

Mandatory Inclusionary Housing in NYC

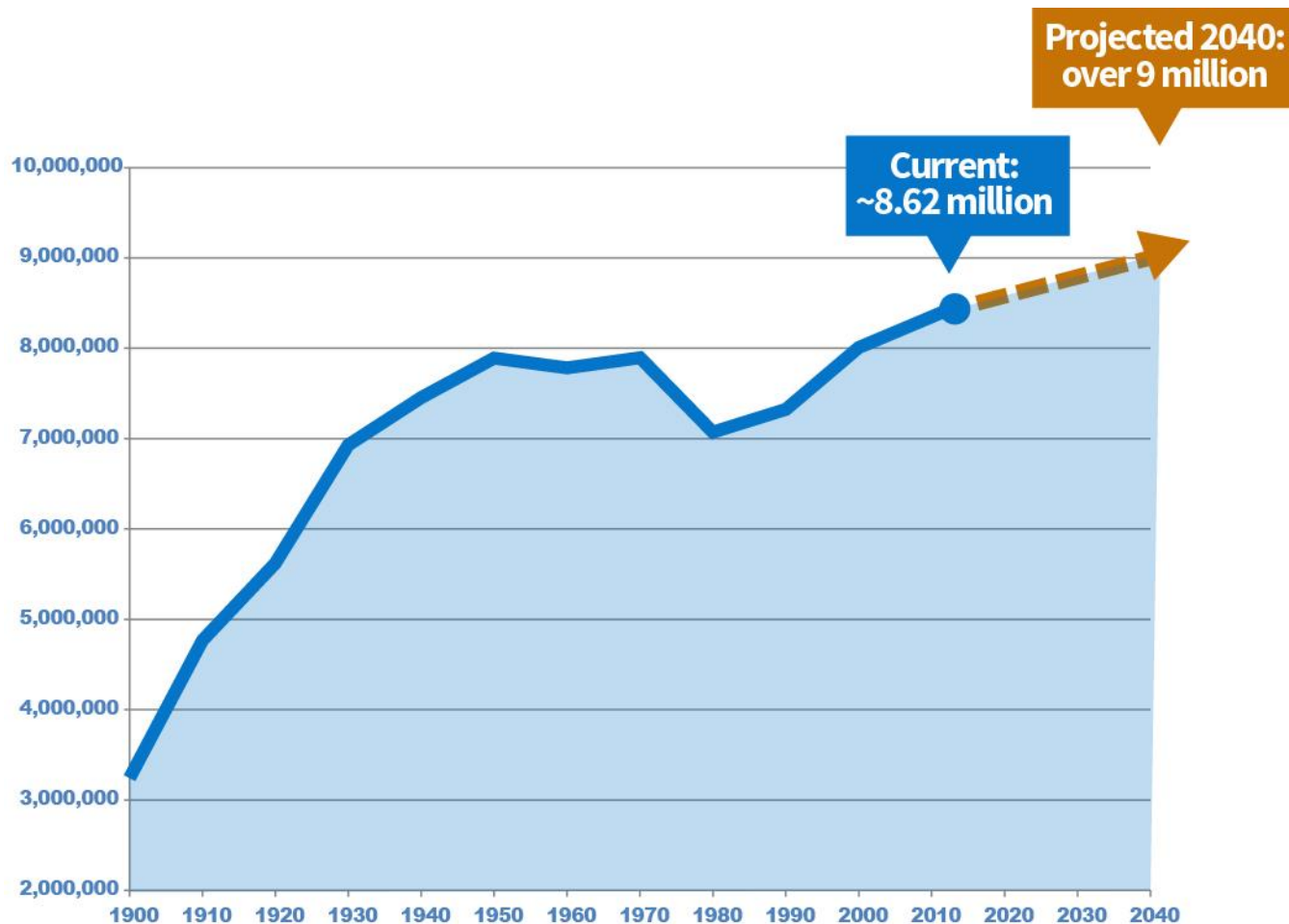
Louise Carroll,
Commissioner

Department of
Housing Preservation
& Development, NYC



Context: Rising Population

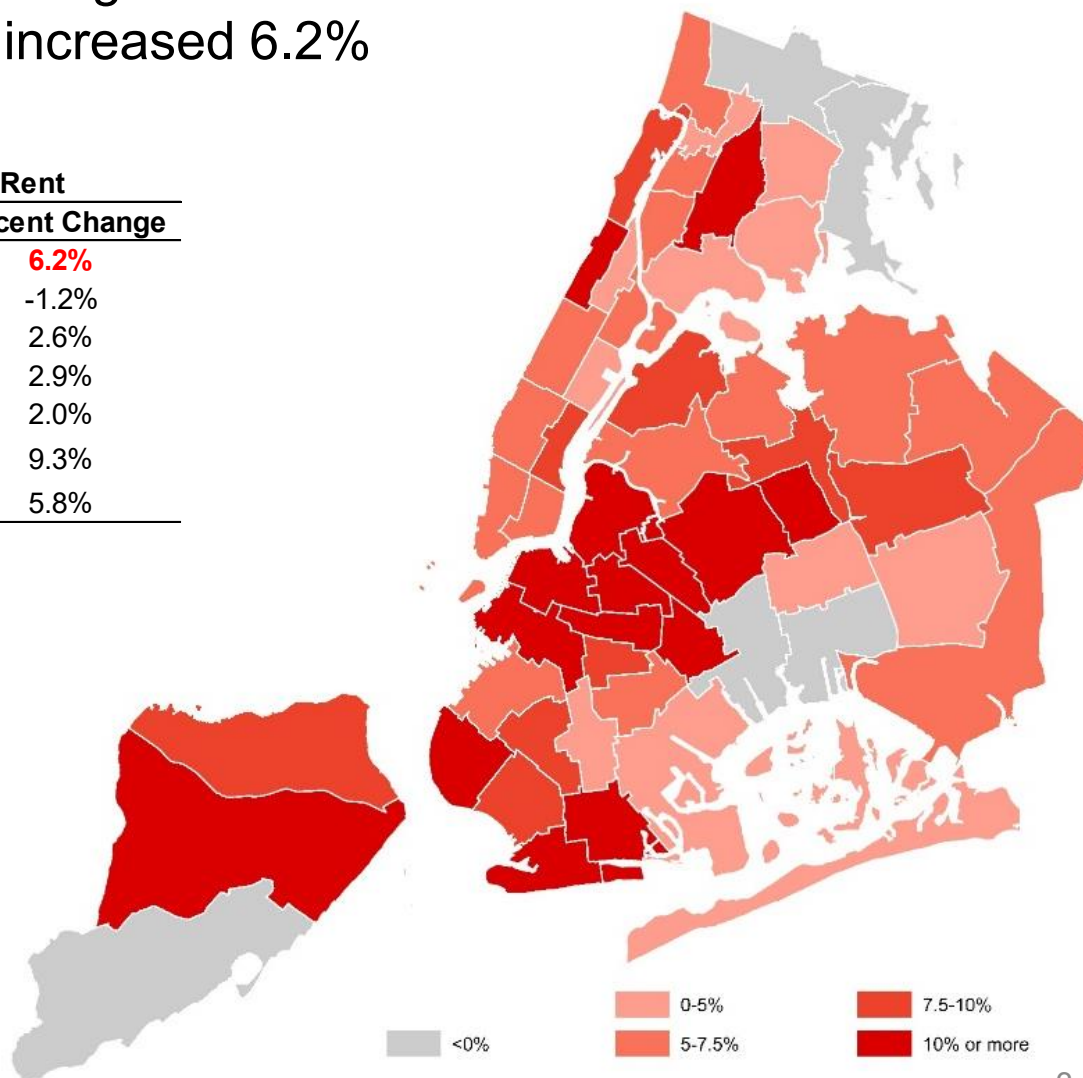
NYC's population is at a record high – and growing:



Context: Increasing Rents

At the same time, rents are rising – between 2014 and 2017, gross rents increased 6.2%

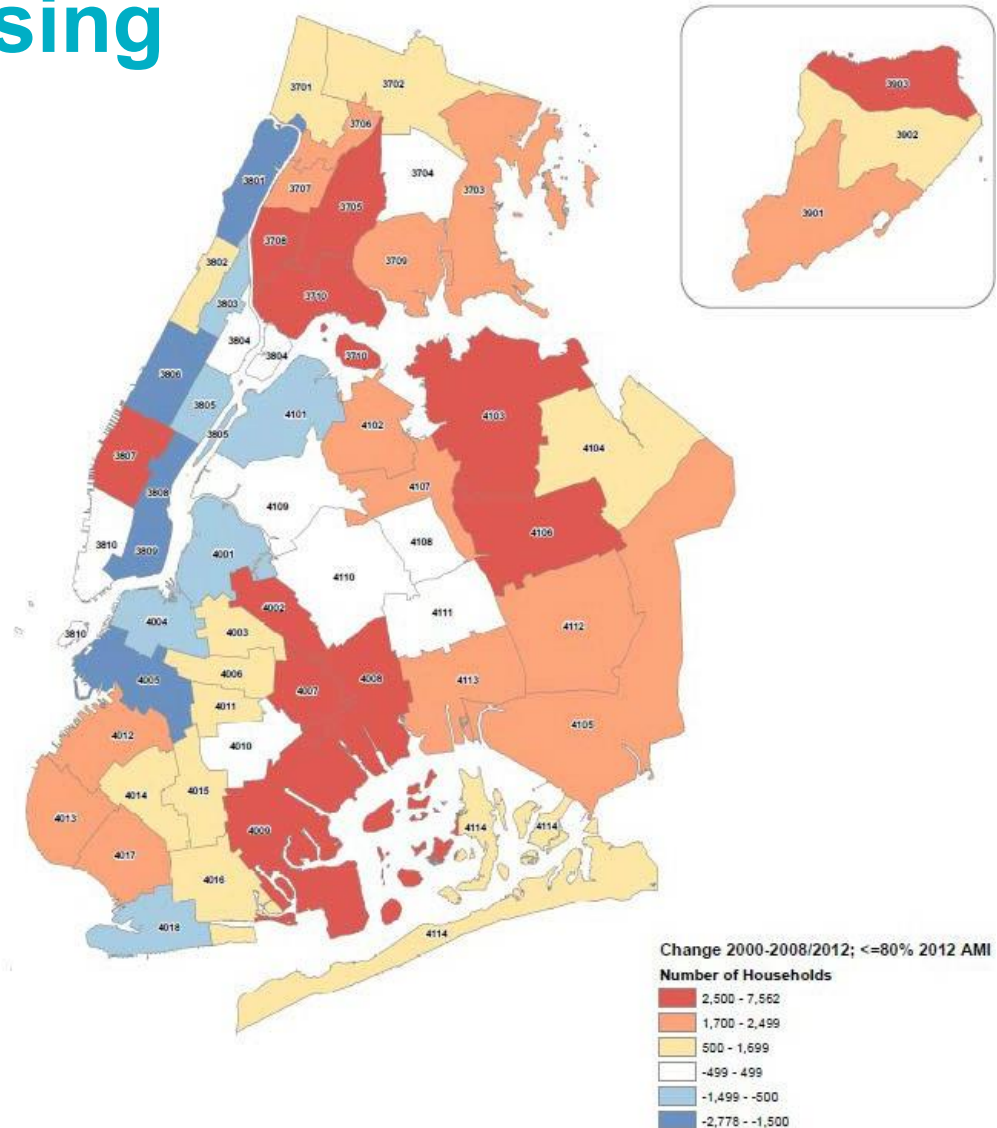
	Median Gross Rent		
	2014(c)	2017	Percent Change
All Renters	\$1,366	\$1,450	6.2%
Rent Controlled	\$1,051	\$1,039	-1.2%
Rent Stabilized	\$1,340	\$1,375	2.6%
Pre-1947 Stabilized	\$1,305	\$1,343	2.9%
Post-1947-Stabilized	\$1,456	\$1,485	2.0%
Private Non-Regulated ^(a)	\$1,675	\$1,830	9.3%
All Other Rental Units ^(b)	\$613	\$649	5.8%



Context: Diminished Supply of Affordable Housing

The housing crisis has led to a diminishing supply of housing affordable to low- and moderate-income households in **transit-rich neighborhoods of opportunity**

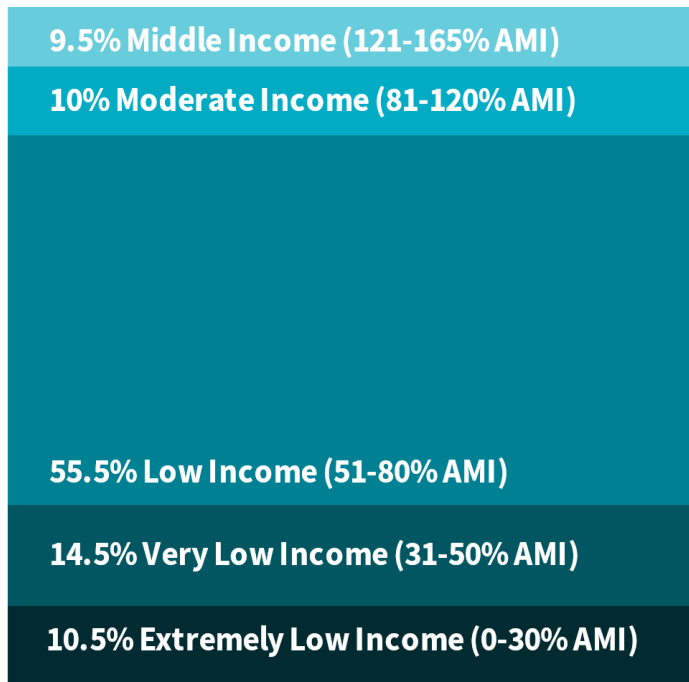
Significant housing production helps to alleviate upward pressure on rents, but doesn't produce **neighborhood-scale economic diversity**



Housing New York 2.0

Against this backdrop, NYC launched an ambitious housing plan in 2014 to create or preserve **200,000 affordable homes by 2024**. In 2017, the plan was expanded to reach **300,000 units by 2026**.

Targets for Households Served



Share of Housing Units Created
or Preserved by Income Band

Real World Examples



\$122,070 qualified for 2BR at 130% AMI

Manager of design company, art teacher, and their newborn son



\$58,480 qualified for studio at 80% of AMI

Young person working as assistant fabric buyer



\$67,620 qualified for 3 BR at 60% of AMI

Hair stylist, barber, and three young sons



\$33,400 qualified for 2 BR at 40% AMI

Medical assistant and her young daughter



\$22,240 qualified for studio at 30% AMI

Fast food cashier

HNY is Designed to Serve a Diverse Range of New Yorkers

The City has a wide variety of programs to provide affordable housing to seniors, the homeless, and extremely low-income New Yorkers, as well as homeownership opportunities. Here are some examples:



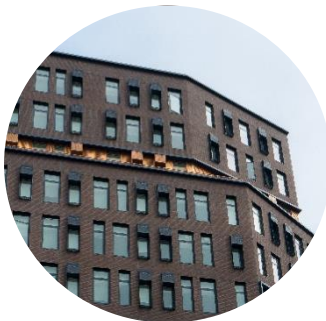
Extremely Low & Low-Income Affordability (ELLA)

funds construction of projects affordable to households earning from 30% to 60% of Area Median Income (AMI)



Open Door

funds construction of co-op and condo buildings affordable to moderate & middle income households



Senior Affordable Rental Apartments (SARA)

supports the construction and renovation of affordable housing for seniors, 62+ years in age with low incomes.



Supportive Housing Loan Program

makes loans to developers of permanent supportive housing with on-site social services

Mandatory Inclusionary Housing: Leveraging the Market to Achieve Affordability

But we also recognized the need to leverage the market to produce not just housing, but affordable housing across city neighborhoods. That's where **Mandatory Inclusionary Housing (MIH)** comes in.

After an extensive feasibility study and lengthy public review, the City adopted MIH in March 2016, making affordable housing mandatory and permanent wherever new housing capacity is approved through land use actions.

MIH leverages the private market to produce permanently affordable units that further economic diversity as neighborhoods develop.



Rendering of 601 West 29 Street, a new building in the Chelsea neighborhood of Manhattan that will include 234 affordable apartments created via MIH.

History of Inclusionary Housing in NYC



1987

Voluntary Inclusionary Housing in highest-density residential districts



2005

Voluntary Inclusionary Housing extended to neighborhood rezonings for housing growth. Since 2009, this version of VIH has generated 10,300 units



2016

Mandatory Inclusionary Housing applied to areas rezoned for housing growth

How MIH Works

Neighborhood Rezonings

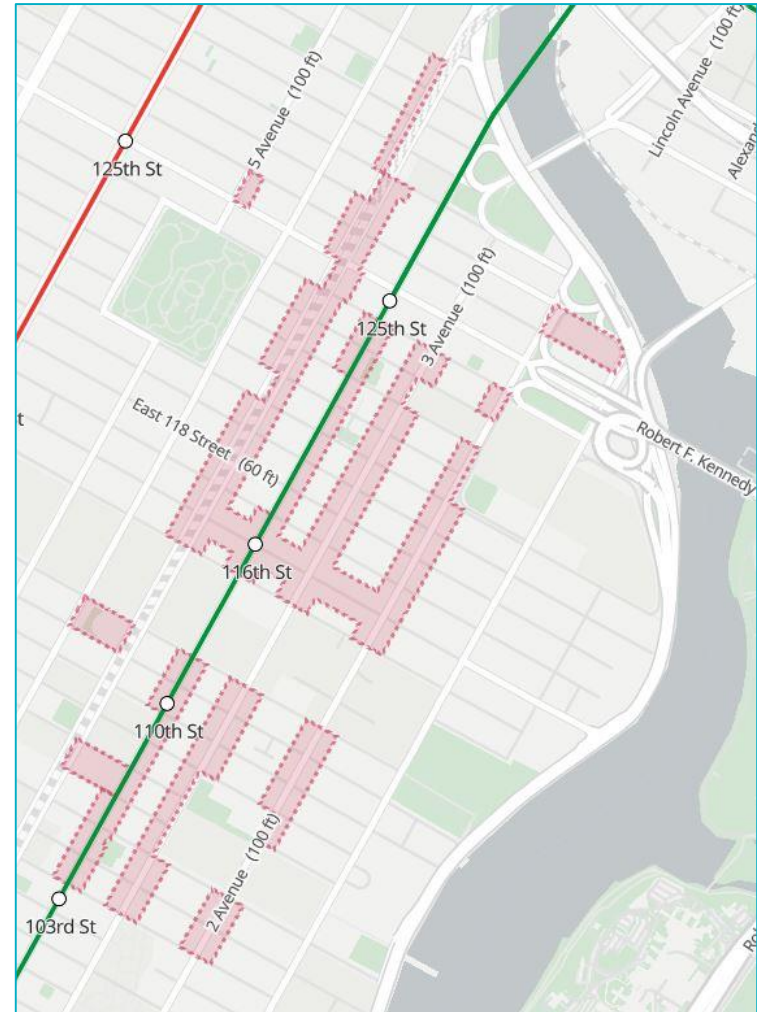
In medium- and high-density districts, whenever zoning map changes allow for the creation of substantial new housing.

Current MIH neighborhood areas:

- ✓ East New York, Brooklyn
- ✓ Inwood, Manhattan
- ✓ East Harlem, Manhattan
- ✓ Jerome Avenue, The Bronx
- ✓ Downtown Far Rockaway, Queens

Special Permits

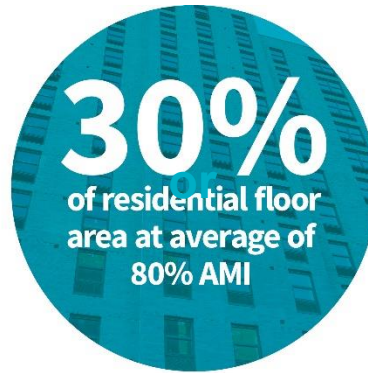
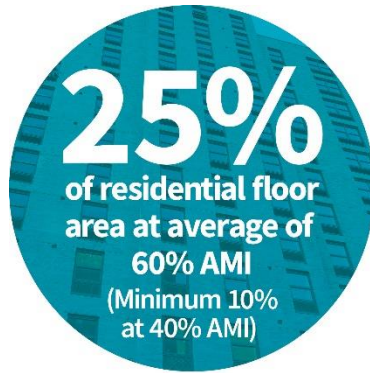
Private applications that increase residential capacity



East Harlem MIH Rezoning Area

Main Affordability Requirements of MIH

Through the land use review process, the City Council must make at least one of the following options available:

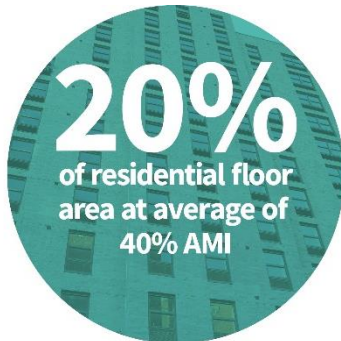


Incomes for a family of 3:

60% of AMI = \$57,660

80% of AMI = \$76,880

The following options may also be made available:



Incomes for a family of 3:

40% of AMI = \$38,440

115% of AMI = \$110,515

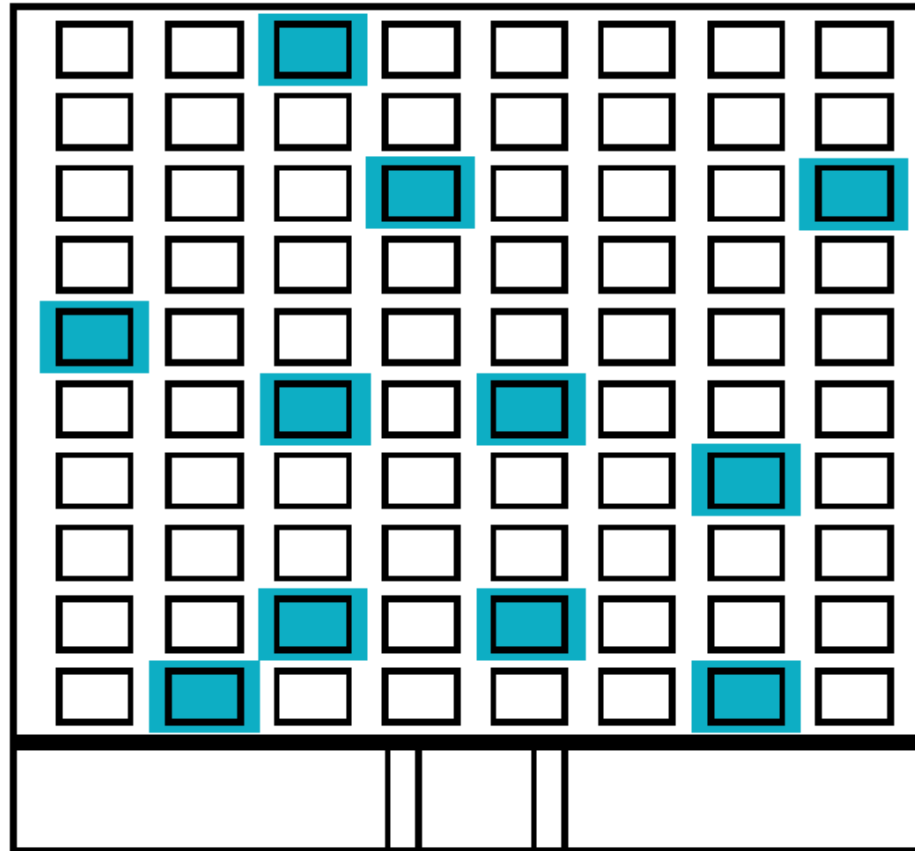
Subsidies allowed only when they support more affordable housing.

Minimum 5% at 70% AMI + 5% at 90% AMI. No new buildings may use option 10 years after its application to any MIH area. Not available in Manhattan CDs 1-8

Apartment Distribution Requirements

Vertical Distribution

For rental buildings, MIH units must be distributed throughout at least **65%** of the building's stories.



No MIH resident may be denied access to any common areas or amenities

Bedroom Mix Requirements

I. At least **50%** of MIH units must be two-bedrooms or greater, and **75%** must be one-bedroom or greater



II. The bedroom mix between affordable and market-rate dwelling units **must be proportional**

III. The **average size of MIH units can't be less** than the average size of non-MIH units with the same number of bedrooms



MLK Plaza, The Bronx



Other Key Features

Applicability and nature of requirements

- Units be new & permanently affordable
- Applies in MIH areas to developments, enlargements, or conversions > 10 units or 12,500 sf
- Payment-in-lieu option for projects not exceeding 25 units or 25,000 sf
- Requirements may be reduced or waived through the Board of Standards and Appeals where they would make development infeasible (hardship relief)

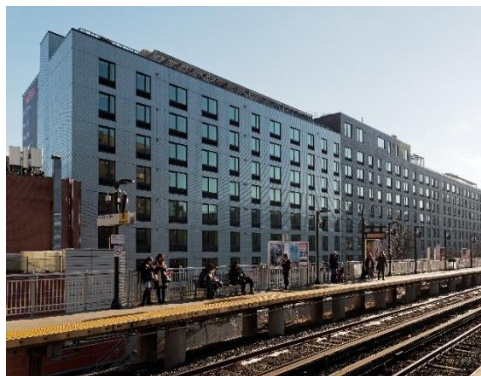
Location of affordable units

- On-site, same building as market-rate units, spread on at least 65% of the building's stories, with a common street entrance and lobby
- On-site, separate building, completely independent from the ground to the sky; would not stigmatize residents of affordable units
- Off-site, different zoning lot located within the same Community District or within ½ mile – *additional 5% affordable housing required*

Results on the Ground

Since the MIH program went into effect in 2016, projects with more than **6,000 permanently affordable homes** have been approved by the City Council and **2,100 permanently affordable homes** have been financed.

Meanwhile, the older VIH program has continued to be productive, creating **9,100 permanently affordable homes** since 2014.



Left to right: MLK Plaza, The Bronx; One Flushing, Queens; La Central, The Bronx



Questions?



Appendix: Administration of MIH

Prior to construction

No building permits allowed for any residential building with an MIH requirement until the City's Department of Housing Preservation and Development (HPD) confirms, to the Department of Buildings (DOB), that the affordable housing being provided complies with MIH

For projects not paying the payment-in-lieu, HPD's approval is contingent on application materials that include:

- building plans
- excel workbooks that show floor area and AMI calculations, and vertical and horizontal unit distribution requirements
- identification of a not-for profit 3rd party monitor for initial and re-rentals



Appendix: Administration of MIH (continued)

For 100% affordable buildings; underwriting showing project feasibility and a term sheet from a lender. Once application materials are approved, the City requires developers to sign and record against their property in perpetuity a Restrictive Declaration, approved by HPD, that identifies:

- the property
- the MIH Option selected
- the amount of floor area the MIH Option represents in the project
- identification of MIH units
- rents associated with MIH units

Per zoning, the MIH requirement attaches to the property in perpetuity; but the restrictive declaration provides clarity to the public on how an MIH requirement applies to a particular site.



Appendix: Administration of MIH (continued)

Post construction

No certificates of occupancy to be issued for market rate units without confirmation from HPD that a project with an MIH requirement has complied with MIH. To provide that confirmation HPD requires, at completion, the following:

- proof that the MIH units were marketed by HPD and are subject to rent stabilization
- submission of signed leases with appropriate rents listed and lease riders that state MIH units are to be affordable and rent stabilized in perpetuity
- most recent zoning calculations stamped by DOB that state the amount of both market and affordable residential floor area in the project
- proof that the project is free of housing maintenance code violations and free of unapproved liens



Appendix: Administration of MIH (continued)

Monitoring: HPD and third party not-for-profit Administering Agents, that the owner of MIH units must hire to conduct initial and subsequent rental, will monitor MIH units for continued compliance with MIH

Enforcement: In 2016, HPD created a compliance and enforcement unit to receive and pursue all complaints concerning non-compliance with Inclusionary Housing requirements and certain tax exemption and abatement programs. Penalties for violation of these programs may include:

- specific performance: conform to program requirements
- monetary penalties: e.g. fine based on fee in lieu plus a penalty
- revocation of the certificate of occupancy
- revocation of tax exemptions or abatements if non-compliance with Inclusionary Housing provisions also result in non-compliance with the tax exemption or abatement provisions
- provide additional affordable units: next available unit must be designated as an Inclusionary Housing unit