] Hertz, Daniel K. "Chicago Rethinks Rules for Developers to Increase Affordable Housing". Next City (non-profit organization). Dec.12.2014 https://nextcity.org/daily/entry/chicago-affordable-housing-zoning-developer-fees-emanuel-election

to high income families, widening the already growing wealth gap between these communities.

Adopt A Blended Policy

A blended policy would ideally include the most efficient elements of both a unit-based and fee-based plan. An optimal blended policy would force developers to meaningfully consider both options to determine whether to include affordable housing units or to opt to pay the fee. The benefit of a blended policy is that it works to achieve all desired outcomes and values the financial and social dimensions of all stakeholders. It would create affordable housing units provided by both developers and the municipality and allows the developers options for working within their own fiscal guidelines. It also works to minimize unintended market outcomes and increases opportunities for inclusion and socioeconomic integration. Our final recommendation is for New York City to expand their current Mandatory Inclusionary Housing Plan and institute additional elements to create a more comprehensive approach to addressing the affordable housing crisis they are experiencing.

Final Recommendation

As outlined above, all four recommendations would achieve portions of a mandatory inclusionary housing program. An ideal program would minimize market consequences and administrative costs while promoting affordable housing and socioeconomic integration on a larger scale than the NYC program does currently. The table below summarizes and compares all four recommendations against these agreed upon outcomes.

Table 2: Comparing Plans Against Desired Outcomes[30]

	Current Policy	Increase Reg.	Fee Focused	Blended
Effectively Minimizes Unintended Market Consequences	YES	NO	YES	YES
Effectively Promotes Housing Affordability	SOMEWHAT	SOMEWHAT	YES	YES
Effectively Promotes Socioeconomic Integration	NO	YES	NO	YES
Minimizes Administrative Costs	YES	NO	NO	NO
Certainly Achieves Intended Outcomes	SOMEWHAT	NO	NO	NO
Promote Development of Units	YES	NO	SOMEWHAT	YES

The existing plan proposed by the Mayor and adopted by City Council makes great strides in mitigating the affordable housing crisis in New York City. However, implementing a more blended plan would come closer to achieving desired goals and producing more affordable housing options for New Yorkers.

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[30] Adapted from *When and How Should Cities Implement Inclusionary Housing Policies?* by Ann Hollingshead.

Our recommended plan would have five components:

1. Community or zone-based calculations for affordability and creation of units
2. Increased in-lieu fee structure for developers
3. Tax subsidies and exemptions for both developers and renters
4. Expanded affordable housing programs for New York City residents
5. Preservation of existing affordable units

As mentioned previously, the current affordability measures are calculated using the NYC metropolitan area figures for average median income. Those AMI figures are considerably higher than city AMI figures and are not an accurate reflection of the incomes of most New Yorkers. By moving to a more localized AMI and deeper affordability thresholds (we recommend a minimum of 20% AMI) an inclusionary housing program goes further to create units that are actually affordable to low and very-low income renters. Adjusting set-aside percentages for specific zones or neighborhoods within the city results in unit creation that is more representative of the needs of the community. By tailoring components of the plan in these ways the outcomes come closer to addressing the targeted population and make the plan more effective overall.

An in-lieu fee may serve useful in steering development toward increased mixed-income affordable multifamily units. If developers shift toward building luxury condos they should be subject to a fee earmarked for the development of affordable housing off-site. A fee would be tied to the floor area of the luxury units, with each square foot costing between $25 to $30. For a developer looking to create 120 new units with each unit being 860 square feet they would need to pay up an upwards of 3 million. However, to avoid this cost they would instead need to develop the agreed upon number of mixed income multifamily units. An explicit plan must be created for how funds are used. With the lack of the current policy reaching those below 30%, funds collected designated for social programs and nonprofits providing may allow the city to better assist very-low and extremely-low income communities. Social programs are mentioned below. To avoid increased administration costs and burdens on local officials unable to hire their own developers or build these mixed units themselves they may instead contract out to nonprofits. New Destiny is a housing nonprofit creating affordable and supportive housing development with tenants paying 30% of their income toward rent.[31] Unfortunately, New Destiny uses a lottery system to fill the units due to their high demand and low supply, with these funds they could expand the number of units. New Destiny may have to reassess or adjust their eligibility criteria of those between 30% and 80% AMI, depending on localized AMI's.

The creation and preservation of affordable units can be very costly. Incorporating tax subsidies or exemptions values the costs incurred by both developers and landlords. The introduction of tax breaks for landlords to improve existing building infrastructure would assist in quality improvements and provide both cost and energy savings. These cost savings would decrease operating expenses for landlords and maintain affordability while promoting greater sustainability and health goals. One drawback of the plan as it currently

[31] New Destiny Housing. "Affordable & Supportive Housing Developments".

stands is the lack of attention paid to the needs of developers. Their buy-in is essential to the long-term success of any plan and the inclusion of tax subsidies acknowledges and validates their fiscal interests. Additional tax exemptions for owners of buildings that are located in strong markets and do not need constructional upgrades could prevent them from converting to luxury units or condominiums. This step would work to prevent the further loss of existing affordable housing stock in the city. [32]

As touched upon above, expanding existing social programs should be another part of the blended policy to assist both low-income tenants and their landlords. Increased funding toward tenant legal representation would assist in cases of eviction from rent-controlled units. The negative externalities of rent-control such as landlords' maintenance incentives and the barriers to low-income people competing for such units can be mitigated through a combination of educational and rewards programs. Increased education on rent-stabilized housing and tenants' rights can be accomplished through partnerships with local tenant organizations. Landlord training and education is crucial in ensuring the best practices are used in ensuring their buildings are safe and habitable. Financial incentives such as grants can be provided to landlords who successfully complete the program and demonstrate high building performance. Investments must be strategically made in existing infrastructure including the improvement of sanitary sewers and construction of open public spaces is another leverage to incentivize development in the neediest neighborhoods often lacking attractive lots. Although much of the mandatory inclusionary housing zoning is targeted toward the creation of 200,000 new units as a solution to the need for affordable housing, NYC will not meet the high demand by constructing such units. Therefore, it is important to preserve and rehabilitate existing units.

The preservation of existing units will require strategic investments and the expansions of existing housing quality enforcement programs. The city currently offers limited financial assistance, under the 7A program, in providing maintenance and upkeep of formerly abandoned privately owned residential buildings. The city must proactively identify and spur private capital investment into the 7A program to increase its capacity in rehabilitating the large number of currently deteriorating residential units. An updated and properly enforced Housing Maintenance Code serves as a tool for holding landlords and property managers accountable for health and safety violations. One suggestion is adding a provision to the code that allows the city to file a lien on the property till units are rehabilitated. This provides landlords and property owners with an incentive to increase maintenance and quality of housing, especially in NYC's rent controlled units where poor quality housing decreases the market value of properties.

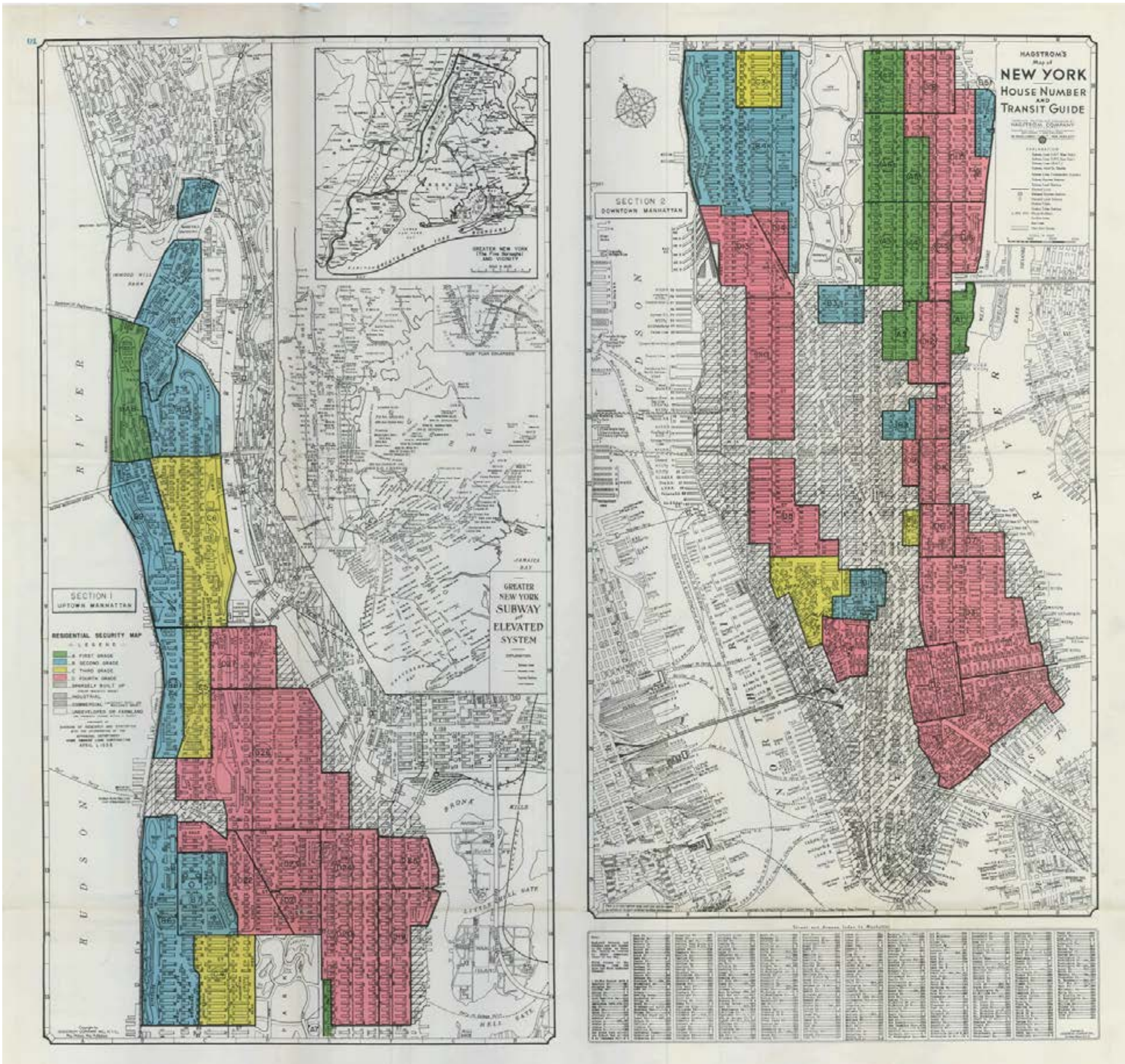
CONCLUSION

The most effective and comprehensive inclusionary housing plan would work to address the needs of specific communities within a larger metropolitan area as well as acknowledge the interests and needs of all stakeholders. Our recommended plan is intentionally multi-faceted and aims to meet both the needs of renters and the demands of the New York City

[32] *Housing New York: A Five Borough, Ten-Year Plan*. Publication. New York City: Office of New York City Mayor Bill DeBlasio, 2016. Print.

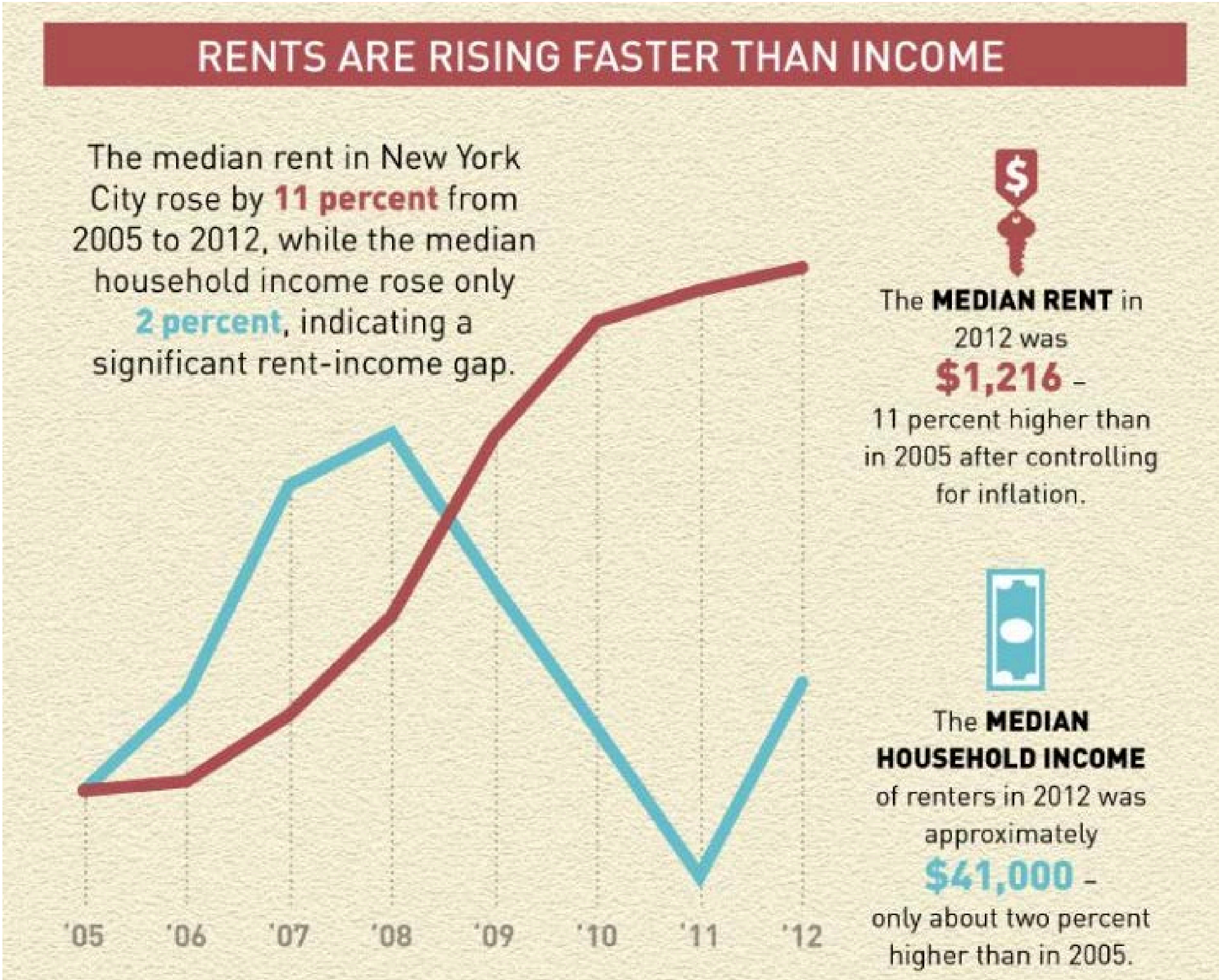
housing market in a meaningful way. Our plan focuses on both the creation of affordable units and the contribution to a government housing fund through in-lieu fees. Expanded tax subsidies and social programs simultaneously meet the needs of developers and renters. By preserving and improving existing affordable housing options, the plan sustains the supply of units that are available to low and very low income renters. This thoughtful and more holistic approach goes further than the current New York City plan to offer a solution to the affordable housing crisis while promoting values of equity, inclusion, and affordability throughout the housing market.

APPENDIX: FIGURE 1- 1938 MANHATTAN REDLINE MAP



Source: Urban Oasis. NARA II RG 195 Entry 39 Folder "New York City Manhattan, NY Security Area Map Folder" Box 116. http://www.urbanoasis.org/projects/holc-fha/digital-holc-maps/

APPENDIX: FIGURE 2 - MEDIAN RENT VS MEDIAN HOUSEHOLD INCOME, NYC 2005 TO 2012



Source: NYU Furman Center & Capital One."2014 New York City Affordable Rental Housing Landscape".Published April 23, 2014. http://furmancenter.org/NYCRentalLandscape

Appendix: Figure 3 - NYC Resident Rent Burden 2012

Source: NYU Furman Center & Capital One."2014 New York City Affordable Rental Housing Landscape".Published April 23, 2014. http://furmancenter.org/NYCRentalLandscape