

Best Practice: Zoning Bonus to Promote Affordable Housing

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CITY: NEW YORK CITY

POLICY AREAS: AFFORDABLE HOUSING; CITY PLANNING

BEST PRACTICE

Inclusionary Zoning (Department of City Planning) is a program that promotes affordable housing in new residential developments by providing a zoning bonus for the construction or preservation of affordable housing. Inclusionary zoning harnesses the strength of the city's housing market to create a mix of units for low- and moderate-income families along with market-rate apartments.

ISSUE

New York City has experienced tremendous population growth in recent years, adding over 1,000,000 residents since 1990, with an additional 750,000 residents projected by 2030. While this increase has been a boom to the city's overall health, it has resulted in an increasing demand for housing at all income levels. The housing market boom during the previous decade led to record production, exceeding 30,000 annually from 2005 through 2008. However, in many neighborhoods experiencing new development, the private sector had not independently produced new housing for low- and moderate-income households, and an increasing number of households have placed upward pressure on housing prices.

GOALS AND OBJECTIVES

In order to provide for housing needs not addressed by the market rate housing boom, the Housing Preservation and Development Agency (HPD) developed a "New Housing Marketplace Plan" which identified a number of strategies to build and preserve 165,000 units of affordable housing over ten years. In conjunction with HPD, the Department of City Planning developed a zoning tool to encourage the private production of permanently affordable housing units. The new program's use was inaugurated through the Department of City Planning's 2005 rezonings of Hudson Yards in Manhattan and Greenpoint-Williamsburg in Brooklyn, and has continued as a standard tool for numerous area-wide rezoning.

How it works: In areas where the new Inclusionary Housing Program is applicable, a zoning bonus allows increased floor area for residential developments in exchange for the provision of permanently affordable housing. The additional floor area must be accommodated within the applicable height and setback provisions of the underlying zoning district.

For example, an Inclusionary Housing bonus is available in a higher density residential zoning district mapped on 4th Avenue under the 2005 South Park Slope Rezoning (Community District 7, Brooklyn). For developments not participating in the Inclusionary Housing Program, the maximum Floor Area Ratio (FAR) – or the total amount of square footage of building permitted divided by the square footage of the lot – is 5.4. For a development providing affordable housing, the FAR may be increased by 1.25 square feet for each square foot of lower-income housing provided, up to a maximum FAR of 7.2, a bonus of 33 percent for providing 20 percent affordable housing. Bonus floor area is accommodated within the height limits of the R8A district.

Affordable units must be provided to households earning 80 percent of Area Median Income (AMI) or less, and must remain affordable for the life of the development receiving the bonus. By using housing subsidy programs targeted to particular income levels, units produced through the Inclusionary Housing program can be made affordable at a range of income levels below 80 percent of AMI. (Under the special regulations for Hudson Yards, West Chelsea and the Greenpoint-Williamsburg waterfront, the bonus can also be attained by providing a portion of the affordable

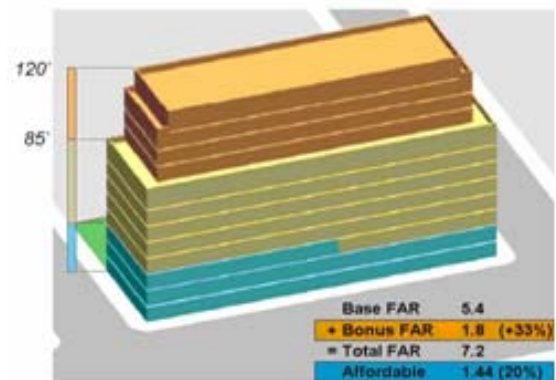


Illustration of Inclusionary Housing bonus in R8A zoning district, South Park Slope



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units for moderate- or middle-income households, with a larger overall number of affordable units).

The lower-income housing units used to earn the Inclusionary Housing bonus may be new units on the same site as the development receiving the bonus, or new or preserved units in a separate building off-site. Off-site affordable units must be located within the same Community District, or in an adjacent Community District on a site within a half-mile of the site receiving the bonus.

Developments using the floor area bonus in the new program may also use various city, state and federal housing subsidy programs and tax incentives to finance affordable units. The Department of Housing Preservation and Development must approve a Lower Income Housing Plan for all developments in the Inclusionary Housing Program.

IMPLEMENTATION

New York City pioneered the concept of using zoning to promote low and moderate income housing in the area around Lincoln Center in 1969 and has included in its Zoning Resolution a broadly applicable incentive-based Inclusionary Housing Program since 1987. While this program has produced over 1,000 units of affordable housing, it had been confined to the City's highest-density districts, and developments using the program are required to devote only three to four percent of the building's floor area to affordable housing.

In 2005, the Department expanded the program to adapt it for use in medium- and high-density residential districts, by combining a zoning floor area bonus with a variety of housing subsidy programs to create powerful incentives for the development and preservation of considerably more affordable housing.

In developing the program, City Planning and the Department of Housing Preservation and Development closely studied the experience of inclusionary zoning programs both locally and nationally. Both agencies worked with housing advocates, affordable housing providers and others to examine the economics and strategies for providing affordable housing, and to build consensus for the resulting policy. A thorough analysis of New York City's high density and development costs, continuing population growth, and housing finance resulted in an incentive-based, public-private partnership model that builds upon the experience of government, developers, and nonprofit housing providers.

The new program has been a key component of the City's recent major rezoning initiatives to promote new housing development in transit-accessible areas. As development occurs in these rezoned areas, the Inclusionary Housing Program is mapped as well, leveraging the increases in allowable density towards the production of more affordable units.

In 2009, the Departments of City Planning and Housing Preservation and Development amended the Inclusionary Housing program to make several improvements. The most significant of these changes established a homeownership option within the program, enabling developers to provide permanently affordable homeownership units, as well as rentals in order to qualify for the zoning bonus. Homeownership units would be affordable at the same income level as rental units (80% of Area Median Income) at initial sale. The maximum permitted sale price would increase at the annual rate of inflation plus one percent, enabling homeowners to achieve a reliable return on their investment while preserving the unit's affordability to future buyers.

COST

Affordable units are incentivized and subsidized through two primary sources: the value of bonus floor area realized by the developer through the Inclusionary Housing program, which varies based on local market conditions, and the use of a range of housing subsidy programs available from city, state and federal sources. The remaining costs of the development are taken on by private developers. The strategy was developed in-house by City Planning and the Housing Preservation and Development agencies; each area-wide rezoning plan is developed by City Planning and requires a significant time investment for public review and environmental review.

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RESULTS AND EVALUATION

Since its first application in the Hudson Yards and Greenpoint-Williamsburg rezoning in 2005, the new Inclusionary Housing program has been extended to Department-sponsored rezonings in over 25 neighborhoods, including the Lower Concourse and 161st Street/River Avenue in the Bronx; Maspeth/Woodside and Jamaica, Queens; South Park Slope, Bedford-Stuyvesant, Fort Greene, and Coney Island, Brooklyn; and West Chelsea, the Upper West Side, 125th Street, and the East Village/Lower East side of Manhattan.

As development proceeds in these neighborhoods through successive market cycles, over 10,000 affordable units are projected in these communities. Nearly 2,000 have already been built or are under construction. The Department is continuing to replicate this program in additional neighborhoods throughout the city as part of area-wide comprehensive plans that facilitate substantial new development, with additional affordable units expected from comprehensive planning efforts now underway.

In 2009, a variety of technical improvements were incorporated into the program based on feedback from implementing agencies, developers, and affordable housing groups. These changes address a range of practical issues that arose during the implementation of early Inclusionary Housing developments.



NYC Inclusionary Housing Designated Areas

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| 1. Third Avenue/Tremont Avenue | 11. First Avenue (East 35 th –East 41 st Streets) | 21. South Park Slope |
| 2. River Avenue | 12. Third Avenue/East Village | 22. Sunset Park |
| 3. Lower Concourse | 13. East Village/Lower East Side | 23. Flatbush |
| 4. 125 th Street | 14. Greenpoint-Williamsburg | 24. Coney Island |
| 5. Upper West Side | 15. Kent Avenue (Division Street–Broadway) | 25. Southern Hunters Point |
| 6. Clinton Park | 16. DUMBO | 26. Astoria |
| 7. 11th Avenue (West 44 th Street) | 17. Broadway Triangle | 27. Dutch Kills |
| 8. Hudson Yards | 18. Bedford-Stuyvesant South | 28. Maspeth/Woodside |
| 9. West Chelsea | 19. Fort Greene/Clinton Hill | 29. Jamaica |
| 10. Tribeca | 20. Bond Street (2 nd Street–Carroll Street) | |

Map of NYC indicating where Inclusionary Housing is applicable



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TIMELINE

September 2004	In its Greenpoint-Williamsburg Rezoning, the Department of City Planning proposed zoning changes to allow for housing and open spaces, in tandem with light industry and commercial uses, along two miles of Brooklyn's East River waterfront and upland neighborhoods.
June 2005	The City Council approved the three Uniform Land Use Review Procedure applications for the West Chelsea/High Line proposal. The adopted actions include Zoning Map and Zoning Text amendments and Site Selection and Acquisition for public open space and inclusionary zoning.
April 2007	The start of public review for a 99-block rezoning of Fort Greene and Clinton Hill in Brooklyn Community District 2. The rezoning was undertaken at the request of the community board, local civic groups and elected officials to protect the low-rise, brownstone character of roughly 80 blocks while providing opportunities for modest growth and affordable housing along commercial corridors.
May 2007	City Planning Director Amanda M. Burden announced the beginning of public review for the Department's proposed rezoning of over 200 blocks of Bedford-Stuyvesant in Brooklyn Community District 3 to include inclusionary zoning.
October 2007	The proposed rezoning of Briarwood, a neighborhood in Central Queens consisting of 39 blocks abutted by Parsons Boulevard to the east, Queens Boulevard and the Van Wyck Expressway to the west, Grand Central Parkway to the north and Hillside Avenue to the south.
April 2008	Rezoning of 125th Street in Harlem centered around creating more affordable housing, providing assistance to local business owners that may feel pressure from larger national chains and modifying the zoning requirements to help preserve the current culture of the neighborhood.
May 2008	A long anticipated rezoning to preserve the existing scale and reinforce the mixed-use character of the western Queens neighborhood of Dutch Kills began. This detailed rezoning proposal, developed in concert with community groups and elected officials, would provide more appropriate densities for a wide range of land uses consistent with the uses and scale of the existing community and allow residents to expand their homes.
October 2008	The City Planning Commission unanimously approved the rezoning of 111 blocks in two diverse Manhattan neighborhoods celebrated as incubators of the arts, historic gateways for immigrants and the birthplace of New York's counterculture. The balanced rezoning plan protects the area's low-rise character by establishing height limits for the first time while creating opportunities for new and affordable housing where appropriate.
January 2009	City Planning Director Amanda M. Burden announced the beginning of public review for the comprehensive rezoning plan for Coney Island. The plan will re-establish Coney Island as a world renowned year-round beachfront urban amusement and entertainment destination, and catalyze redevelopment of vacant and underutilized land for mixed income housing, a broad range of neighborhood retail and services.
February 2009	Public review began for the rezoning of the Lower Concourse, a 30-block area on the Bronx waterfront, to facilitate the creation of new and affordable housing while leveraging private development to create continuous public waterfront access and open space along the Harlem River.



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February 2009	The City Planning Commission referred for public review a set of enhancements to the Inclusionary Housing program that establish a permanently affordable homeownership program and enact other improvements.
March 2009	City Planning Director Amanda M. Burden announced the beginning of public review for the targeted rezoning of key stretches along 161st Street and River Avenues in The Bronx to promote new mixed income housing, office buildings, hotels and year round retail activity.
January 2010	Public review commences for the rezoning of 240 blocks in Astoria, Queens to replace outdated zoning with new contextual zones and height limits, support business opportunities along primary corridors and transit hubs and provide incentives for affordable housing through the Inclusionary Housing Program.

LEGISLATION

NYC Zoning Resolution – see www.nyc.gov/planning for all sections pertaining to Inclusionary Housing.

LESSONS LEARNED

The Departments of City Planning and Housing Preservation and Development have continued to monitor the progress of the Inclusionary Housing program in the years since its initial expansion in 2005. The program has successfully incentivized the creation and preservation of affordable units in conjunction with development of private sites in recently rezoned neighborhoods. As anticipated, because the program depends on market rate development activity, it has been most productive in neighborhoods where substantial market rate development activity has occurred, including Hudson Yards and Greenpoint-Williamsburg.

While the Inclusionary Housing program's permanent affordability requirements had dictated that affordable units be rentals, several communities in which the program was proposed expressed interest in the creation of homeownership opportunities. In response, the Departments of City Planning and Housing Preservation and Development consulted with a range of stakeholders to devise a limited-equity, permanently affordable homeownership model, which was added to the program in 2009. In addition, practitioners noted a range of procedural challenges based on the linkage between completion of affordable units and the ability to occupy market-rate units. City agencies responsible for implementation responded by revising these linkage rules to allow greater flexibility for the completion of projects while ensuring delivery of affordable units.

TRANSFERABILITY

This program was tailored to the housing economics of a large and growing city with high residential densities and construction costs, where different solutions are required than in low-density environments. Addressing both the City's need for affordable housing as well as new housing supply to accommodate population growth, New York City's expanded Inclusionary Housing program can serve as a model for other large, dense cities experiencing similar growth and development. It leverages private housing investment to serve public goals, complementing and enhancing the effectiveness of available housing subsidy programs. It can also help facilitate transit-oriented development, as well as the reuse of vacant land and redeveloping areas.

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