HOUSING FIRST!

Affordable Housing For All New Yorkers

Building Stronger 2014-2021:

What the Next Mayor Can Do to Address New York City's Housing Crisis

May 2013

Housing First! Leadership

Coordinator

Rachel Fee

Co-Chairs

Todd A. Gomez
Bank of America

Ted Houghton
Supportive Housing Network of New York

Executive Committee Members and Affiliate Organizations

Alison Badgett
New York State Association for Affordable Housing (NYSAFAH)

Benjamin Dulchin
Association for Neighborhood and Housing Development (ANHD)

Martin Dunn
Dunn Development Corp.

Bernell Grier
Neighborhood Housing Services of New York City, Inc.

Daniel Martin
Housing Partnership Development Corporation

Shola Olatoye
Enterprise Community Partners

Denise Scott
Local Initiatives Support Corporation (LISC)

Alexandra Sewell
Community Preservation Corporation (CPC)

Mark Willis
New York University Furman Center for Real Estate and Urban Policy

Cover photo courtesy of Enterprise Community Partners.

Contents

Executive Summary

With a rental housing vacancy rate stubbornly hovering around three percent, and one-third of New Yorkers now paying more than half of their incomes on rent, almost all the candidates for mayor agree that New York's perennial housing shortage has become a housing crisis. And with six percent of the city's homeowners behind on their mortgages, the threat of foreclosure is surpassed in urgency only by the 50,000 New Yorkers seeking refuge in the City's homeless shelters each night. New Yorkers are demanding that the next mayor tackle the issue of affordable housing head on, with a robust and far-reaching plan.

But what exactly can the next mayor do about such an intractable challenge? And how will he or she find the resources necessary to make a lasting impact? Housing First! is a diverse coalition of housing experts and a range of stakeholders who understand the real-world challenges facing New York's next mayor when addressing the chronic lack of affordable housing in our great city. Building Stronger 2014-2021 is the blueprint for success that our new mayor needs. Representing a remarkable consensus, the Housing First! platform provides a concrete, feasible framework to invest $8 billion in a seven-point plan to create and preserve 150,000 units of affordable housing over the next eight years:

1. **Build** 60,000 new affordable homes in multi-family rental buildings, homeownership, senior and supportive housing, by increasing and redirecting City capital investment;

2. **Preserve** the affordability of 90,000 apartments at risk of loss due to expiring rent restrictions and/or physical deterioration;

3. **Facilitate** an increase in both affordable and market rate housing development by reforming zoning and other building regulations, and use these changes to leverage the creation of affordable units without public capital subsidies;

4. **Strengthen** the New York City Housing Authority (NYCHA) to preserve and improve affordable homes in public housing;

5. **Support** affordable homeownership and help households at risk of foreclosure to stay in their homes;

6. **Address** the housing needs of homeless families and individuals, seniors and other vulnerable people, with targeted rent subsidies and supportive housing; and,

7. **Rebuild** a resilient city in the wake of Hurricane Sandy.

The Housing First! plan is ambitious, but achievable. It builds upon nearly $4 billion already included in the City's current capital projections for the next 8 years. It identifies new sources of capital and operating funds, as well as strategies to employ zoning and tax incentives more efficiently. Leveraging $1.2 billion in State funding and $15 billion more in federal and private investment, Building Stronger 2014-2021 will address the urgent housing crisis, and provide an enduring and essential foundation for the future prosperity of the City's households and neighborhoods.

By harnessing affordable housing development to address some of our city's most pressing social problems, the new administration will also spur continued economic recovery. Based on an independent analysis, the 18,750 units produced and preserved each year by the Housing First! plan will generate:

- 32,800 new jobs during construction and 3,750 permanent jobs to support resident spending and building maintenance each year;
- $1.8 billion in wages during construction, and $250 million in new compensation annually thereafter;
- $2.65 billion in economic spinoff activity during construction, including spending on materials and services; and,
- $250 million in sustained annual economic spending on goods and services and building maintenance.

While there are many obstacles to developing and maintaining affordable housing in New York City, it is a critical component of the health and economic well-being of a prosperous city and its citizens. The next administration must ensure that the city's housing stock will support our growing economy, encourage more market-rate housing development, stabilize public housing and homeownership, addresses homelessness, and rebuild communities hit by Hurricane Sandy. The new administration would be remiss to forego this terrific and realizable opportunity to adopt Building Stronger 2014-2021 and strengthen the New York City of tomorrow.

Building Stronger 2014-2021

Image courtesy of the Supportive Housing Network of New York: "Concern Heights" developed by Concern for Independent Living.

In January 2014, a new mayor will be sworn in for the first time in twelve years. New Yorkers will expect the next administration to continue progress in areas such as public health and safety, tourism and sustainability, while seeking solutions to the thornier challenges of education, unemployment and homelessness. The next mayor will be expected to maintain New York's status as an international cultural capital and regional economic engine, while doing more to include disadvantaged and low-income New Yorkers in the city's growth and progress. And as the city rebuilds after Hurricane Sandy, he or she will make choices that will determine whether New York remains a resilient, growing city for decades to come. All of these issues and concerns will be profoundly affected by the housing policies adopted by the next mayor.

Facilitating an increase in affordable housing development offers the next mayor the most direct pathway to a more inclusive, equitable and economically robust New York City. The next mayor must—and can—do more to meet the housing needs of our growing population, in order to continue to attract and sustain our strong business sector, enviable institutions of higher education and world-renowned creative community, as well as the industries of tomorrow. And because growth and prosperity inevitably lead to higher housing costs, it is imperative that affordable housing preservation and development are pursued in conjunction with strategies for economic success.

Without sufficient livable and affordable housing, New Yorkers of all incomes will continue to struggle to meet this most basic of needs, with tens of thousands finding their last resort in city shelters each night. If we do not address our housing needs today, New York will lose ground to other world cities that are making massive investments in their capacity to compete in the future.

Meeting New York's growing housing need will also have substantial economic and social benefits. Affordable housing development not only generates well-paying construction and maintenance jobs, it initiates monetary multiplier effects that echo through the city's economy.[1] Moreover, the provision of stable, affordable housing has been found to be an essential building block in effective strategies that address—and reduce the public costs of—vexing social

Building Stronger 2014-2021

issues like homelessness, mental illness and substance abuse.[2] Research correlates quality affordable housing with improved educational outcomes[3], job performance[4] and good health.[5] Affordable housing development is a proven strategy for neighborhood revitalization; it engenders private sector real estate investment and is associated with reductions in welfare and violent crime.[6]

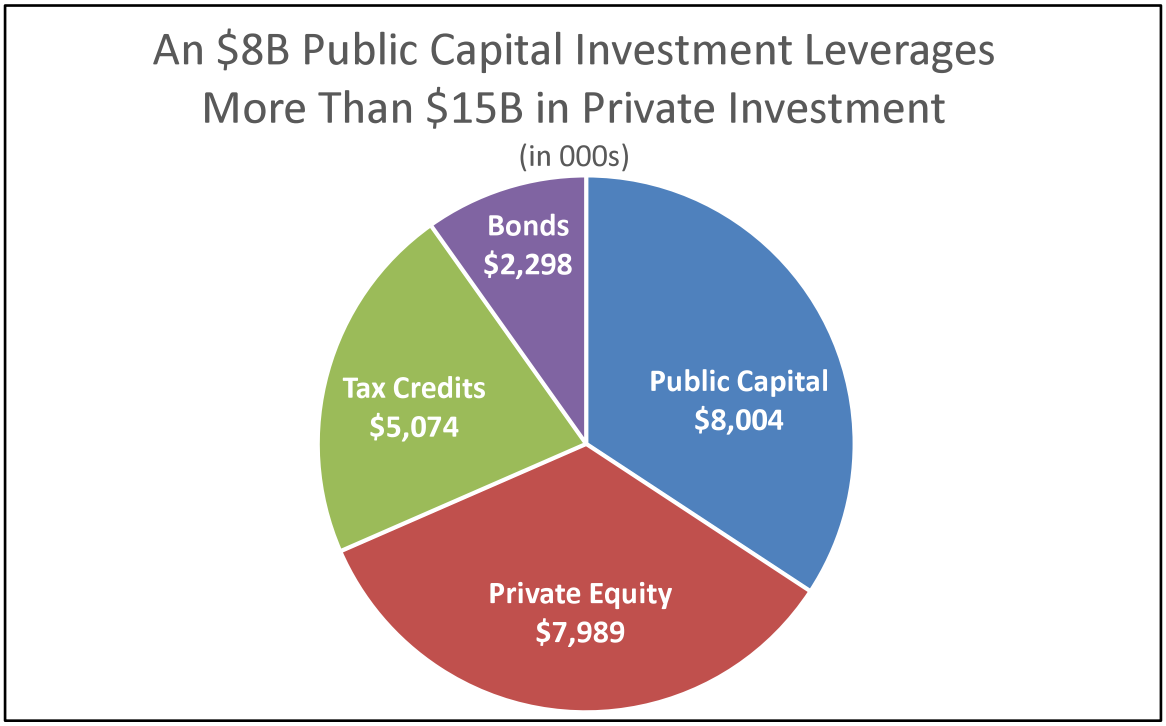
Long famous for sky-high housing costs, New York City is now experiencing a housing affordability crisis worse than any in its history. The next administration needs a bold plan to boost affordable housing investment to ensure that the city's housing stock will support our growing economy, address homelessness, and enable our neighborhoods to thrive for years to come.

Housing First! brings together an extraordinarily diverse coalition of New Yorkers who care about the future of our city: businesses, financial institutions, nonprofit and private sector housing developers, civic associations, housing advocates, tenant and community-based organizations, research institutions and religious congregations of all faiths. Despite coming from varied backgrounds and from all boroughs, these concerned New Yorkers are coalescing around a forward-looking, eight-year plan to address our mounting housing crisis by making a significant, but realistic, investment in affordable housing development.

This broad coalition seeks a commitment from the next mayor to strengthen New York City by building upon our long history of completing some of the nation's most innovative and effective affordable housing development initiatives. Over the next eight years, the Housing First! Plan will create and preserve 150,000 units of affordable housing, even as it encourages more market-rate housing development, stabilizes New York City's public housing and homeownership, addresses homelessness, and rebuilds after Hurricane Sandy. It achieves this with an $8 billion, seven point plan:

1. **Build 60,000 new affordable homes in multifamily rental buildings, home-owner ship, senior and supportive housing, by increasing and redirecting City capital investment.**
2. **Preserve the affordability of 90,000 apartments at risk of loss due to expiring rent restrictions and/or physical deterioration;**
3. **Facilitate an increase in both affordable and market rate housing development by reforming zoning and other building regulations, and use these changes to leverage the creation of affordable units without public capital subsidies.**
4. **Strengthen the New York City Housing Authority (NYCHA) to preserve and improve public housing;**
5. **Support affordable homeownership and help households at risk of foreclosure to stay in their homes;**
6. **Address the housing needs of homeless families and individuals, seniors and other vulnerable people, with targeted rent subsidies and supportive housing; and,**
7. **Rebuild a resilient city in the wake of Hurricane Sandy.**

The Housing First! Plan



The Housing First! Plan is ambitious, but achievable. It builds upon $5.2 billion already allocated to affordable housing development over the next eight years in the current City and State capital projections. It identifies new sources of capital and operating funds, as well as strategies to employ zoning and tax incentives more efficiently. The additional $2.8 billion in new capital resources sought in this plan, combined with existing funds, will leverage $15 billion more in private funds, federal tax credits and private activity bonds. A total City investment of $8 billion will not only help address New York's housing affordability crisis, it will also generate over $21.2 billion in economic activity.[7]

By leveraging private sector, state and federal investment, and honing housing regulation and policy, the Housing First! Plan will maximize public resources to create and preserve desperately needed affordable homes. It will help reduce homelessness, healthcare costs and other public spending on emergency interventions. Over eight years, housing development and preservation activities would generate 262,500 new construction jobs and 30,000 permanent jobs.[8] It will stimulate economic activity and reduce rent burdens, while transforming low-income neighborhoods into places of social and economic opportunity. It is an investment that the next mayor should readily embrace, and one that will easily earn accolades from the City's residents.

Background: New York City's Housing Crisis and Opportunity

New York City's Housing Crisis

The Housing First! Coalition was first formed during the 2001 mayoral campaign, by a diverse group of New Yorkers concerned that the City's commitment to affordable housing development was waning. They had seen how Mayor Ed Koch's visionary, $5.2 billion Ten-Year Housing Plan had revived entire neighborhoods and laid the foundation for the city's comeback (an accomplishment justly recognized as the Koch administration's most notable and lasting legacy). By 2001, the administration of Mayor Rudolph Giuliani had significantly reduced capital spending on affordable housing creation, and homelessness and rent burdens were once again rising. Housing First! challenged the city's next mayor to build on the foundation laid by Mayor Koch, and make the investment necessary for New York to grow and prosper.

In 2004, Mayor Michael Bloomberg answered this call with the New Housing Marketplace Plan, a far-reaching initiative to construct or preserve 165,000 units of affordable housing by 2014. A signature triumph of the Bloomberg administration, the New Housing Marketplace Plan completed the repopulation of neighborhoods, helped reduce crime, and set the stage for a surge in private sector housing and economic development that transformed New York.

Mayor Bloomberg is to be applauded for initiating and meeting the ambitious goals of the New Housing Market Place initiative. But larger socio-economic trends and events threaten to erode the progress achieved:

- **Population growth:** While housing starts have increased in the past decade, New York City has added almost a million residents since 1990, to reach its highest census ever: 8,244,910 in 2011.[9] This population growth continues apace,[10] with the city expected to exceed nine million people by 2030.[11]

- **Diminishing rent and affordability restrictions:** Even with the construction or preservation of some 76,000 units since 2003 (and an additional 60,000 on the way), fewer units are affordable to low-income households today, due to changes in rent regulations and the expiration of affordability guarantees. Between 2002 and 2008, the number of units affordable to households with incomes at 80 percent of median fell by over 17 percent[12] and this trend has continued.[13]

- **Increasing operating costs:** Building operators continue to struggle with the ever increasing costs of heating fuel, water and sewer charges and real estate taxes in comparison to rents. This is especially true for small multifamily buildings operating on thin margins.

- **Rising rents/declining income:** Wage stagnation and growing poverty have reduced available income for housing. Household income adjusted for inflation declined 5 percent between 2007 and 2010, even as housing costs increased by 7.7 percent between 2005 and 2010.[14]

> **"The problem of affordable housing has become one of the biggest obstacles to attracting talent to the city."**
>
> **Kathryn Wylde, President, Partnership for New York City**
>
> **Source: "Pol's Plan to Supercharge City's Tech Sector", Crain's December 2012**

- **Hurricane Sandy:** With the sudden damage or destruction of an estimated 63,000 homes by Hurricane Sandy, New York's perennial housing crisis became an emergency for tens of thousands of additional households.[15]

- **Federal budget cuts:** Even before the sequester, Transportation and Housing and Urban Development (THUD) appropriations had been reduced by $16.1 billion, or 24 percent, since 2010.[16] This has meant funding reductions up to 50 percent for some programs supporting affordable housing development, rental assistance and public housing.

These challenges have made housing ever harder to find. According to the 2011 New York City Housing and Vacancy Survey, the vacancy rate for rental units was just

3.1 percent[17] (compared to an average of 8.6 percent nationally),[18] just marginally higher than it was in 2002, before the advent of the New Housing Marketplace Plan. At lower rent levels, this already-low vacancy rate shrinks substantially: for units with rents between $800 and $999, the vacancy rate was 2.58 percent, and for units renting below $800, the rate falls to 1.1 percent.[19]

The resulting rent burden is crushing for most families. Nearly one-third of all New York City renters spend more than half of their income on rent alone[20] while nearly two-thirds of *low-income New Yorkers spend more than half of their incomes on housing,*[21] making it virtually impossible for them to break the cycle of poverty.

And despite meeting its ambitious development goals, Mayor Bloomberg's New Housing Marketplace initiative left unaddressed many pressing housing concerns:

- **Homelessness** in New York City has reached its highest recorded levels, with over 50,000 persons sleeping in shelters in April 2013, including more than 20,000 children.[22] Few of the units created by the New Housing Marketplace are affordable to homeless families without a rental subsidy,[23] allowing the number of homeless New Yorkers sleeping in municipal shelters to rise 61 percent from fiscal year 2002 to present.[24]

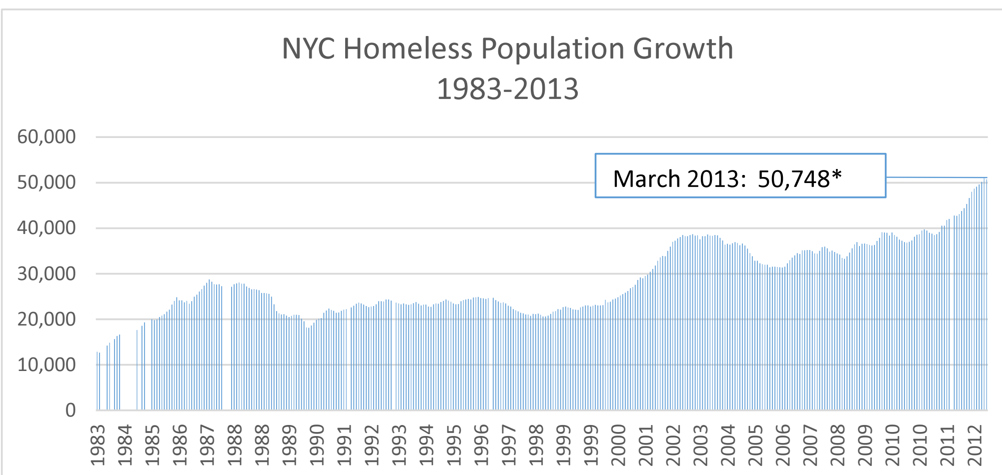
- **Mortgage delinquency and foreclosure** continue to drain equity, burden families, and negatively impact communities. New York City has among the nation's highest home foreclosure rates, at 6.3 percent.[25] Over 90,000 pre-foreclosure notices were filed in 2011 in New York City. Over 30,000 homeowners are in unresolved legal foreclosure cases and 75 percent of residents facing foreclosure have no legal representation.[26] Foreclosures affect not only struggling homeowners and renters, but entire communities.

- **Public housing** continues to suffer from the effects of consistent underfunding from the federal government, the withdrawal of City and State support, and long-simmering operational challenges.

The extreme pressures on housing availability and affordability mean that New York's housing shortage no longer affects just its poorest citizens. "The rising cost of housing over the past decade, in virtually every corner of the city, is the single biggest factor pushing the middle class out of New York," according to The Center for an Urban Future.[27] Several local reports have reiterated the same message in recent years. To answer the needs of low, moderate and middle income New Yorkers, and to prepare for its future, New York City must make a major new investment in affordable housing creation. But with the City facing very real fiscal pressures, the question becomes, how do we achieve this goal?

The Opportunity

Over the years, New York City has demonstrated an extraordinary ability to implement large-scale affordable housing development initiatives. New York erected the first public housing in the nation in the 1930s which grew to be the largest program in the nation, and in the 1950s began building over 125,000 rental apartments and co-ops under the Mitchell-Lama Program. Mayor Koch's ten-year capital housing plan in the 1980s, the



Source: Compiled Data from Coalition for the Homeless from DHS, HRA, NYCStat
**Does not include street homeless or shelters operated by other CIty agencies.*

groundbreaking New York/New York Agreements to build supportive housing for homeless mentally-ill individuals in the 1990s, and the New Housing Marketplace Plan in this past decade have helped create stable, quality and affordable homes for hundreds of thousands of households.

These initiatives have had so much success because of the professionalism and creativity of the City's development agencies, the Department of Housing Preservation and Development (HPD) and the Housing Development Corporation (HDC). Along with private and non-profit developers, bankers and financial intermediaries, HPD and HDC have crafted effective programs, strategies and policies that put local, state, federal and private resources to work creating affordable homes for New Yorkers. It isn't long ago that NYCHA also had a reputation as a high-performing leader in public housing.

The Housing First! seven-point plan mobilizes New York's unique capacity for housing production. It makes City capital subsidies go further by increasing use of off-budget incentives and private sector investment. Land owned by the City, NYCHA and the private sector offer sites to accelerate and augment housing production, while new strategies to bolster and align NYCHA with the City's larger affordable housing mission will strengthen this precious and troubled affordable housing resource. The City has proven tools to refinance and otherwise preserve overleveraged privately owned properties and older affordable housing that may be lost to expiring rent restrictions. Increasing the stock of supportive housing will save public dollars, a proven strategy to reduce homeless and other vulnerable people's reliance on expensive emergency interventions. And with a combination of counseling, advocacy and financial resources, homeownership and neighborhoods can be preserved for low, moderate and middle income families buffeted both by Hurricane Sandy and by predatory lending.

By harnessing affordable housing development to address some of our city's most pressing social problems, the new administration will also spur continued economic recovery. Based on an analysis by HR&A Advisors[28] the 18,750 units produced and preserved each year by the Housing First! plan will generate:

- 32,800 new jobs during construction and 3,750 permanent jobs to support resident spending and building maintenance each year;
- $1.8 billion in wages during construction, and $250 million in new compensation annually thereafter;
- $2.65 billion in economic spinoff activity during construction, including spending on materials and services; and,
- $250 million in sustained annual economic spending on goods and services and building maintenance.

Historically, every public dollar invested in affordable housing development leverages over a dollar of private investment. Federal capital grants and tax credits provide most of the publicly-subsidized investment: between 2003 and 2010, 80 percent of the $1.3 billion annual public investment in affordable housing in New York State has come from federal sources.[29] Recent and proposed cuts at the federal level may reduce this ratio somewhat for future development, but non-City resources will continue to make up a lion's share of the resources expended.

> **"New York City's rising housing costs have outpaced the ability of many households to pay, yet the City's economic diversity is widely thought to have been a major factor in its long-run economic vitality."**
>
> **Source: NYU Furman Center for Real Estate and Urban Policy, April 2013**

Together, the detailed recommendations of the seven-point Housing First! Plan utilize New York's extraordinary capacity for affordable housing production. Leveraging State, federal and private investment, the Housing First! Plan will address the city's urgent housing crisis, and provide an enduring and essential foundation for the future prosperity of the city's households and neighborhoods. It will generate an explosion of positive ripple effects throughout the city's economy, adding jobs and boosting economic growth. The new administration would be remiss to forego this terrific and realizable opportunity to invest in the New York City of tomorrow. The human and economic costs of not acting are too great to ignore.

The Housing First! Plan

The seven-point, $8 billion Housing First! Plan will create and preserve 150,000 new affordable housing units over eight years. Approximately $3 billion of this will be new investment, raised through increased efficiencies, reforms and related strategies.

This plan requires our next mayor to be an advocate for housing at the federal level to ensure that Low Income Housing Tax Credits and tax-exempt bonds are not only protected but also improved so that they can be used more effectively. Our mayor should champion increased funding for the HOME, Continuum of Care and Community Development Block Grant programs, as well as Section 8 Housing Choice Vouchers, and Public Housing Operating and Capital subsides. New York City's next mayor should provide leadership by steering priorities for the National League of Cities and the United States Council of Mayors to influence federal appropriations and legislative reforms.

Oversight of this considerable public investment should begin with the creation of a Deputy Mayor for Housing. Consolidating supervision of all of the City's housing functions under a single, skilled housing advisor will give housing issues the priority they deserve in the next administration. Instead of being responsible for both housing and economic development (and invariably prioritizing the latter), the Deputy Mayor of Housing would oversee only the New York City Department of Housing Preservation and Development, the Housing Development Corporation, the New York City Housing Authority and the Department of Homeless Services. This restructuring will firmly link the City's housing policies with its efforts to reduce homelessness, and allow for greater coordination between agencies.

The Housing First! Plan employs seven major strategies to achieve its goals:

Image courtesy of the Supportive Housing Network of New York: "Navy Green" developed by Pratt Area Community Council.

I. Build 60,000 new affordable homes in multifamily rental buildings, homeownership and senior and supportive housing, by increasing and redirecting City capital investment.

The next mayor will preside over the construction of the final units financed by the Bloomberg administration's New Housing Marketplace Plan (NHMP). But unless a new development initiative is quickly put into place, with new resources and new production targets, the rate of the City's affordable housing creation will drop precipitously.

To further increase the City's affordable housing development, the next mayor can harness the private, nonprofit and public development capacity that has grown with NHMP. This foundation is considerable: in recent years, New York City's housing agencies have financed the new construction or preservation of approximately 15,500 units a year.[30] Even after the completion of NHMP, the City's projected capital budget assumes the development or preservation of approximately 4,000 units per year over the next eight years.[31] A significant expansion of this capital investment would leverage far more in additional federal, state and private resources.

To stretch the expanded investment further, the next mayor must repurpose City-owned land and redirect federal rental subsidies to project-based capital development. To be sure, both of these resources are contracting: the success of its previous development initiatives has left HPD with enough buildable land to support the construction of just 7,500 more additional housing units, and continued funding of scarce federal rent subsidies was reduced by the recent sequester and continues to be threatened in Washington. Despite these challenges, the next mayor can greatly expand potential building sites by transferring land controlled by other City agencies to HPD to use for affordable housing construction. Similarly, NYCHA will still retain control of 94,000 vouchers over the next eight years, with between 4,000 and 10,000 becoming available each year through natural attrition. Instead of using these to rent existing apartments, some portion would be better utilized as "project-based" vouchers that provide guaranteed rental income to newly-constructed buildings, against which developers can borrow capital funding to finance the new developments.

And this time, the new mayor can use the lessons learned through NHMP to build smarter. The next affordable housing development initiative can create new housing that is more deeply affordable and suitable to households with diverse configurations and a range of incomes.

Together, new and existing resources would allow the next mayor to:

1. Finance the new construction of 60,000 units in a range of housing models. The next mayor should quickly introduce a new affordable housing development initiative that, over the next eight years, will finance the new construction of:

- 41,500 units in multifamily buildings affordable to very-low, low, moderate and middle income households
- 10,000 units of supportive housing for formerly homeless and/or disabled individuals

What are affordable housing income limits?

Income limits are often determined by financing sources and set annually by HUD. Typically, rents are set so that they are affordable to families at the upper income limit based on 30% of household gross income.

Category	Definition	Income Limit
Very low	Income at or below 50% AMI	≤$42,950
Low	Income between 50% and 80% AMI	$42,951 - $68,700
Moderate	Income between 80% and 120% AMI	$68,701 - $103,050
Middle	Income between 120% and 180% AMI	$103,051 - $154,575

Based on 2013 income limits for the HUD NY FMR Area for family of four.

• 6,000 units of senior housing

• 2,500 homeownership opportunities, primarily in multi-family condos and co-ops.

2. Increase capital funding for affordable housing development. To build all of these units, the next mayor will need to redirect existing local resources and allocate an additional $356 million per year to affordable housing development. This additional investment will not only create needed housing units, but will generate enough new economic activity through jobs, spending and taxes to justify the expenditure.

3. Use other resources and innovative strategies to stretch capital dollars and produce more units: More spending is not the only strategy available. The next mayor can increase affordable housing development in other ways:

• Prioritize affordable housing development on under-utilized, City-owned land wherever feasible. Balance the need to expand affordability with community priorities. Include land controlled by NYCHA and City agencies other than HPD.

• Allocate 1,500 NYCHA Section 8 Housing Assistance rental subsidy vouchers each year for "project-basing" in HPD new construction projects. This can leverage additional capital financing for affordable housing development, and/or allow for deeper income targeting to homeless, disabled, senior and other extremely low-income tenants.[i]

• Consider the sale of air rights on public properties (excluding park land) to generate funds for affordable housing.

4. Build smarter to strengthen neighborhoods and meet the needs of all New Yorkers. The next affordable housing development initiative must address a broader range of household incomes and sizes. The federal Low Income Housing Tax Credit (LIHTC) finances much of the low-income housing built in New York and the United States. It is configured to serve the narrow band of households earning 60 percent Area Median Income (AMI). Leadership at HPD and HDC has demonstrated that it can find creative ways to use the tax credit with other capital funding streams and rent subsidies to produce housing for people with lower and higher incomes. But more can be done:

• Serve a wider range of income groups than the current, narrowly targeted housing programs. Provide additional city and state subsidies to complement the federal Low Income Housing Tax Credit program, and champion a 30/60/90 percent AMI balanced LIHTC program.

• Site new construction to reflect neighborhood need for affordable housing while fostering balanced, economically diverse neighborhoods in both lower-income and higher-income areas.

• Target capital investment to neighborhoods that need the economic boost.

• Provide funds to integrate ground floor retail and community space in affordable and supportive housing where local market rents cannot support badly needed retail and community facility uses.

The Low Income Housing Tax Credit (LIHTC) Program, which is based on Section 42 of the Internal Revenue Code, was enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. Tax credits against corporate income taxes are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because there is less debt, a tax credit property can in turn offer lower, more affordable rents.

Source: U. S. Department of Housing and Urban Renewal

---

[i] NYCHA vouchers that become available through attrition can be redistributed as new tenant-based vouchers to households on the Section 8 waiting list or other priority populations, or as new "project-based" vouchers that subsidize specific apartments in newly constructed affordable housing residences. By reserving a higher percentage of Section 8 vouchers for project-basing, NYCHA will subsidize the rent of the same number of needy households, but will also foster the creation of a substantial number of newly constructed units.

II. Preserve the affordability of 90,000 apartments at risk of loss due to expiring rent restrictions and/or physical deterioration.

New York City has made a tremendous investment in affordable housing over the years. However, the affordability restrictions agreed to by developers in exchange for public subsidies are time-limited, and even in those cases when affordability extends far into the future, buildings often need periodic additional investment to remain habitable. In New York City, approximately 50,000 units of housing affordable to low and moderate income renters will reach the end of their mandatory affordability requirements by 2021;[32] as many as 170,000 more are at-risk by 2037.[33] Built with subsidies from the Mitchell-Lama program, Low Income Housing Tax Credits and other federal or State funding streams, and often supported by Department of Housing and Urban Development (HUD) rental assistance programs, these units are typically in 30 year-old buildings, and require a new round of investment to keep them in good physical repair for another 30 years. If private financing is the only source of this investment, these units are likely to be converted to market rate rents, or if conversion is not an option, they will be left to deteriorate physically. Either way, low-income residents will lose an important housing resource.

Another preservation challenge has been a surge in mortgage defaults in unsubsidized rental properties of five or more units.[34] These foreclosures are caused by owners who overpaid for properties based on unrealistic assumptions about the potential for rent increases and tenant turnover and have led to (or are often preceded by) building deterioration, with blight spreading to neighboring buildings.[35]

A strategic investment of city, state, federal and private resources can help preserve the affordability of these units, and keep them in good repair for years to come – at a fraction of the cost of building new units. To do so, the next mayor must continue the effective preservation initiatives of the New Housing Marketplace Plan, and develop new tools and incentives for preservation:

1. Provide investment and incentives to owners of publicly-assisted housing stock to remain in affordable housing programs. With a relatively modest public investment, owners of these buildings can be incentivized to invest in their properties and keep the units affordable far into the future. To encourage this, the next administration can:

- Expand the NYC Housing Development Corporation's (HDC) rehabilitation and refinancing programs to provide incentives for HUD-assisted and Mitchell-Lama buildings to remain affordable.
- Provide adequate resources for the Year 15 Program to incentivize owners of tax credit properties to maintain affordability restrictions.
- Consider solutions that do not require public infusions of capital; for example, legislation raising the limit on profits for owners that extend affordability protections.

2. Preserve privately-owned, affordable housing. Privately-owned, overleveraged properties, troubled five- to fifty-unit multifamily buildings, limited equity co-ops, and buildings at risk of foreclosure require assistance to be maintained as quality affordable housing stock.

The next administration should:

Small multifamily buildings of 5 to 50 units are often run by individuals or small management companies, operating at low margins putting them at disproportionate risk of distress or default.

Properties facing expiration of J-51 tax benefits and formerly city-owned properties transferred to private ownership through the Special Initiatives Program (SIP), Community Management Program (CMP), NOW and Third Party Transfer (TPT) programs require particular attention.

- Fund the acquisition of overleveraged multifamily mortgage notes to reposition and preserve distressed or at-risk rental housing. Preserving City Neighborhoods HDFC (PCN) is an HPD-sponsored nonprofit formed to purchase mortgage notes, pursue foreclosure and transfer ownership to community-based developers.

- Expand HPD's Participation Loan Program (PLP), a successful tool which provides one percent loans in combination with private, market-rate financing, to rehabilitate and refinance troubled properties. PLP is a useful redevelopment vehicle in the Third Party Transfer program, in which distressed properties in tax foreclosure (occupied and vacant buildings, and vacant land) are turned around by responsible private and nonprofit developers.

- Ensure the 8A Program can direct adequate capital to struggling multifamily properties, making the cost of capital less expensive, with particular attention to five- to fifty-unit buildings.

- Support state legislation to expand tax relief to limited equity co-ops, which provide affordable homeownership opportunities in exchange for bringing them into a more stringent regulatory regime.

3. Use existing enforcement mechanisms to preserve the quality of the city's affordable housing stock. The administration should employ full regulatory powers to ensure that property owners who benefit from subsidies fulfill their obligations, as follows:

- HPD can better enforce its regulatory agreements, mortgage terms, and HDFC statutes to prevent owners who have shunned their obligations from continuing to control city-subsidized assets through enhanced asset management practices.

- HPD should more aggressively pursue code violations, rent stabilization violations, and tenant harassment reports.

- Ensure that affordable units are in compliance with housing codes through more regular monitoring.

- Add NYCHA violations to DOB public database.

III. Facilitate an increase in both affordable and market-rate housing development by reforming zoning and other building regulations, and use these changes to leverage the creation of affordable units using less public capital subsidy.

Redirecting and increasing public resources is only part of what the next mayor must do to expand housing opportunity in New York City. If New York is to build its way to a housing stock adequate to its needs, it must reform an outdated regulatory structure, as well as tax and zoning incentives, that restrain both affordable and market-rate housing development. As many as 11,500 affordable units may be produced without City subsidy through reform.

Rezoning New York City neighborhoods to allow larger buildings to be built is one way to increase the total number of housing units created each year. The Bloomberg administration has rezoned over 11,000 blocks in 119 neighborhoods over the past ten years.[36] In many instances, neighborhoods were "downzoned" to limit development and preserve neighborhood character. But in others, "upzonings" allowed and encouraged developers to build many more units than they otherwise could have – by some counts, as many as 100,000 additional units over the past decade were built in response to rezonings.[37]

Reasoning that the zoning changes added considerable value to properties that could now contain many more apartments, the City imposed "inclusionary zoning" requirements on developers in 35 of the upzoned communities.[38] These additional conditions allowed the developers to build to new maximum densities only if they included a percentage of affordable units in the larger buildings. These "IZ" requirements have encouraged the production of approximately 2,900 additional affordable units over the past ten years.[39] This is a substantial number of new affordable units, particularly when one considers that these units were constructed with no additional public capital subsidy beyond the density bonus (many did receive tax incentives). Nonetheless, the units are a small fraction of the total development unleashed by the rezonings. Expanding IZ requirements to cover more neighborhoods rezoned in the future will ensure that a much larger share of the additional units created in these areas are affordable. As many as 4,000 units can be built with no, or little, additional public subsidy.

Regulatory Reform - Recalibrating the building code, Multiple Dwelling Law and the Housing Maintenance Code to reflect the changing demographics of the city can also help expand suitable housing options for New Yorkers with a range of incomes. More people in the United States now live alone than at any time in our history, particularly in New York: single residents occupy nearly one in two households in Manhattan today. This is partly driven by the aging of the city's demographics. By 2030, people over age 65 are expected to represent nearly 15 percent of the population (up from 11.7 percent in 2000).[40] Younger people seeking a toehold in the cultural and business capital of the world would also benefit from a housing stock configured to better reflect their needs.

Policies governing market-rate development must be revised to reflect these changing demographics. New market-rate housing configurations may include smaller apartments, or efficiency apartments safely carved out of one-family homes, to name but two possibilities.

Tax Incentives - Reviewing how the City uses tax incentives to encourage market-rate housing developers to include affordable housing units would increase the efficacy of these programs. There is evidence that the City's tax incentive programs offer generous levels of reimbursement that should be leveraging more affordable units.

Over the next eight years, the new administration can facilitate the development of tens of thousands of new market-rate units, while also generating approximately 7,500 new units of affordable housing through these investments and adjustments to existing policies and programs. Specifically, the next mayor can:

1. Expand use of Inclusionary Zoning incentives to maximize private investment in affordable housing, while spending fewer public dollars. This strategy would enable the City to build more housing with less taxpayer funding:

- Encourage upzonings with an approach that increases opportunities to build, while addressing the impacts of increased density on communities.

Making 421-a Tax Incentives More Effective

Under the 421-a tax incentive program, private sector developers can obtain substantial property tax benefits in exchange for reserving 20% of their units for affordable housing. Currently the 421-a program strongly incentivizes developers to also use limited capital subsidies, particularly substantial amounts of tax-exempt bonds. These bonds are better used for projects that cannot be internally cross-subsidized by market-rate units. To better utilize limited resources, the new administration should consider these ideas for reform:

- **Lower the requirement for affordable units to 15%. In this scenario, market-rate developers would forgo tax-exempt bonds and provide the required affordable units without government subsidy. While the affordability threshold would drop from 20% to 15%, tax-exempt bonds would be reserved for primarily affordable projects which use the bonds much more efficiently, yielding more affordable housing overall.**

- **Alternatively, raise the affordability requirement for 421-a eligibility to 25 or 30% of total units for projects using substantial government assistance (i.e., tax exempt bonds, tax credits, government loans, inclusionary benefits, etc.). This would both discourage market rate developers from using the limited tax-exempt bond volume cap and create more affordable housing units in cases where developers do use government assistance.**

- **Disallow higher rent levels for 421-a projects using substantial government assistance.**

- Improve and strengthen the current "inclusionary zoning" model so that it more effectively produces affordable housing in up-zoned areas.

2. Use zoning bonuses and allowances to provide advantages that prioritize affordable housing production. With minor adjustments to zoning and building regulations, affordable housing can be made more attractive to developers and competitive with market-rate development:

- Offer a zoning density bonus for affordable housing development (similar to that now offered to senior housing) so that affordable housing developers can increase building size, reduce per-unit costs, and better compete for land.

- Reduce or eliminate parking requirements for affordable housing developments to reduce costs and make more sites viable for affordable housing. Often, affordable housing residences must set aside land for parking spaces that go unused. This valuable space would be better devoted to play areas or additional units, especially when sited near public transit, where more affordable housing should be located.

3. Help market-rate developers build to meet the diverse needs of New Yorkers. New York City's Zoning Resolution, building code, Multiple Dwelling Law and other housing regulations together ensure that our housing is safe, sanitary and habitable. But they can also inhibit, delay and/or add to the cost of development. Many aspects of these laws and regulations are outdated, and no longer reflect the needs of the city's residents. Together, they prevent the construction without some kind of public subsidy of most any type of housing that is not for higher-income tenants or homeowners. The next administration can revise some of these regulations to allow developers more flexibility, without jeopardizing tenant safety and the public interest. While habitability regulations for affordable housing should be maintained to guard against the development of inferior buildings, such reforms for market-rate units could help unleash a surge in private-sector development of a broad range of housing types and configurations that would better reflect the needs of the city.

The next mayor should:

- Review and update existing zoning regulations, building codes and the Multiple Dwelling Law to accommodate the diversity of housing needed in today's housing market.

- Support increased flexibility and innovation in regulations to allow for shared housing and safe and legal conversion of basements and other habitable, but illegal, living spaces now being used as apartments.

4. Target and reform tax incentives to produce more affordable housing. Some tax incentives and other subsidies would create more units if they were better targeted or limited. While recent reforms have improved the effectiveness of some of these programs, more can be done.

- Reexamine and reform the 421-a tax exemption program to promote the development of affordable housing, without using limited City capital subsidies. This will incentivize the creation of 7,500 affordable units, while allowing tax-exempt bond financing to be targeted to where it is used most efficiently).

- In cases where a special zoning change is granted, allow only the increased land value to subsidize the development of affordable units.

- Consider 421-a exemptions as "public funding" under the Inclusionary Housing Program to ensure that additional affordable housing units are created when the Inclusionary Housing and 421-a programs are used together.

> **"...inclusionary zoning can't be taken in a vacuum; we need to think about it as part of a broader set of policies that lower barriers to housing production. One of the reasons we have expensive housing in parts of this country is because the cost of building housing—whether it's limited zoning potential or a range of other barriers [such as] the cost of brownfields remediation—lower supply and raise price."**
>
> **Shaun Donovan, HUD Secretary**
>
> **Source: "A Plan to Fix Housing", Politico, February 2013**

IV. Strengthen the New York City Housing Authority (NYCHA) to preserve and improve public housing.

The New York City Housing Authority (NYCHA) owns and manages 179,000 permanently affordable apartments,[41] a valuable resource representing over eight percent of the city's rental units, and an even higher portion of its affordable housing. It has long been known as the crown jewel of the nation's public housing system, but consistent underfunding by the federal government has weakened its operating infrastructure, and reduced its capacity to keep units in good repair. State and local funding has also evaporated in recent years. Even before Hurricane Sandy damaged more than 400 NYCHA apartment buildings, the housing authority had a yearly operating deficit of $60 million,[42] and a capital repair backlog of $13 billion (through 2015) that far exceeded its $270 million annual capital budget.[43]

If NYCHA is to continue to fulfill its core mission of managing quality affordable housing for low-income New Yorkers, it must be funded adequately. But the next mayor must also ensure that NYCHA achieves greater operating efficiencies and becomes better integrated into New York City's overall affordable housing strategy. This increased integration will allow NYCHA to gain access to new funding resources and capacity, while benefitting a broader range of New Yorkers with extreme housing needs, by optimizing use of underutilized land and rent subsidies.

The next mayor can preserve NYCHA's housing for generations to come, and greatly expand affordable housing opportunities for more New Yorkers, by pursuing the following four strategies:

1. Provide adequate operating and capital funding to preserve NYCHA's existing public housing. Unlike any other agency, NYCHA is required to pay the City government for police, sanitation and other services that are provided as of right to other New Yorkers. Rather than restoring long-discontinued City and State operational support payments to NYCHA, the mayor can end these intra-city disbursements to free up federal operating subsidies to help NYCHA better meet its operational costs:

- Terminate annual payments by NYCHA of $75 million to the City for New York Police Department services;

Photo courtesy of Enterprise Community Partners.

- Terminate $23 million in annual PILOT (Payments In Lieu Of Taxes) to the City for other services.

2. Develop underutilized NYCHA property to create affordable housing and strengthen public housing communities. In 2001, Housing First! recommended that NYCHA facilitate affordable housing development on vacant land it controlled, after decades of little or no development activity on public housing grounds. Since that time, over 1,400 new affordable units have been built, with 2,700 more in development.[44] Much more can be done to build on this success, and encourage and accelerate development of NYCHA-owned sites:

- Create a transparent, authority-wide plan to develop underutilized, developable NYCHA properties. Such a plan must serve the long-term affordable housing interests of both NYCHA and New York City, by balancing the need to maximize revenues from high-value sites with the imperatives to preserve existing NYCHA developments, increase affordable housing supply, and improve quality of life for NYCHA and neighborhood residents. NYCHA should provide meaningful avenues for tenant input in this process.

- Where feasible, new affordable housing units developed on NYCHA land may offer a marketing preference to eligible NYCHA residents. This will also free-up public housing units for families on NYCHA's waitlist.

- Facilitate the use of ground floor spaces in NYCHA buildings for retail, commercial and community services, to improve street life, provide services, and establish new revenue sources.

- Explore the sale of Transferable Development Rights (TDRs or "air rights") on NYCHA properties to generate revenue.

3. Reform NYCHA's governance, operating and regulatory structures to increase efficiency and transparency. While NYCHA is working to improve oversight, much more can be done to modernize management of the agency:

- Develop a clear management structure that enhances meaningful tenant input and improves coordination with other City housing agencies. NYCHA's Chair and board should concentrate on setting policy and providing management oversight, allowing executive functions to reside with a General Manager, appointed by and accountable to the board.

- Create an unpaid Board of Directors with one seat reserved for the HPD Commissioner. Board members should be accomplished leaders offering needed competencies to ensure long-term success of the agency and to better serve NYCHA residents in areas such as workforce development or youth education.

- Streamline social services, community development, property management and workforce functions at NYCHA by turning over some of these responsibilities to other governmental agencies and/or subcontracting to nonprofit organizations, while expanding availability of other City-funded community services to NYCHA residents.

- Consolidate duplicative functions by giving HPD more responsibility for managing housing development, site planning/disposition and financing for development on NYCHA-owned land.

4. Better align NYCHA's Section 8 Administrative Plan with overall City housing policy objectives. NYCHA administers more than 94,000 Section 8 Housing Choice Vouchers, the largest pool of these valuable, permanent rental subsidies in the nation. The next mayor can align Section 8 administration to pursue a number of citywide housing policy goals:

- Reserve 1,500 of the Section 8 vouchers that become available through turnover each year for use as project-based vouchers in HPD developments. These vouchers will leverage additional capital financing for affordable housing development, and allow for deeper income targeting to homeless, disabled, senior and other extremely low-income tenants.

- Prioritize at least 2,500 Section 8 vouchers per year for placement of homeless and at-risk households into permanent, privately-owned apartments.

"While the need for affordable rental housing is growing, the squeeze on government budgets is putting these much-needed programs in jeopardy… the public sector can't tackle this problem on its own. Policy makers must look for ways to support efforts by the private sector to invest in both existing and new rental housing, while keeping prices affordable."

Source: Harvard Joint Center for Housing Studies Press Release, April 2011

V. Support affordable homeownership and help households at risk of foreclosure to stay in their homes.

Homeownership offers many low- and moderate-income New Yorkers their single greatest opportunity for wealth building. It has been correlated with better educational performance, lower crime rates and improved health outcomes.[45] However, high rates of foreclosure threaten to destabilize communities, increase vacancies, and decrease both property values and the city's tax base, particularly in neighborhoods that experienced significant subprime lending to one- to four-family homes.[46]

One- and two-family buildings, which constitute the majority of owner-occupied housing, contain 24.4 percent of the housing units citywide (822,717).[47] As of January 2012, 6 percent of the 479,000 mortgages in New York City had entered foreclosure. These foreclosures remain highly concentrated, with the hardest hit neighborhoods located in southeastern Queens and northern Brooklyn. A combination of homeowner counseling, home repair, rehabilitation and construction can create and sustain the dream of homeownership for thousands of households, and preserve neighborhoods threatened by foreclosures. Through foreclosure prevention counseling, delinquent borrowers lower their payments by an average of $1,000 per month,[48] and are 45-50 percent more likely to become current on payments.[49] Community organizations have demonstrated that they can help prospective homeowners assess their personal finances to improve their abilities to sustain homeownership. Government subsidized acquisition-rehabilitation programs are able to reduce foreclosures and alleviate the destabilizing effects of increasing vacancies on the surrounding neighborhood by working with lenders to facilitate the transfer of lender-owned real estate ("REO") property to qualified owners. The Housing First! Plan expands effective homeowner counseling services, and creates or preserves 6,500 homes through new construction, rehabilitation and repair, and down payment assistance through the following actions:

1. Enhance counseling and acquisition rehab programs to reduce and mitigate the impacts of foreclosure. Targeting areas with the highest percent of foreclosures, high cost loans and lis pendens filings, successful homeownership programs assist thousands of families every year to prevent foreclosures; they should continue to be supported and enhanced:

- Sustain government subsidized acquisition and rehab programs that work effectively with lenders/servicers to transfer lender-owned real estate (REO) property to qualified owner-occupants in low-income neighborhoods that have been targeted by subprime lenders and fraudulent mortgage servicers.

- Support foreclosure prevention counseling to assist delinquent borrowers to lower their payments and get up-to-date on payments.

- Make pre-purchase homeownership counseling a prerequisite for obtaining assistance with down payments.

- Support post-purchase counseling to help new homeowners keep current on their mortgage and properly maintain their properties.

2. Provide public subsidies for the acquisition, rehabilitation, and creation of new affordable homeownership opportunities. Creative solutions are needed to sustain and expand ownership opportunities for low and moderate-income New Yorkers. Given the city's increasing population and dearth of large, buildable sites, Housing First! recommends a focus on creating homeownership opportunities in cooperatives or condominiums in multifamily buildings:

- Continue to support cooperative homeownership where financially feasible for existing tenants in City-owned buildings.

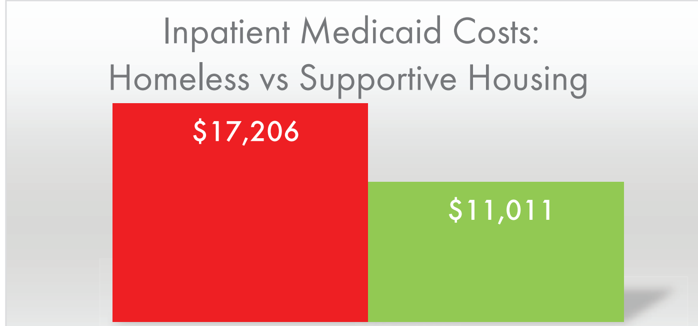
- Include vacant, small-unit, formerly NYCHA-owned properties as qualified to receive tax exemptions for small homes to keep them affordable.

- Fund down payment assistance to help families build wealth and stabilize neighborhoods.

VI. Address the housing needs of homeless families and individuals, seniors and other vulnerable New Yorkers, with targeted rent subsidies and supportive housing.

New York City now has the highest number of homeless individuals and families ever recorded in its history – over 50,000 people sleep each night in the city's municipal shelters.[50] But this is only the most extreme manifestation of the effect of the city's housing crisis on vulnerable New Yorkers. New York's growing senior population is increasingly susceptible to homelessness. Nationally, 40 percent of households 65 years and older have very low-incomes (less than 50 percent of area median income), according to the Center for Housing Policy.[51] Other disabled people are unable to leave institutional and quasi-institutional settings like nursing homes and adult homes because there are inadequate housing opportunities in the community appropriate to their needs. On the other hand, aggressive de-institutionalization reduced New York State psychiatric bed capacity from 599 per 100,000 citizens in 1955 down to 28 beds per 100,000 today.[52] And as prison, jail and psychiatric center censuses are reduced, further investment in community-based housing linked to supportive services will be required to allow these populations to succeed in the community as well.

The next mayor must adopt a two-pronged strategy to reduce homelessness. He or she must invest in new supportive housing development for individuals (and some families) with behavioral health issues and other ongoing challenges to stability. And he or she must provide adequate rent subsidies to more resilient, but still economically vulnerable, low-income households that will allow them to remain stably housed and out of the shelter system.



Annual inpatient Medicaid costs decreased by 35% for homeless, mentally ill New Yorkers in supportive housing.
Source: Culhane, D., Metraux, S., & Hadley, T., Housing Policy Debate. 2002;13 (1):107-163.

Supportive Housing - Affordable efficiency apartments linked to on-site services that increase independence, supportive housing offers safe and appropriate housing in the community to people who would otherwise be institutionalized or homeless. Once placed in supportive housing, vulnerable and disabled individuals greatly reduce their use of expensive emergency services. This produces significant cost savings to the public that often exceeds the cost of building, operating and providing


Photo courtesy of Alembic Community Development: Cedar Avenue Apartments Co-Developed by Community Access.

Photo courtesy of Enterprise Community Partners.

services in supportive housing. When targeting high-need Medicaid clients, net savings incurred through supportive housing can run over $30,000 per unit.[53] The watershed Culhane study demonstrated that housing homeless individuals with mental illness resulted in a 35% reduction in Medicaid costs in New York City.[54]

New York City's nonprofit providers and developers invented the supportive housing model, and developed it into the effective intervention it is today. Three City-State initiatives, called the New York/New York Agreements, together funded the creation of over 13,000 units of supportive housing over the past 23 years. As both the City and the State benefitted from the resultant cost savings, both contributed to the costs of construction, with the State paying for the majority of the service costs. And because a majority of these units were integrated into affordable apartment buildings with mixed tenancies, NY/NY financing leveraged the creation of thousands of additional affordable units for non-disabled households. The next mayor must build upon the success already achieved through these initiatives and this effective, cost-efficient housing model.

Rental Assistance - A new City-State supportive housing initiative will help address the needs of disabled and otherwise vulnerable populations who need services and supports to remain housed in the community. But supportive housing is not the answer for the majority of homeless families and many homeless individuals, who do not need intensive on-site services, but require only dependable rent subsidies to allow them to compete in the rental housing market. Prioritizing homeless and at-risk families for Section 8 vouchers and other rental assistance will reduce shelter censuses and costs, and greatly improve the life prospects of homeless children and their families.

The Housing First! Plan will reduce the incidence and cost of homelessness by shifting public spending from emergency shelter to prevention, rental assistance and housing development:

1. Build 10,000 new supportive housing units for homeless individuals and families by entering into a fourth City/State initiative. The next NY/NY agreement can improve upon previous initiatives by:

- Using an expedited procurement process that streamlines development by coordinating capital, operating and service awards.

- Housing a diverse range of disabled people who are currently homeless, institutionalized, and/or unstably housed high-cost Medicaid recipients, as well as vulnerable populations who were underserved or excluded from previous agreements, including survivors of domestic violence, homeless youth, disabled/long-term care populations, and those re-entering from correctional facilities.

- Eliminating barriers to development, such as extraneous siting requirements.

- Establishing a reinvestment fund that automatically reallocates savings from shelter reductions to supportive housing and other strategies to prevent, reduce and end homelessness (similar to State programs that reinvest savings from psychiatric center, hospital and nursing home bed closures).

- Structuring supportive housing service and operating funding streams so that they coincide with 15-year capital compliance periods and keep pace with inflation.

2. Build 6,000 new units of senior housing over the next eight years. Seniors in New York City struggle to age in place in apartments some have called home for years. The next mayor must integrate new construction senior housing development into the City's slate of production programs. Such a program would create standalone senior housing, as well as apartments reserved for seniors within other affordable housing residences. The new units produced would be made available to seniors living in large, underutilized apartments in New York City Housing Authority (NYCHA) buildings (which would then be freed up for use by underhoused low-income families), as well as to seniors unnecessarily confined to expensive and inappropriate nursing home placements. Project-basing Section 8 rental vouchers will help developers to obtain financing to build these units.

3. Reduce and prevent homelessness through interventions that have been proven effective. Housing First! recommends that the new administration:

- Prioritize a substantial portion of Section 8 rental assistance vouchers and publically assisted housing units for homeless individuals and families.

- Create a locally-funded rent subsidy that will enable homeless people to gain access to affordable housing.

- Increase funding for legal services, eviction and foreclosure prevention, and provide aftercare services for formerly homeless people.

- Improve the City's system for placing homeless households in existing and future set-aside units in tax credit buildings, making the process more efficient for landlords and more effective for addressing the needs of homeless individuals and families.

- Explore the use of federal Temporary Assistance to Needy Families (TANF) funding now applied to emergency shelter costs, to instead pay for rent subsidies and affordable, permanent housing.

Image courtesy of the Supportive Housing Network of New York: "The Hegemen" developed by Common Ground.

Photo courtesy of Joelle Sedlmeyer.

VII. Rebuild a resilient city in the wake of Hurricane Sandy.

Hurricane Sandy destroyed or damaged an estimated 65,000 occupied residential units located in surge areas, totaling some $5 billion dollars in losses related to the housing alone.[55] Many months later, all too many of the storm victims remain in hotels and other temporary lodging, unable to find alternative housing in New York's already overburdened housing market. Most of the displaced are among the city's most vulnerable, low-income residents: 68% of FEMA renter registrants earn less than $30,000 annually.[56] While the storm damaged more one- to four-family homes than multifamily buildings, renters comprise over 55 percent of all those applying for aid from FEMA.[57]

Fortunately, the federal government has allocated substantial resources for both rebuilding and preparing for the next storm. This year, New York City received $782 million for housing as a first installment of a reinvestment in repairing and replacing damaged housing stock. New York State received additional federal funds, though most will be spent in affected areas outside of the city.

The new administration will need to continue picking up the pieces for Sandy's victims and redouble efforts in emergency preparedness for the next climate event as follows:

1. Expedite the recovery of New York's damaged housing and neighborhoods and build 1,000 units of multifamily replacement housing. The next mayor will need to continue efforts to repair or rebuild homes or, as appropriate, relocate storm victims, in coordination with the State and federal governments. The next administration can use federal emergency response and recovery funds to:

- Fast-track CDBG-DR funds to repair or rebuild both single and multifamily housing for low- and moderate-income residents for needs not covered by federal emergency funds.

- Build 1,000 units of affordable replacement housing with CDBG-DR funds, prioritizing families impacted by the storm through the housing lottery system.

- Maintain the office of Housing Recovery Operations to complete relief and recovery efforts as expeditiously as possible.

- Continue funding for housing counseling to help homeowners and renters weigh available programs and make decisions around repair, rebuilding and relocation.

- Maintain coordination with HUD, FHFA and private lending institutions to prevent foreclosures of homes that were damaged or destroyed due to Hurricane Sandy.

- Continue to actively engage the philanthropic community to support housing and related recovery.

2. Increase the resiliency of New York's housing stock. Hurricane Sandy exposed New York's vulnerability to the effects of climate change. New and rebuilt housing must be environmentally sustainable in this new reality:

- Ensure that every new affordable development is built to operate cost-efficiently and to withstand the effects of climate change.

- Review building codes to increase safety in future extreme weather.

- Develop financing mechanisms and assistance for affordable housing retrofits for resiliency as required to meet new building codes.

Even as the city rebuilds in the aftermath of Hurricane Sandy, the Housing First! Plan will reduce the growing gap between housing supply and demand by building and preserving our affordable housing stock. It will strengthen NYCHA, protect homeowners and the neighborhoods in which they live from the impacts of foreclosure and address the scourge of homelessness. In making an investment in the city's affordable housing, the new administration will be making an investment in the resilience of New York City's people, neighborhoods and economy.

What the Housing First! Plan Will Build

Developed by consensus of affordable housing experts and a broad array of stakeholders, the Housing First! Plan addresses a range of affordable housing needs, from low-income families to individuals with special needs, from homeowners to public housing residents. The Housing First! Plan, as per the chart on page 22, allocates capital resources for construction of new affordable housing units and preservation of existing units, for multifamily rentals, affordable homeownership development and preservation, and supportive and senior housing. Additional expense budget funding will be required to fund some of the non-capital recommendations in the Housing First! Plan.

The unit counts and costs are based on current construction costs, with an allowance for modest inflation over the next few years built into cost per unit averages. In particular, they assume that the regulations and requirements governing construction wage rates will remain constant, as they have for more than a decade. At this time, about one-third of projects financed by the City pay "prevailing wage" or federal "Davis-Bacon" rates ; these wage rates are significantly higher than wages on the open labor market. If all projects were required to pay prevailing wage rates, it would nearly double the costs that must be borne by the City, from a little more than $8 billion to approximately $15 billion. Alternatively, if public subsidies are not increased, the number of affordable housing units produced each year by the Housing First! Plan would be reduced by one-third.[58]

"While most Americans pay for housing without seriously compromising their ability to meet other basic needs, a substantial number of households cannot afford to do so. The scarcity of decent, safe, sanitary and affordable housing is not a new phenomenon in the United States. There are times, however, when the shortage is especially severe and carries dire results for both households and communities. This is one such time."

Source: *Housing Programs in the United States*, Bipartisan Policy Center, June 2012

BUILDING STRONGER: 2014 - 2021						
Affordable Housing Program	**Total Units**	**Units by Household Income**			**Average Capital Subsidy Per Unit**	**Total Capital Subsidy (8 years)**
		Low	**Moderate**	**Middle**		
Multifamily New Construction	41,500	23,000	4,000	3,000	$120,000	$3,600,000
Inclusionary Zoning & 421a*		11,500			$0	$0
Supportive Housing	10,000	10,000			$120,000	$1,200,000
Senior Housing	6,000	4,000	2,000		$120,000	$720,000
Homeownership	2,500	200	2,000	300	$75,000	$187,500
SUBTOTAL ALL NEW CONSTRUCTION	**60,000**	**48,700**	**8,000**	**3,300**		**$5,707,500**
Article 8A, LIHTC Year 15, HUD Multifamily	79,000	79,000			$20,000	$1,580,000
Third Party Transfer & Participation Loan Programs	7,000	7,000			$67,000	$469,000
Subtotal Preservation Multifamily Rental	**86,000**	**86,000**				**$2,049,000**
Acquisition Rehab and Coops Rehab	2,500	850	1,500	150	$90,000	$225,000
Mortgage Acquisition Program & Downpayment Assistance	1,500	800	650	50	$15,000	$22,500
Subtotal Preservation Homeownership	**4,000**	**1,650**	**2,150**	**200**		**$247,500**
SUBTOTAL ALL PRESERVATION	**90,000**	**87,650**	**2,150**	**200**		**$2,296,500**
TOTAL HF! PLAN	**150,000**	**136,350**	**10,150**	**3,500**		**$8,004,000**

* Subset of mulitfamily new construction

How to Pay for the Housing First! Plan

The Housing First! Plan is ambitious, but it is grounded in realistic projections of the costs of development, and of the resources available.

It begins with the $3.9 billion already included in the City's current capital plan budget projections. These include annual allocations of City capital funds, annual capital funding generated from reserves and other revenues of the New York City Housing Development Corporation, and allocations to the City from the federal HOME and CDBG-DR program and Reso-A funds. Often in conjunction with project-based Section 8 vouchers, these funding sources are used to leverage a much larger amount of equity from private investment in federal Low Income Housing Tax Credits, tax-exempt bonds and direct lending from financial institutions.

Increasing the City's capital appropriations for affordable housing by $356 million annually, combined with zoning and tax incentive reforms, will leverage $1.9 billion in other funds each year, including tax credit and tax-exempt bond equity, for a plan worth approximately $23 billion over the next eight years, creating and preserving 150,000 units of affordable housing.

This would best be structured in part as a dedicated funding stream funded by housing revenues coming to the City. Some ways to pay for this increase include:

- Reforming the Reso A process to ensure that funds are targeted to housing developments that will be completed within a reasonable time or, where funds remain unused for long periods, enable the City to recapture those funds for more feasible, shovel-ready projects.[ii]

[ii] Resolution A funds, or "Reso A," are capital funds allocated to specific economic development, school and affordable housing projects by City Council members and the Borough Presidents. By law, each year Reso A funds equal 5% of the City's new total capital appropriations, though the calculation and distribution of these percentage shares is complex and varies year to year. About a third of Reso A capital goes to affordable housing each year. By having Council members and Borough Presidents coordinate their awards more closely with HPD and HDC, this will ensure that they match agency development schedules and awards are more likely to go toward housing projects built in the year the award is made. Spending Reso A funds more efficiently in this way will result in elected officials getting affordable housing projects built more quickly, and more funding being directed to viable projects.

- Closing loopholes and increasing audits to increase revenues from the City's Mortgage Recording Tax and Real Property Transfer Tax.

- Shifting one-third of the capital budget controlled by the NYC Department of Homeless Services (DHS) to HPD for permanent housing creation (including, in some cases, conversions of shelters to permanent housing).

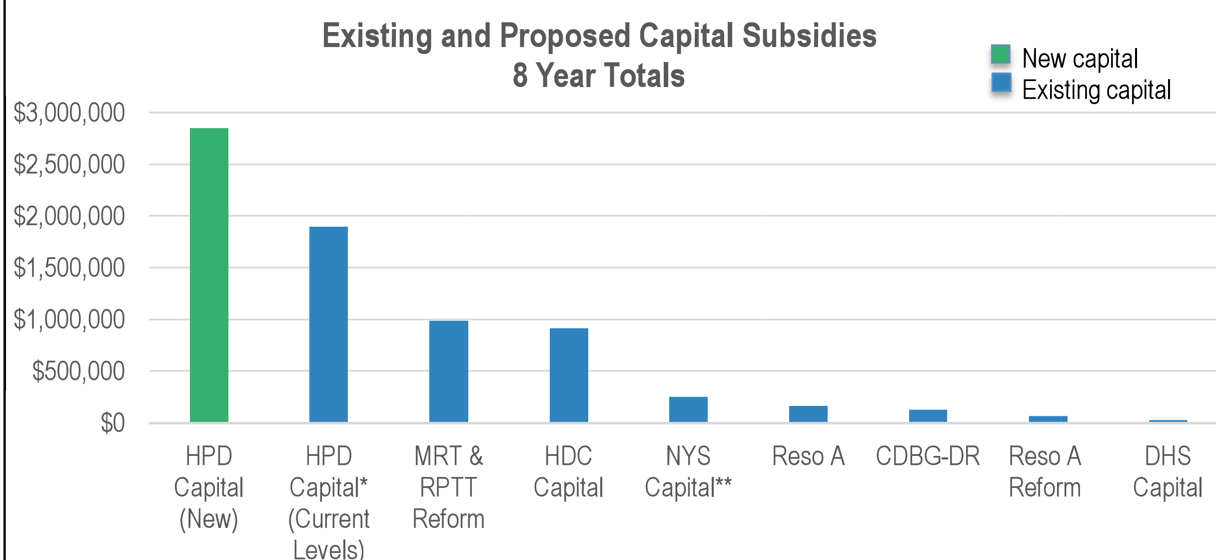
- Work with the Governor to increase the share of the State's tax-exempt bond volume cap provided to the New York City Housing Development Corporation.[iii]

- Find additional efficiencies in governmental operations and shift unspent capital funds from other City agencies to affordable housing construction.

In addition to City spending, the State allocates its own capital and equity resources to affordable housing development projects in New York City, in the form of Housing Trust Fund and Homeless Housing Assistance Program (HHAP) capital grants, State Low Income Housing Credits, tax-exempt bonds and federal tax credits. Additional City investment in affordable housing will leverage a greater portion of these resources.

City efforts will be combined with increased spending at the State level, under Governor Cuomo's five-year, $1 billion House NY Initiative, and new efforts to harness Medicaid dollars to subsidize supportive housing that will bring down disabled individuals' high healthcare costs. These will contribute additional new and preserved units to the plan.

While the outlook for future federal appropriations and tax reform is uncertain in Washington, a number of legislative and administrative efforts may bring additional new resources to New York. The Hurricane Sandy and National Disaster Tax Relief Act would provide the State substantial new allocations of federal Low Income Housing Tax Credits, as well as increased bond authority. The Common Sense Housing Investment Act of 2013 proposes to use a reform of the Mortgage Interest Deduction to establish a dedicated funding stream for the National Housing Trust Fund and supplemental Section 8 vouchers. Also improving the availability of Section 8 vouchers is the Affordable Housing and Self-Sufficiency Improvement Act, which promises a more efficient Section 8 Housing Choice Voucher Program, allowing resources go further.



*Includes current projected allocations of City Capital, HOME and CDBG-DR multi-family programmed funds.
**Assumes that NYS HHAP, HOME and HTF funding allocations will remain at current levels.

iii"Volume cap", or the amount of tax-exempt bonds the federal government allows NY State to issue is distributed to NYS Homes and Community Renewal (HCR), the Empire State Development Corporation, other State agencies, and to local Industrial Development Agencies (IDAs). HCR and the New York City IDA, the NYC Economic Development Corporation, in turn send volume cap to the NYC Housing Development Corporation (HDC) to finance affordable housing development. Under certain conditions, tax exempt bonds that are paid back soon after issuance (as they often are at the end of construction of affordable housing projects) can be "recycled" for new investments. Taking into account HDC's estimable track record of efficiently using its bond allocation, and the amount of bonds it expects to recycle, it makes sense for HCR to increase the percentage of its annual share of volume cap to HDC, and for EDC to continue transferring all of its bond cap to HDC each year.

The Housing First! Plan does not count on these prospective new funding sources, but instead assumes federal appropriations remain flat and current federal tax policy stays in effect. Of course, should any of these measures be adopted by Congress, fewer local resources would be required to achieve the production and preservation of 150,000 units of affordable housing.

All of this direct capital spending on new construction and preservation will be supplemented with Housing First! strategies that do not increase City spending, such as new operational efficiencies and more effective zoning and tax incentives to generate increased development.

Call to ACTION

The Housing First! plan requires a commitment of both capital and ingenuity to address New York's affordable housing perennial housing crisis. It leverages the City's unique capacity to build, repair and sustain a precious resource while honing the tools available to grow and preserve the affordable housing supply. The Housing First! Plan strengthens the New York City Housing Authority and develops new housing accommodating the diverse needs of the city's population.

Further, the Housing First! Plan considers the state of our communities, using housing policy and programming to provide an anchor for low-income areas and to balance gentrifying neighborhoods. Homeownership will be supported, foreclosures limited and the tide of increasing homelessness reversed. By investing resources strategically, the Housing First! Plan expands and preserves the city's supply of affordable housing, enabling the city to continue to grow and thrive.

The Housing First! Coalition calls upon all candidates for public office in New York City to adopt the Housing First! Plan created by New York's housing community. We ask candidates to stand behind the $8 billion, eight-year plan, and make affordable housing their most notable achievement.

Photo courtesy of Common Ground: Construction of the Hegeman by Mountco Construction and Development Corp.

Affiliations of Coordinating Committee Members

Actors Fund Housing Development Corporation
Alembic Development Company
Asian Americans for Equality
Association for Neighborhood and Housing Development
Bank of America
BFC Partners
Blue Sea Development Company
BNY Mellon
Capital One
Center for New York City Neighborhoods
Community Preservation Corporation
Community Service Society
Deutsche Bank Americas Foundation
Dunn Development
Enterprise Community Partners
Fifth Avenue Committee
Forsyth Street Advisors LLC
Furman Center for Real Estate and Urban Policy
Goldman Sachs
Goldstein Hall PLLC
Habitat for Humanity, NYC
Housing Partnership Development Corporation
J.P. Morgan Chase
L+M Development Partners
Local Initiatives Support Corp
Mutual Housing Association of New York
Neighborhood Housing Services of New York City
Neighborhood Restore Housing Development Fund
New York State Association for Affordable Housing
Nixon Peabody LLP
Phipps Houses
SKA Marin
Stempel Bennett Claman & Hochberg
Supportive Housing Network of New York
Urban Homestead Assistance Board

Endnotes

1 HR&A Advisors, Inc., *Economic Impacts of Affordable Housing on New York State's Economy,* May 2012.

2 Laura Sadowski, *"Effect of a Housing and Case Management Program on Emergency Department Visits and Hospitalizations Among Chronically Ill Homeless Adults,"* Journal of the American Medical Association, 2009.

3 Mary Cunningham and Graham Macdonald, *Housing as a Platform for Improving Education Outcomes among Low-Income Children,* Urban Institute, May 2012.

4 Keith Wardrip, Laura Williams, and Susan Hague, *The Role of Affordable Housing in Creating Jobs and Stimulating Local Economic Development: A Review of the Literature,* January 2011.

5 Rebecca Cohen, *The Impacts of Affordable Housing on Health: A Research Summary,* Center for Housing Policy, May 2011.

6 Alex Schwartz, *New York City and Subsidized Housing, Impacts and Lessons of the City's $5 Billion Capital Budget Housing Plan,* Fannie Mae Foundation, 1999.

7 HR&A Advisors, Inc., p 23-24.

8 HR&A Advisors, Inc., p 23-24.

9 U.S. Census Bureau, http://quickfacts.census.gov/qfd/states/36/3651000.html, 2011.

10 Sam Roberts, *"Population Growth in New York City Is Outpacing 2010 Census, 2011 Estimates Show,"* The New York Times, April 5, 2012.

11 The City of New York. *PlaNYC 2030,* Update April 2011.

12 New York University Furman Center for Real Estate and Urban Policy, *Key Findings on the Affordability of Rental Housing from New York City's Housing and Vacancy Survey 2008,* June 2009. p 4.

13 NYS Comptroller, *Affordable Housing in New York City,* June 2011.

14 MoonWha Lee, *Selected Initial Findings of the 2011 New York City Housing and Vacancy Survey,* New York City Department of Housing Preservation and Development, February 9, 2012.

15 The City of New York, *The City of New York Community Development Block Grant Disaster Recovery Partial Action Plan A,* May 10, 2013. p 39.

16 National Low Income Housing Coalition, http://nlihc.org/article/organizations-elected-officials-urged-sign-letter-increase-housing-funding-allocation-fy14, April 2013.

17 Lee, p. 3.

18 Robert R. Krellis, Melissa Kresin, Residential Vacancies and Homeownership in the Second Quarter 2012, CB12-127, US Census Bureau News, July 27, 2012.

19 Lee, p. 4.

20 Lee, p. 4.

21 Vic Bach and TomWaters. *Making the Rent: Before and After the Recession. Rent-Income Pressures on New York City Tenants,* 2005 to 2011. Community Service Society. June 2012.

22 Patrick Markee, *State of the Homeless 50,000: The Bloomberg Legacy of Record Homelessness,* Coalition for the Homeless, March 5, 2013.

23 Association for Neighborhood and Housing Development, *Real Affordability: An Evaluation of the Bloomberg Housing Program and Recommendations to Strengthen Affordable Housing Policy,* February 14, 2013, p. 20.

24 Markee, p 3.

25 Joseph Tracey, *How is NY Weathering the Housing Crisis?* Presentation at ANHD Annual Community Development Conference, Federal Reserve Bank of NY, March 15, 2012.

26 Tracey, 2012.

27 Center for and Urban Future, "Reviving the City of Aspiration: A study of the challenges facing New York City's middle class", February, 2009.

28 HR&A Advisors, Inc., p 23-24.

29 HR&A Advisors, Inc., p 1.

30 NYC HPD, *NHMP 2011 Progress Update Press Release,* July 20, 2011.

31 NYC Office of Management and Budget, *Preliminary Ten-Year Capital Strategy Fiscal Years 2014-2023,* pp. 92-96.

32 Vicki Been, Rebecca Koepnick, and Max Weselcouch, *Subsidized Housing Information Project Presentation,* New York University Furman Center for Real Estate and Urban Policy, August 1, 2012.

33 Association for Neighborhood and Housing Development, *A Permanent Problem Requires a Permanent Solution,* Spring 2010.

34 Vicki Been, et al., *State of New York City's Housing and Neighborhoods,* New York University Furman Center for Real Estate and Urban Policy, 2010.

35 Harold Shultz, et al., *The Impact of Multifamily Foreclosures and Over-Mortgaging in Neighborhoods in New York City,* Citizens Housing & Planning Council, January 2011.

36 Amanda Burden, *Letter from the Commissioner, Neighborhoods Count: Celebrating DCP Rezonings,* Department of City Planning, 2011.

37 Benjamin Dulchin, Moses Gates, Barika Williams, *Housing Policy for a Strong and Equitable City,* Towards a 21st Century for All Project, 2013, p. 4.

38 NYC Department of City Planning, *Zoning Resolution, Appendix F: Inclusionary Housing Designated Areas,* December 10, 2012.

39 HPD email to Housing First!, April 6, 2013.

40 Citizens Housing Planning Council, *Making Room,* http://www.chpcny.org/our-projects/making-room, 2013.

41 New York City Housing Authority, *About NYCHA Fact Sheet,* March 12, 2012.

42 New York City Housing Authority, *2012-2016 Five-Year Operating Plan,* May 2012, p. 8.

43 New York City Housing Authority, *Plan NYCHA, A Roadmap for Preservation,* December 2011, p.9.

44 New York City Housing Authority, *Plan NYCHA, A Roadmap for Preservation,* December 2011, p. 16.

45 National Association of Realtors, *Social Benefits of Homeownership and Stable Housing,* April 26, 2012.

46 Max Weselcouch, "Mortgage Foreclosures in New York: An Evolving Crisis" Testimony Before the New York City Council Committee on Community Development, New York University Furman Center for Real Estate and Urban Policy, January 30, 2012.

47 U.S. Census Bureau, American Communities Survey, 2006-2010.

48 Center for NYC Neighborhoods, *Data from 3,295 Mortgage Modifications Reported by CNYCN Network Partners Between July 2008 and January 2013,* February 2013.

49 Neighborhood Housing Services memo to Housing First!, 2012.

50 Markee, p 2.

51 Barbara Lipman, Jeffrey Lubell, Emily Salomon, *Housing an Aging Population: Are We Prepared,* Center for Housing Policy, April 2012.

52 E. Fuller Torrey, M.D., et al., *The Shortage of Public Hospital Beds for Mentally Ill Persons,* The Treatment Advocacy Center, March 2008.

53 Harlem United, *2009 Program Evaluation,* 2010.

54 Culhane, D., Metraux, S., & Hadley, T. "Public service reductions associated with placement of homeless persons with severe mental illness in supportive housing" *Housing Policy Debate,* 2002;13(1):107-163.

55 New York University Furman Center for Real Estate and Urban Policy, *Sandy's Effects on Housing in New York City,* March 2013.

56 Enterprise New York Team, *FEMA Assistance Analysis,* Enterprise Community Partners, http://blog.enterprisecommunity.com/2013/03/superstorm-sandys-impact-on-affordable-housing.html, March 2013.

57 New York University Furman Center for Real Estate and Urban Policy, *Sandy's Effects on Housing in New York City,* March 2013.

58 Julio Vitulo-Martin, *The Complex Worlds of New York Prevailing Wages,* Center for Urban Real Estate (CURE), Columbia University. June 12, 2012.

Founded in 2001, Housing First! is a broad and diverse coalition seeking policy innovation and capital investment to address New York City's affordable housing crisis.

HOUSING FIRST!
Affordable Housing For All New Yorkers

c/o FCNY
121 Avenue of the Americas, 6th Floor
New York, New York 10013
(917) 596-7665

www.housingfirst-ny.org