

New York City Mandatory Inclusionary Housing

Promoting Economically
Diverse Neighborhoods



(c) September 2015. City of New York
All rights reserved.

Table of Contents

	Executive Summary	7
1	Citywide Housing and Population Trends	13
1.1	Population Growth and Migration Patterns	13
1.2	Economic Opportunity and Employment Growth	17
1.3	Regional Housing and Labor Market Trends	23
1.4	Urban Amenities and the Return to the City	24
1.5	Trends in Housing Production	26
1.6	Indicators of Constrained Supply	28
1.7	Filtering Up of Existing Housing Supply	31
2	Benefits of Neighborhood Economic Diversity	41
2.1	Housing Choice and Access to Opportunity	41
2.2	Federal Housing Policy and Neighborhood Economic Diversity	42
2.3	Benefits of Economic Diversity	47
3	Neighborhood Economic Diversity in New York City	55
3.1	Existing Patterns of Economic Diversity	55
3.2	Importance of Maintaining New York's Economic Diversity	63
3.3	Inclusionary Zoning and Local Tools for Maintaining Economic Diversity	68
3.4	Inclusionary Housing in New York City	70
4	Mandatory Inclusionary Housing	75
4.1	A Multifaceted Approach to Promoting Neighborhood Economic Diversity	75
4.2	Financial Feasibility	76
4.3	Key Elements of a Mandatory Inclusionary Housing Program	78
	Endnotes	80
	References	82
	Acknowledgements	88

List of Tables and Charts

TABLES

Table 1	Demographic Characteristics of Domestic Migrant Population
Table 2	New York City Resident Workers by Place of Work
Table 3	Percent Change in Average Employment by Major Industry Sectors, 2004 to 2013
Table 4	Distribution of NTAs by Family Poverty Rate, 2009-2013
Table 5	Comparison of Inclusionary Housing Programs

FIGURES

Figure 1	Change in New York City Population Since 1900
Figure 2	Estimated Components of Population Change by Decade, 1970-2010
Figure 3	Migration Patterns for Persons Filing Tax Returns in New York City, 1985-2010
Figure 4	Changing Origins in In-Migrants to New York City, 1995-2000 and 2008-2012
Figure 5	Estimated Components of Population Change Annualized in New York City
Figure 6	Employment by Industry in New York City, 1990 to 2013
Figure 7	Change in Employment by Industry of New York City Resident Workers, 2000 to 2013
Figure 8	Occupational Distribution for Industries with Change in Employment of >50,000, 2000 to 2013
Figure 9	Percent of Resident Workforce with a Bachelor's Degree or Higher, 2000 to 2013
Figure 10	Change in Median Earnings for Occupational Groups in Industries with Largest Absolute Growth, 2000 to 2013
Figure 11	Projections of Employment Growth by Sector, % Change 2010 to 2050
Figure 12	Change in Percentage of Resident Workers in Management, Professional or Related Occupations, 2000 to 2008-2012
Figure 13	Total Housing Units Permitted and Built, 2000 to June 2015
Figure 14	Median Gross Rent to Income Ratio by HUD Income Limits, New York City, 2011
Figure 15	Change in Rent Burdened Households by NTA, 2000 to 2009-2012
Figure 16	Population in Subfamilies by Borough, 2010 and 2011-2013
Figure 17	Overcrowded Households by NTA, 2008-2012
Figure 18	Change in Median Household Income by PUMA, 2000 to 2008-2012
Figure 19	Change in Median Gross Rent by NTA, 2005-2009 to 2008-2012
Figure 20	Percent Increase in Units Permitted and Rent Increase of >\$75 Since 2010 by NTA
Figure 21	New Multifamily Residential Units by Tenure, 2010 to 2014
Figure 22	Distribution of New York City Households by HUD Income Limits, by Borough, 2008-2012
Figure 23.1	Distribution of Occupied Housing Units by HUD AMI Bands, PUMAs with High Concentrations of Extremely Low-Income Households, 2008-2012
Figure 23.2	Distribution of Occupied Housing Units by HUD AMI Bands, PUMAs with More Even Income Distribution, 2008-2012
Figure 23.3	Distribution of Occupied Housing Units by HUD AMI Bands, PUMAs with High Concentrations of Middle- and High-Income Households, 2008-2012
Figure 24	Family Poverty Rate by NTA, 2009-2013
Figure 25	Change in Total Households Earning less than 80% of the HUD Income Limits, 2000 to 2008-2012
Figure 26	Locations of Existing Inclusionary Housing Programs in New York City

Executive Summary

Executive Summary



New York City's Five Boroughs

The Statue of Liberty, the iconic symbol of freedom and opportunity, stands not in the nation's capital, but in New York Harbor, her torch held high as a beacon of light welcoming, in the words of Emma Lazarus, those “tired” “poor” and “huddled masses, yearning to breathe free.” Like no other place in the country, New York City is and has always been a land of opportunity – “the golden door” that opens to those in search of a better life, many fleeing persecution, unrest or poverty.

Equality of opportunity is at the core of American democracy and a rightful source of pride for New Yorkers. For many past and present New Yorkers, the city has provided the first chance at a better life, a point of entry for even better opportunities here and elsewhere. The constant migration of people into and out of the city pursuing chances to make a better life for themselves is the engine of its diversity and its dynamism, and testament to the resiliency of New York City and its residents.

There was a time when residents – many of whom had emigrated here from other nations – fled the city for growing suburban communities, where they saw opportunities for larger homes, safer neighborhoods, and the conveniences of an auto-oriented lifestyle. The resulting loss of population in the 1970s resulted in widespread abandonment and disinvestment in New York City. Left behind, however, were many poor and minority families who were excluded from the suburbs either by high housing and transportation costs or outright discrimination.

The city is a different place today. Population is growing and employment is at an all-time high. New York continues to attract immigrants from across the globe and more households are moving here from other parts of the country, eschewing the suburbs for a more urban lifestyle, in which they can enjoy access to jobs and services by transit or within walking distance of their homes. Yet it is the city's existing residents, many of whom to choose to stay in the city to raise their families, that continue to contribute most to the city's growth in population. As a result of these trends, many neighborhoods that were in decline in the 1970s and 1980s have seen substantial reinvestment, with rebounding population and improved access to shopping, services, and employment opportunities. These changes have bolstered the city's tax base, to allow for more spending on public services.

However, for many working and middle class families, new opportunities are limited by income inequality and high housing costs, particularly for existing residents who've chosen to stay in the

city even after having families. Although employment continues to grow, incomes have stagnated for the many lower skilled jobs that provide an important point of entry into the labor market for workers who migrate to New York. At the same time, the rising in-migration of more affluent, highly skilled professional workers attracted to high-paying jobs in growing industries is driving up demand for the city's limited housing supply, causing housing prices to rise for all New Yorkers.

On a citywide basis, rents have been rising faster than incomes, and the share of New Yorkers who qualify as “rent burdened” has been increasing. A commonly accepted definition of a “rent-burdened” household is one that pays more than 30 percent of its income on rent. A “severely rent-burdened household” pays more than half its income on rent. The number of rent-burdened households in New York City has risen 11 percent since 2000, to almost 55 percent of all renter households (City of New York, 2014).

Because of the technical requirements of dense development, scarcity of sites, cost of land, and high costs of materials and labor, producing new multifamily housing is expensive in New York City. This cost structure means that unsubsidized new construction occurs at housing prices that are accessible only to more affluent households. As a consequence, new housing cannot be created for lower-income New Yorkers through private investment alone. With growing demand for housing at all income levels, existing housing is not “filtering down” to become less expensive, but rather is “filtering up” to higher income households, including in many historically low- and moderate-income communities, particularly those adjacent to higher-income areas of high demand. As these trends continue, fewer neighborhoods provide a substantial supply of housing affordable to low- and moderate- income households. Evidence of this can be seen in data on vacancy rates, rent burden, overcrowding, income distribution at the neighborhood level, concentrations of poverty, informal housing, presence of subfamilies, and commuting patterns. These trends threaten the access that low- and moderate-income households have to many of city's neighborhoods. Consequently, lower income households may be compelled to settle in the least accessible and highest poverty parts of the city, or out of the city altogether, limiting their access to the opportunities New York City offers.

In contrast, maintaining neighborhood economic diversity – with a housing supply affordable to households at a variety of income levels across different neighborhoods – provides many families with greater access to the full range of opportunities available in the city's diverse neighborhoods. This includes employment, transit, parks, schools, social services, diverse retail, and the myriad of other social, economic, and cultural opportunities that exist in each of the city's neighborhoods.

Long-term population and employment projections show continued growth in the segments of the population and labor market that are driving current trends in housing demand, including continued increase in the number of households and workers at both higher and lower incomes. The current dynamics of the housing market, in which the supply of housing is expanding only for households at higher income levels, will not support the needs of future growth. Expanding the availability of housing for households at a range of income levels, in neighborhoods around the city, is crucial to ensuring that populations can move to the city to prosper from its opportunities and meet the labor force needs of employers at a range of locations. Absent changes that increase the supply of housing sufficiently to respond to the demands created by these population changes, the long-term consequence of these trends is that the city's neighborhoods will become less economically diverse, and the workforce needed to power the city's economy will be unable to find adequate housing.

Neighborhoods provide residents not only a location in which to live, but also a "package" of services and amenities that in many ways define the opportunities available to them. The qualities of neighborhoods can have profound implications for quality of life and economic well-being. The neighborhood where one lives affects the quality and diversity of choices and prices paid for housing, childcare, healthcare and transportation. It determines the choices parents have for their children's schools, households' access to certain social networks, and the time, convenience, and cost associated with traveling to work, to go shopping, or to visit family and friends. Neighborhoods also vary considerably in the degree to which they increase residents' exposure to crime or pollution, and provide access to public amenities such as parks and open space, community centers and libraries. Public investments support the quality of facilities, services and amenities in neighborhoods throughout the city. Promoting economically diverse neighborhoods, in which residents at a range of income levels have access to housing, is important to ensure that a diverse range of New Yorkers may enjoy access to quality facilities, services and amenities.

Increasing economically diverse housing opportunities in more neighborhoods can improve access to opportunity for many New Yorkers, enhancing equality. Indeed, much present-day federal housing policy is based on the premise that economic and racial diversity increases access to opportunity and mitigates many of the negative neighborhood effects associated with concentrated poverty. Creating more housing opportunities for households at a range of incomes also enhances the city's overall economic diversity, alleviating the effects of rent burden, overcrowding, and illegal housing and providing opportunities to attract and maintain a diverse workforce.

To maintain and encourage greater economic diversity, the City must produce new housing to accommodate growth while ensuring its ability to increase the supply of housing within neighborhoods that is affordable to households at a range of income levels. Given the many constraints on housing production, even an aggressive effort to increase overall capacity is unlikely to make a sufficient supply of housing available at a range of income levels, and would not encourage economic diversity at a neighborhood level. The City has long used a wide range of tools to create and preserve housing that is affordable to low- and moderate-income households, most significantly the use of City, State and Federal subsidies to support the creation and preservation of affordable housing on both publicly and privately controlled land. However, these tools have not been sufficient to promote economically diverse neighborhoods at locations throughout the city and in the wide range of housing market conditions that exist in various neighborhoods. A voluntary inclusionary housing program has provided a mechanism to create affordable housing on private sites, but has not provided assurances that affordable housing will be included in new developments in a wide range of neighborhood conditions.

Maintaining economically diverse neighborhoods and the availability of housing for New Yorkers at a range of income levels requires a multifaceted approach:

Citywide Zoning Text Amendment and Neighborhood Rezonings

- Support housing production to absorb growth in housing demand and reduce upward pressure on housing prices. Current initiatives include measures to remove zoning impediments to the creation of housing, including affordable housing, and neighborhood planning initiatives including zoning changes to promote the creation of new housing with supporting infrastructure and services.

Housing New York Strategies

- Use City, State and Federal resources to create and preserve affordable housing throughout the city. Housing New York, Mayor de Blasio's ten-year, five borough affordable housing strategy, outlines initiatives to build and preserve 200,000 units of affordable housing over a decade. City-supported affordable housing development can create affordable housing opportunities in a range of neighborhoods, and also provide a critical source of housing investment in communities where the private housing market is not creating new housing.

Mandatory Inclusionary Housing Policy

- Establish of a mandatory Inclusionary Housing program. The City should mandate affordable housing where land use actions promote new housing development, to ensure that new housing created within these neighborhoods serves households at a range of incomes below those that would be served by the market alone. Requirements for units to remain permanently affordable will ensure that these affordable units remain a resource for the community into the future, even as neighborhood economic conditions may change.

A financial feasibility assessment of potential parameters for a mandatory Inclusionary Housing program suggests that such a program can support housing production and promote neighborhood economic diversity for a range of building types and in a range of conditions. Such an approach should be consistent and predictable, yet provide sufficient flexibility to enable it to reach households at a range of low and moderate incomes and to make it feasible in a variety of market conditions. Where the marketplace does not support new housing creation without subsidy, the City should utilize subsidies to support the creation of new mixed-income housing.

Chapter 1: Citywide Housing and Population Trends

1 Citywide Housing and Population Trends

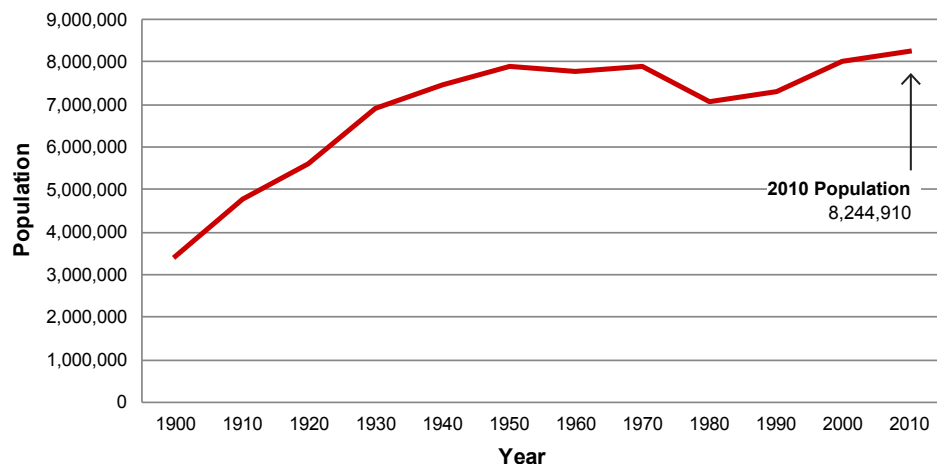
1.1 Population Growth and Migration Patterns

New York City's population has grown in almost every decade of its modern existence, since the consolidation of the boroughs in 1898 (see Figure 1). Since the city emerged from the 1970's fiscal crisis in the late 1970's, its population has grown by over one million persons to an estimated 8.4 million (New York City Department of City Planning, 2014), and it is still growing and projected to grow to 9 million by 2040, an increase of more than 9.5 percent over the 2010 population (New York City Department of City Planning, 2013). The continual upward momentum of the city's population has challenged housing planners for decades and does so today, as ambitious programs to add to the housing supply provide, at best, short-term relief to what is an ongoing critical shortage of housing units for rent.

Demographers view population growth as the sum of natural increase (births minus deaths) and net migration. Since natural increase, while fluctuating, is generally positive, the net level of migration is critical to whether the population grows or shrinks. Net migration is the sum of net domestic migration (the balance of flows within the U.S.) and net international migration (net exchanges with the rest of the world). In each decade between 1970 and 2010, net migration was negative, despite large inflows of immigrants, due to large domestic outflows. Figure 2 shows the components of population change in the city for each decade, from 1970 to 2011.¹

In recent decades, the city has been a net exporter of people through migration—people leaving the city for other parts of the country or the world exceed those entering to make the city their home. However, this net loss has generally been small enough to allow the population to grow through natural increase.

Figure 1
Change in New York City
Population Since 1900

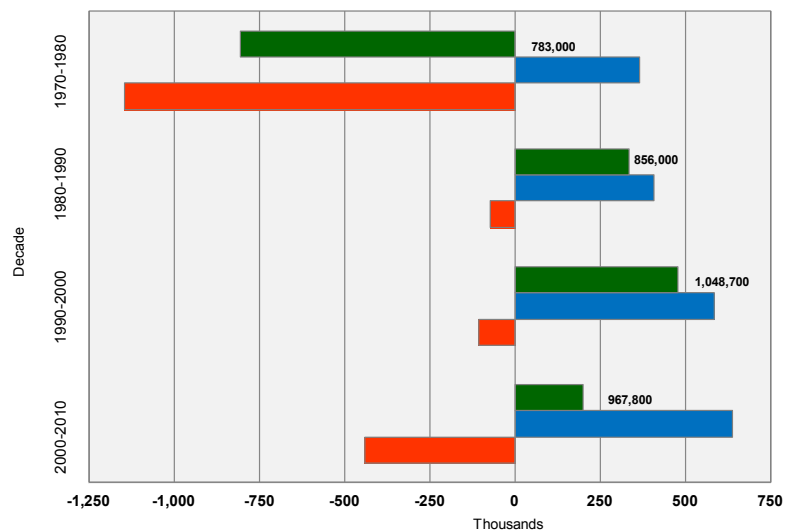


Source: Lobo, Arun Peter and Salvo, Joseph J. 2013. The Newest New Yorkers 2010: Characteristics of the City's Foreign-born Population. New York: Department of City Planning; <http://www.nyc.gov/html/dcp/pdf/census/nny2013/chapter2.pdf>

Figure 2
Estimated Components of Population Change in New York City by Decade, 1970-2010

■ Population Change
 ■ Natural Increase
 ■ Net Migration

Source: Adjusted U.S. Decennial Census data 1970-2010; New York City Department of Health and Mental Hygiene; United States Department of Homeland Security as revised by Population Division-New York City Department of City Planning



Much of the city's migration picture has been historically identified with the experience of persons who come to New York from other nations. After a period of declining foreign immigration, the enactment of the 1965 Immigration Amendments led to a rebound, fueled primarily by immigrants from non-European countries (Lobo and Salvo, 2013). By 2011 the city's foreign-born population numbered 3,066,599, an increase of over 113 percent since 1970. Equally important, foreign immigrants are concentrated in the child-bearing ages and foreign-born mothers account for 51 percent of the city's births.

The characteristics of domestic out-migrants also drive migration trends. The fact that New York City continues to be a net exporter of population to the 50 states is a defining part of its population dynamic. Many people come to the city, avail themselves of its opportunities, and then leave for a variety of reasons including childrearing, desire for the space afforded by a suburban or exurban home, a job change, and retirement.

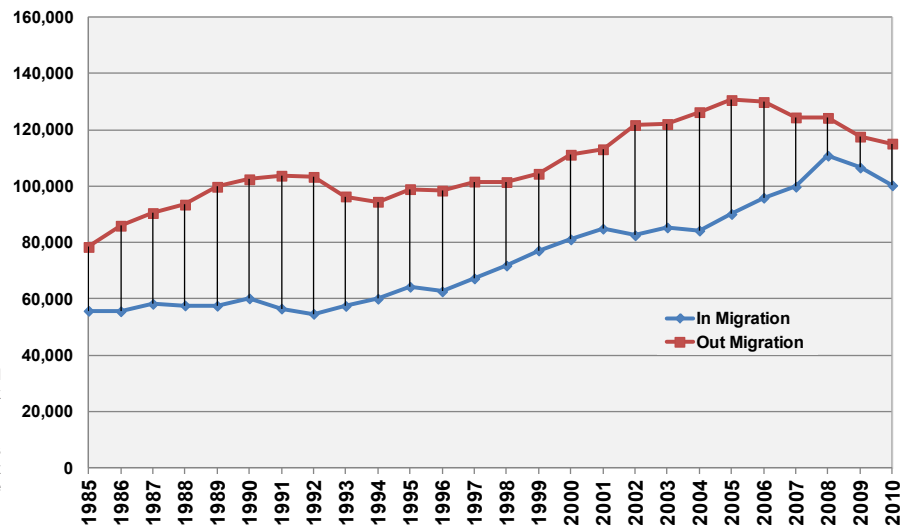
Starting around the middle of the last decade, a change in the historical pattern of population growth, depicted above, has emerged with several data sources pointing to a shift in the relative roles played by domestic and international migration. Changes of address on tax returns, a widely used source of information on domestic migration, show a consistent increase in the number of in-migrants from other parts of the nation and a reduction in domestic outflows from the city (Figure 3).² The convergence of these two flows, starting in 2007, represents a relatively new pattern of fewer people leaving for domestic destinations and more coming to the city from other parts of the U.S.; this has not been seen since the 1940s.

In addition, the 2011 American Community Survey (ACS) shows a decline in the entry of recent international migrants. Data on year of arrival in the U.S. for the foreign-born show that the number of foreign-born persons who arrived "in the previous year" declined by 25 percent between 2000 and 2011.³ Consequently, domestic migrants now constitute a much larger share of all in-migrants to

Figure 3
Migration Patterns for Persons
Filing Tax Returns in New York
City, 1985-2010

Source: Statistics of Income Division, Internal Revenue Service Population Division-New York City Department of City Planning

Migration data are based on year-to-year address changes reported on individual income tax returns filed with the IRS. Does not include the income tax returns filed by those living abroad.

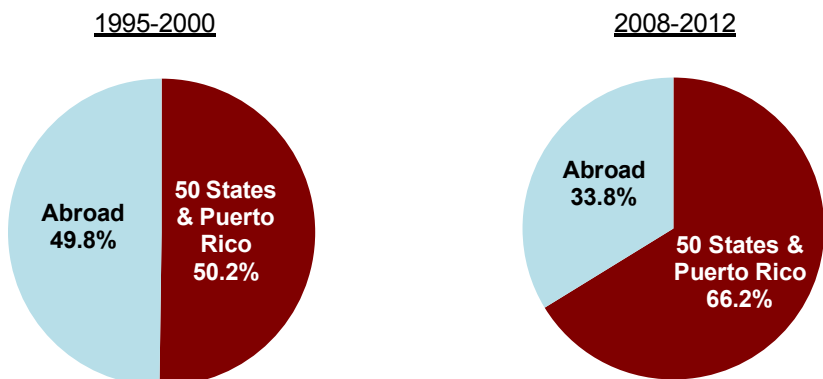


New York City. In 2000 domestic in-migrants were about one-half of all in-migrants, but they now constitute two-thirds of the total inflow.

All of this points to a newly evolving pattern of migration over the latter part of the past decade, which is reinforced in post-2010 data on components of change in the population. Figure 5 compares components of change for 2000-2010 and 2010-2013. Since a 10-year period is being examined alongside Census Bureau estimates for an approximately 3-year period, these components have been annualized to make them comparable. Annual net international migration in the post-2010 period dropped to 70,700, from 77,000 in the prior decade, and annual net domestic losses attenuated to 63,000, nearly one-half the level of the prior decade.⁴ The result was positive net migration—a net annual average inflow of 7,700 in the post-2010 period. While modest in magnitude, this net inflow represents a reversal of historical migration trends.

The increased role of domestic migration relative to international migration is important because it affects the attributes of migrants to the city. Seventy-five percent of domestic arrivals are native-born and most are English-speaking. Other effects of this shift are found in Table 1.⁵ In earlier periods, in-migrants had lower earnings and household income than their out-migrant counterparts. Data for 2007-2012 show a reversal of that pattern, with in-migrants

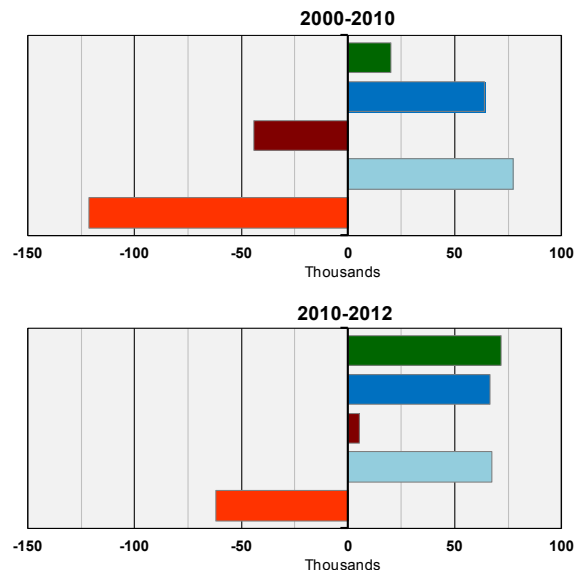
Figure 4
Changing Origins in In-Migrants
to New York City, 1995-2000 and
2008-2012



Source: : U.S. Census Bureau, 2000 Census; 2008-2012 American Community Survey-Public Use Microdata Sample Population Division-New York City Department of City Planning

Figure 5
Estimated Components of Population
Change Annualized in New York City

■ Population Change
■ Natural Increase
■ Net Migration
■ Net International Migration
■ Net Domestic Migration



Source: Adjusted U.S. Decennial Census data 2000-2010; New York City Department of Health and Mental Hygiene; United States Department of Homeland Security as revised by Population Division-New York City Department of City Planning

reporting higher household incomes compared with out-migrants. Moreover, differences in earnings and the poverty rate are no longer statistically significant. This turnaround is primarily a result of the increased share of domestic migrants in the migration stream coming to New York.

The earnings of domestic in-migrants were higher than those of all in-migrants in 2008-2012 – \$61,000 compared with \$50,639 (Lobo, 2013). Domestic in-migrants differ from out-migrants and the existing population in other important ways that affect demand for housing. Table 1 provides a profile comparing select demographic characteristics of individuals who recently moved to the city from another part of the country to the domestic out-migrants and all New York City residents. The vast majority (82 percent) of domestic in-migrants moving to the city were in their prime working years (ages 18 to 54), compared with 71 percent of out-migrants in the same age bracket. More than half (60 percent) of this group had at least a college degree, compared with 48 percent of domestic out-migrants and 34 percent of all New York City residents. Moreover, the majority (57 percent) of employed domestic in-migrants over

Table 1
Demographic Characteristics of
Domestic Migrant Population

	Domestic In-Migrants	Domestic Out-Migrants	Stayers
Total , Age 1 year or Over	166,148	253,090	7,837,731
% Age 18-54	82.8%	71.3%	55.2%
% NonFamily Household	67.8%	50.3%	39.1%
Population Age 16+ Employed in Management, Professional and Art Occupations	55,886	54,851	1,364,955
%Population Age 16+ Employed in Management, Professional and Art Occupations	57.7%	47.5%	37.4%
% College Grad or Higher	61.7%	48.2%	33.2%
Median Household Income	\$62,000	\$50,639	\$50,000
Average Household Size	2.17	2.61	2.63

Source: U.S. Census Bureau, 2008-2012 American Community Survey-Public Use Microdata Sample; DCP Population Division

the age of 16 worked in professional, managerial or arts occupations, notably more than the 48 percent of domestic out-migrants in the same occupations. In fact, the absolute number of professional and managerial workers migrating to New York exceeded the number of professional and managerial workers leaving New York City for other parts of the country, even though there was net domestic out-migration.

The characteristics of the large and growing population of more affluent domestic in-migrants has significant implications for housing demand and the economic diversity of New York City's neighborhoods. These households – dominated by working, college educated nonfamily professionals – have a smaller average household size and a desire for larger homes than the population of domestic out-migrants that they are replacing, all of which places additional pressure on the existing supply of housing. Notwithstanding the effect of the recent financial crisis and Great Recession on housing production, recent trends in New York City have generally moved in the direction of increasing demand (and price) for housing that is disproportionately higher than the increase in population. Mortgage rates have been at or near all-time lows for several years, dramatic appreciation of housing prices has occurred in many parts of the city and both the incomes and population of wealthier professionals has been increasing. As households become wealthier they want more space per person, have fewer children per family and are less likely to live in multigenerational households or with roommates or boarders. All these factors drive down average household size and increase the number of households, creating even greater demand for housing (Dornbusch, Fisher, et al., 1998).

Notably, many existing households have lower incomes relative to the growing domestic in-migrant population. As shown above in Table 2, compared with the typical domestic in-migrants, the typical “stayer” between 2008 and 2012 earned \$12,000 less, had 0.50 more persons per household, and had a college attainment rate of only 33 percent, just half that of the typical domestic in-migrant. Consequently, housing cost burdens are likely experienced most acutely by existing lower-income residents, many of which have chosen to stay in the city to raise families despite increasingly fewer suitable housing opportunities in the city's highly constrained market.

1.2 Economic Opportunity and Employment Growth

Economic opportunity plays a strong role in affecting population trends and housing demand, as households often migrate to locations with employment opportunity. Recent employment and labor market trends both support and help to explain the continued growth in total population and the more recent shift in migration patterns toward a net increase of often higher income domestic in-migrants. In particular, the shift in the balance between in- and out-migration has occurred as the city's economy has rebounded from the national recession that began at the end of 2007. Despite the recent financial crisis, New York City's economy is thriving. Since end of the recession

in 2009, the city has gained over 442,000 private sector jobs, and annual average employment in New York City was over 4.2 million in 2014, an all-time high. Over 113,000 private sector jobs were added in 2014 alone.

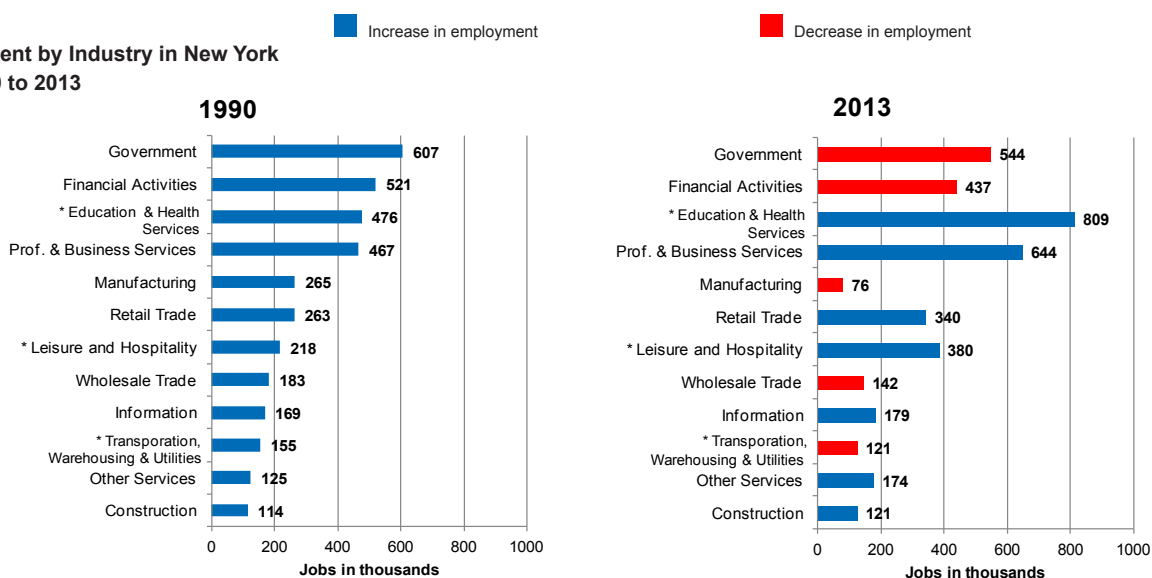
This employment growth, however, has not been evenly distributed across industry sectors, revealing structural shifts that are diversifying the city's economy. Jobs within the government and financial services sectors, traditional large and relatively stable sectors of the city's economy, accounted for almost one-third of all employment in New York City in 1990, compared with 25 percent in 2013 (Figure 6). Large gains in employment within the education and health services and professional and business services industries, which gained over 330,000 and 175,000 jobs respectively between 1990 and 2013, made those sectors the city's largest employers. Employment within the retail trade and leisure and hospitality sectors also saw large job gains since 1990, reflecting the city's improving economy, population growth and increased tourism.

While commuters as well as residents benefit from the city's employment growth, data from the American Community Survey and 2000 Census show strong growth in employment among resident workers in almost every sector between 2000 and 2013 (Figure 7). Five sectors experienced job gains of over 50,000 workers in this period: health care and social assistance; accommodation and food services; professional, scientific and technical services; educational services; and construction. Resident workers within high paying financial services and information sectors, as well as jobs within manufacturing declined.

The occupational distribution of resident workers in New York City

Figure 6

Employment by Industry in New York City, 1990 to 2013



Source: NYS Department of Labor, Historical Current Employment Statistics, Avg. Annual Employment 1990-2013 HEIP Division-New York City Department of City Planning

Naming convention explanation: All data are used on the 2-digit North American Industry Classification System (NAICS) 2012.

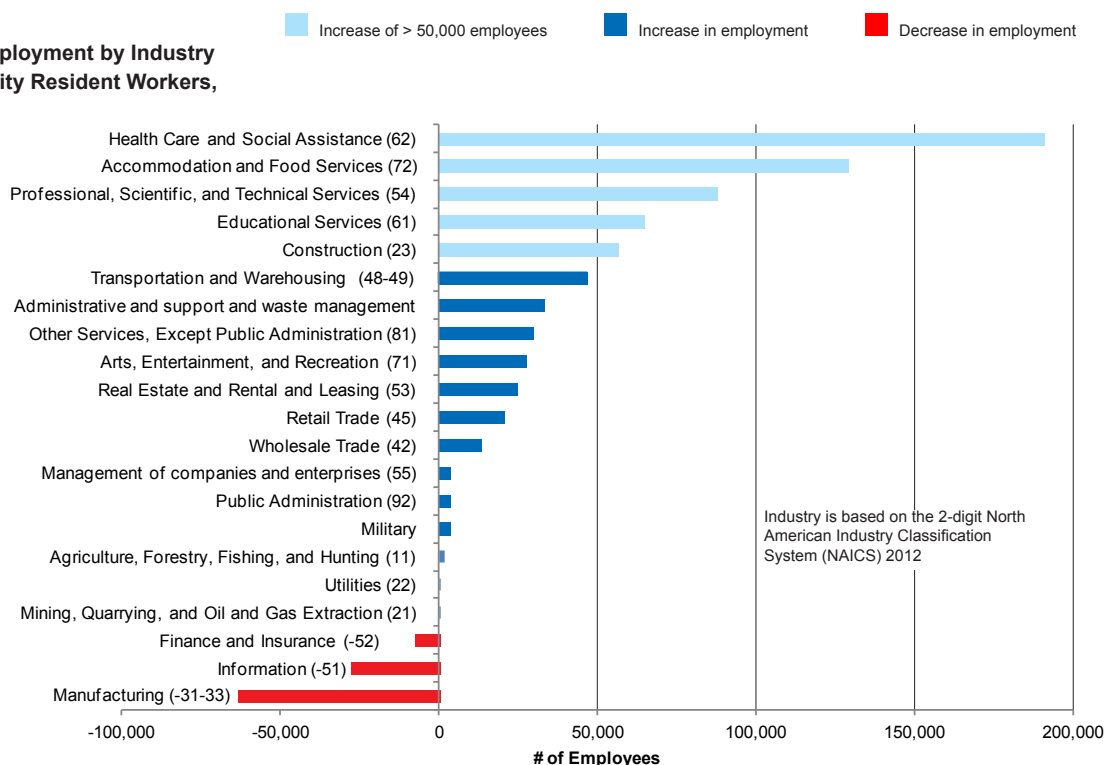
* The naming convention for the following industries includes more than one NAICS sector (the highest level of NAICS classification): Education and Health Services = Educational Services (61) and Health Care and Social Assistance (62); Leisure and Hospitality = Arts, Entertainment, and Recreation (71) and Accommodation and Food Services (72); Transportation, Warehousing, & Utilities = Transportation and Warehousing (48-49) and Utilities (22)

in all industries, however, has changed little since 2000. Slightly more than one-third of residents worked in traditional white-collar jobs in management, professional and related occupations; approximately half worked in sales, office or service occupations; and the remaining approximately 15 percent identified themselves as working in traditional blue-collar jobs in construction, extraction and maintenance or production, transportation and materials moving occupations. However, because there are many more workers in certain industries, the absolute numbers of resident workers in both lower-paying service occupations and in well-paid management and professional occupations have increased substantially (see Figure 8). Management and professional occupations, and service occupations, each grew by more than 300,000.

Although many of the city's largest growth industries remain dominated by lower-skilled occupations, all appear to be attracting workers with more education. The number of workers with a Bachelor's degree or higher increased in all of the largest growth sectors between 2000 and 2013 (see Figure 9), as well as across all industries. As shown in Figure 8 below, these industries are dominated by occupations that have not traditionally required high levels of education, indicating either that lower-skilled jobs require workers to have more education than in the past, or that in difficult economic times a college education alone does not necessarily qualify a worker for a management or professional job.

A more educated labor force should increase the earnings potential of workers, as well as benefit the city, by making the labor market more competitive for employers that seek highly skilled workers.

Figure 7
Change in Employment by Industry
of New York City Resident Workers,
2000-2013

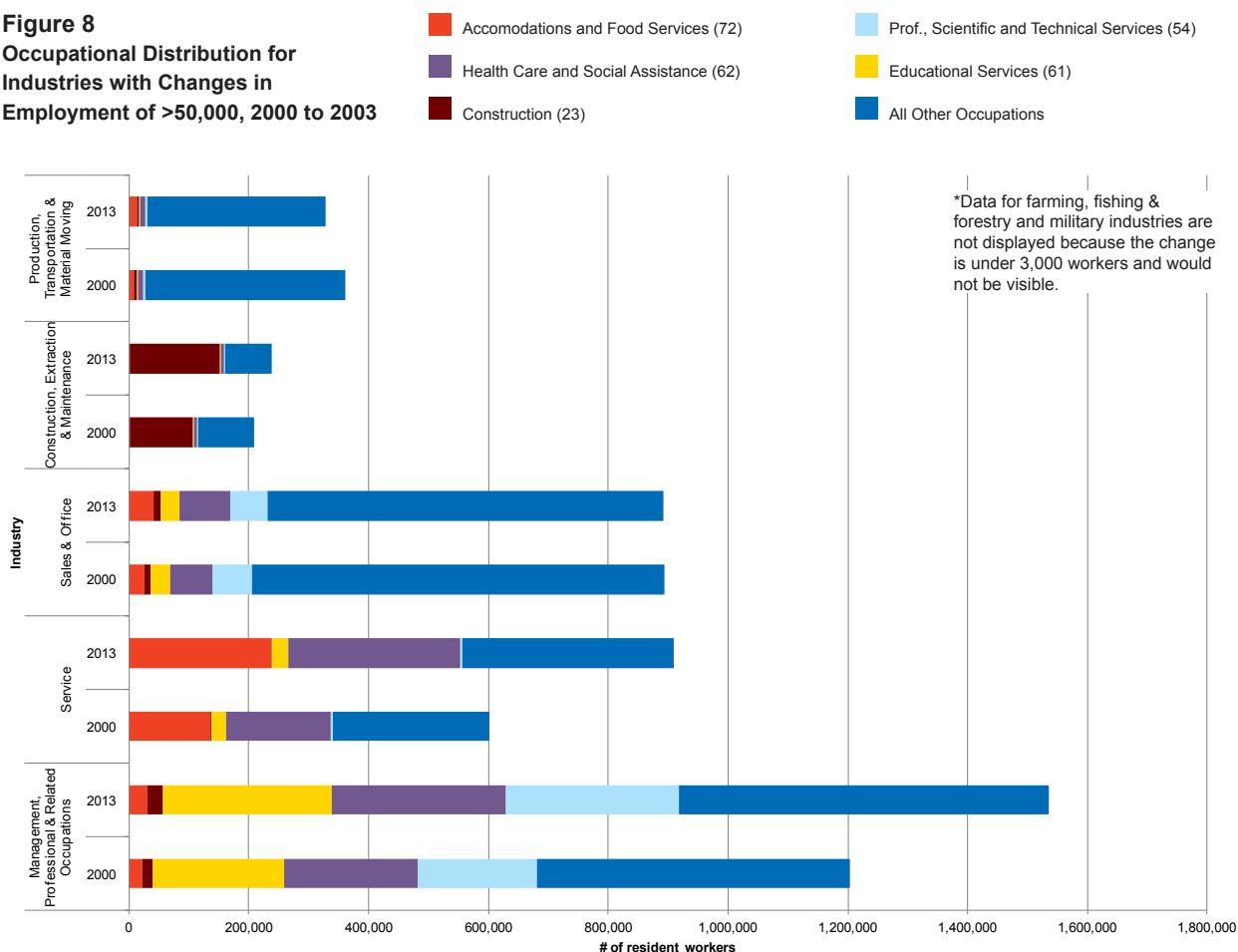


Source: NYS Department of Labor, Historical Current Employment Statistics, Avg. Annual Employment 1990-2013 HEIP Division-New York City Department of City Planning

However, workers in many of the largest growth industries, with the exception of managers and professionals, have in many cases not benefited from rising wages despite higher overall levels of education. A comparison of the 2000 to 2013 change in inflation-adjusted earnings by occupation (Figure 10) for the major growth industries shows that increased earnings were not evenly distributed among occupations. Workers in all occupations within professional, scientific and technical services and within management occupations across all of the growth sectors experienced an increase in earnings in this period. With the exception of workers in production, transportation and materials moving occupations, however, lower skilled workers did not fare as well. Earnings declined for all non-management or non-professional occupations in every sector except professional, business and education services. Despite strong demand for jobs at all ends of the occupational spectrum and overall higher levels of educational attainment, the earnings of the lowest earners have not risen.

Post-recession job growth has resulted in unevenly distributed earnings growth for workers in the city consistent with the national trend toward rising income inequality. Nationally, gains in earnings between 2010 and 2013 were concentrated among households within the top 1 percent of the income distribution while families at the

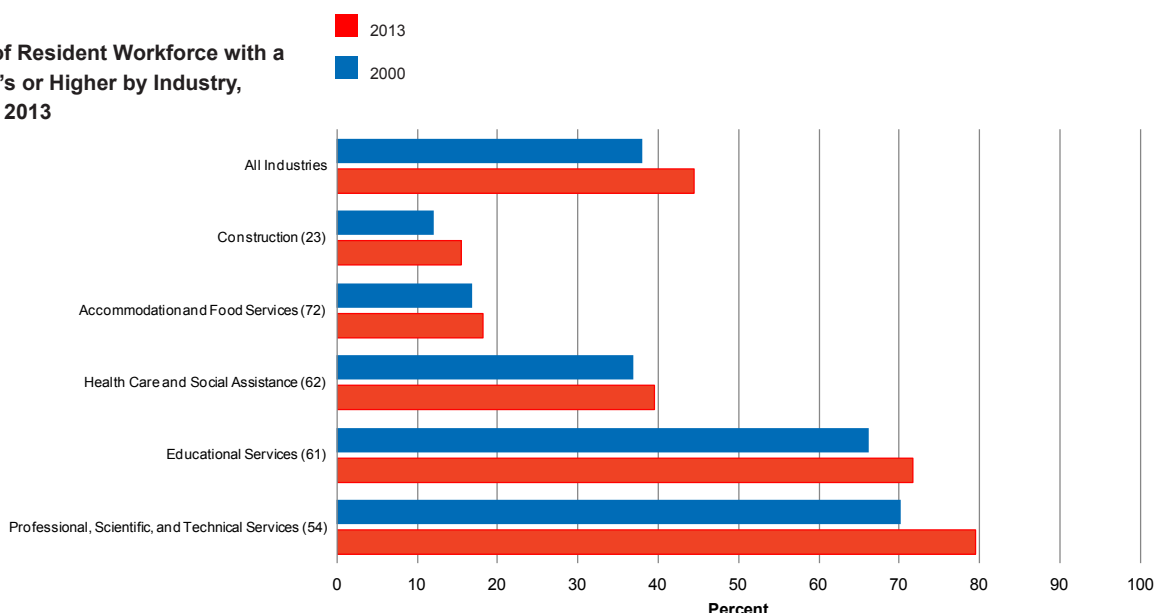
Figure 8
Occupational Distribution for
Industries with Changes in
Employment of >50,000, 2000 to 2013



Source: U.S. Census Bureau, 2000 Census 5%-Public Use Microdata Sample; U.S. Census Bureau, 2013 American Community Survey-Public Use Microdata Sample

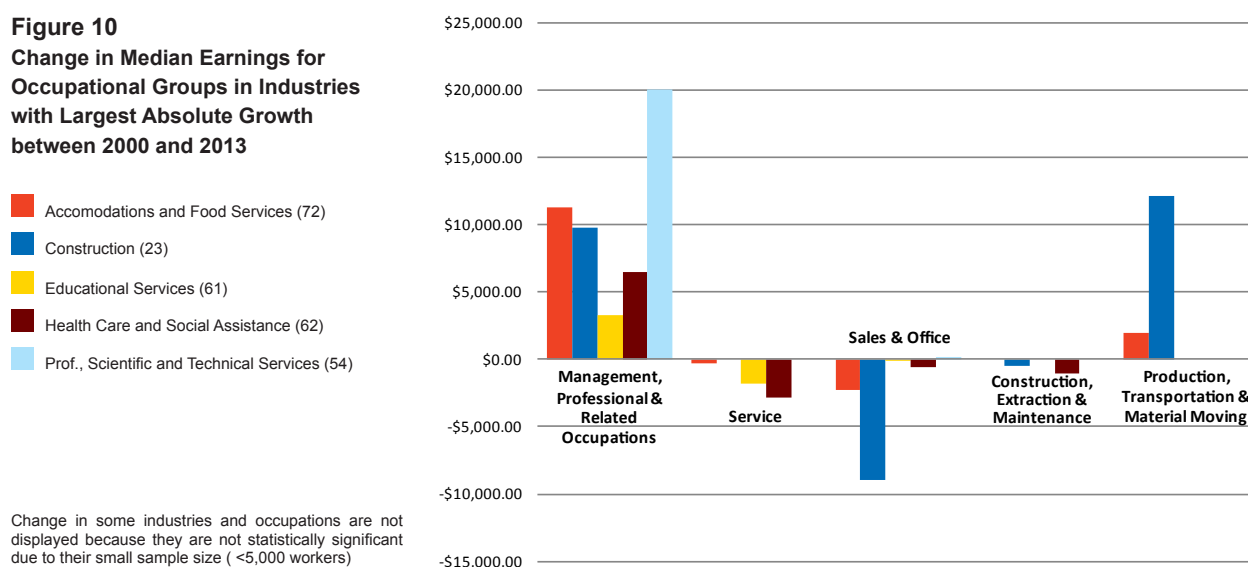
bottom of the income distribution saw continued substantial declines in net worth and income (Bricker et al., 2014). The rising earnings of management and professional workers, who are increasingly attracted to productive cities like New York, contrast with low-skilled workers who are seeing real incomes decline. These different segments of the labor market are growing and placing additional pressures on the housing stock, contributing to rising housing prices. The consequence of these trends at the local level (explained in further detail below) is that highly-skilled workers are able to outbid low-skilled workers for limited housing supply, particularly in neighborhoods with better access to employment centers, high quality schools and amenities (Guerrieri, Hartley and Hurst, 2010). This contributes to a lack of housing opportunities affordable to

Figure 9
Percent of Resident Workforce with a Bachelor's or Higher by Industry, 2000 and 2013



Source: U.S. Census Bureau, 2000 Census 5%-Public Use Microdata Sample; U.S. Census Bureau, 2013 American Community Survey-Public Use Microdata Sample

Figure 10
Change in Median Earnings for Occupational Groups in Industries with Largest Absolute Growth between 2000 and 2013



Change in some industries and occupations are not displayed because they are not statistically significant due to their small sample size (<5,000 workers)

Source: U.S. Census Bureau, 2000 Census 5%-Public Use Microdata Sample; U.S. Census Bureau, 2013 American Community Survey-Public Use Microdata Sample

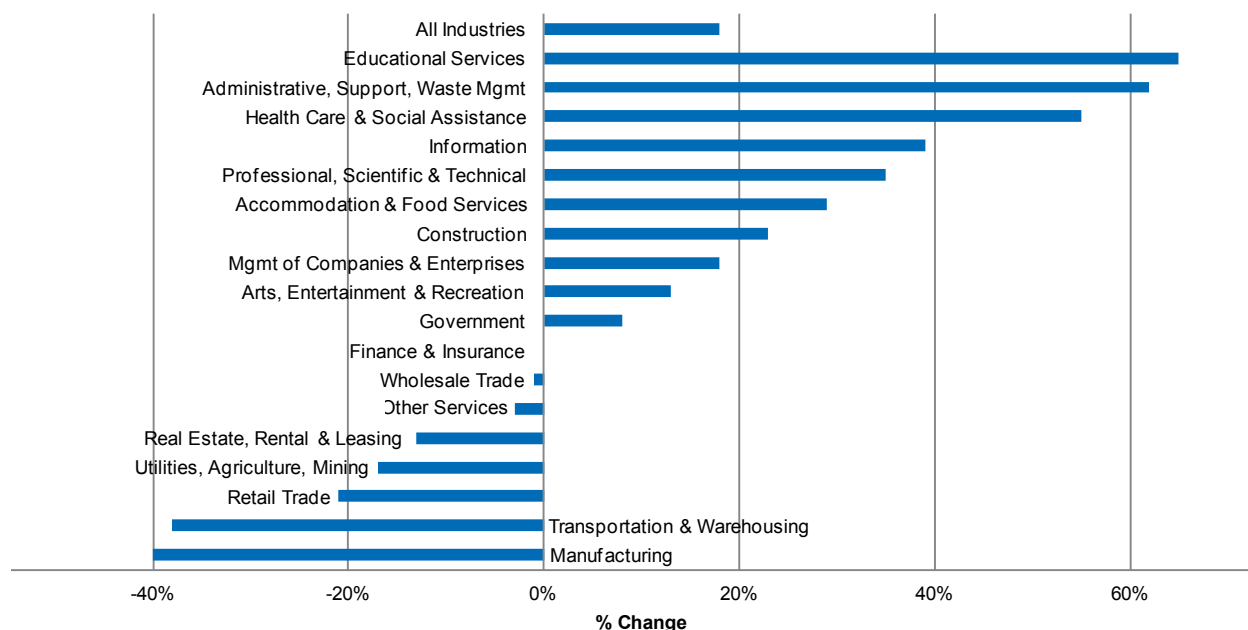
lower-income households in these neighborhoods of opportunity.

The labor market trends driving housing demand are expected to continue into the foreseeable future. Recently released draft long-term population and employment projections from the New York Metropolitan Transportation Council estimate that New York City will add over 830,000 net new jobs by 2050 (New York Metropolitan Transportation Council, 2014), with continued growth in many of the same sectors that are driving current trends, and continued growth in the number of workers at lower as well as higher wages.

However, high housing costs in places like New York may limit future economic growth as workers choose to move to jurisdictions with lower wages and lower housing costs. A 2014 Urban Institute study compared fast-growth metropolitan areas on five indicators of economic opportunity – growth (as measured by population growth and economic resilience), job quality, rent burden, diversity and access to opportunity (as measured by black-white segregation, poverty, inequality and economic mobility). The analysis found that over half of the national job growth occurred in metropolitan areas with characteristics similar to Houston, which had low housing costs, high economic resilience and a young population (Pendall and Turner, 2014).

Job growth occurred at a slower rate within the “New York cluster,” which included not only the New York metropolitan area but also those of Los Angeles, Miami, Boston, Washington, San Francisco and San Diego. While these metropolitan areas have many of the elements indicative of strong economic opportunity that should attract workers and employers – a diverse and highly educated workforce and high economic mobility – these places all have very high rent burden

Figure 11
Projections of Employment Growth by
Sector, % Change 2010-2050



Source: New York Metropolitan Transportation Council, Draft 2050 Socio-Economic and Demographic Forecasts, December 2014 ; Prepared by DCP Population/HEIP Divisions

levels. Housing costs are likely playing a role in the decision by a disproportionately high number of workers who to move to “Houston cluster” metropolitan areas, since these places have comparatively low wage growth and economic mobility.

1.3 Regional Housing and Labor Market Trends

The markets for both labor and housing do not end at New York City’s borders, but extend into the metropolitan region. Despite recent trends of more young adults moving to central cities (discussed in further detail below), the suburbs remain an important source of housing for workers in the region. While the vast majority of New York City workers also live within the five boroughs (79 percent), over 912,500 workers lived outside the City, most within the tri-state area, according to data on commuting patterns of New York City workers from the 2006-2010 ACS. At the same time, some New Yorkers continue to commute to jobs outside of the city. The number of New York City residents reporting a workplace outside of the five boroughs rose by 13.2 percent between 2000 and 2010 to almost 325,000, roughly in line with the 14 percent increase in total resident workers (Table 2). Although the number of New Yorkers commuting beyond the 31-county region remains a very small proportion of total resident worker population (about 1 percent), this population increased by 41 percent to over 24,000 workers. These trends are an indication that the city remains an important source of housing for the region’s workforce, many of whom may be aided by advances in technology that allow for telecommuting.

Absolute suburban job growth cannot explain the rise in reverse commuting. An analysis of aggregated county-level Bureau of Labor Statistics data from the Quarterly Census of Employment and Wages (see Table 3) shows flat employment growth in the metro area counties outside of New York City and significant declines in manufacturing, construction, financial services and information sectors.

During the same period, total private employment in New York City grew by more than 14 percent and experienced declines in only manufacturing and unclassified employment, an indication that New York City remains the region’s economic engine.

A number of factors are likely at play in the rise in reverse commuting, from the changing preferences of young professionals to

Table 2
New York City Resident Workers by
Place of Work

Universe: Persons 16 years and over, employed during the week prior to enumeration (excluding those on paid sick or vacation leave)

Source: U.S. Census Bureau CTPP 2000 and CTPP 2006-10; NYCDP Population and HEIP Divisions

	2000	2006-10	% Change
NYC Resident Workers	3,192,070	3,638,419	14.0%
NYC	2,905,262	3,313,725	14.1%
Out-Commuters	286,808	324,694	13.2%
Working outside NYC but inside 31-county NYMTC region	269,684	300,499	11.4%
Working outside 31-county NYMTC region	17,124	24,195	41.3%

choose residence in the city over the suburbs, telecommuting, dual income households, housing costs, and supply of rental housing. A lack of available housing in the region is also driving the trend. Recent findings from the Fair Housing and Equity Assessment for the New York- Connecticut Metropolitan region found “a significant gap between the amount and type of housing that the region is producing and the need for housing across a broad range of incomes” (New York-Connecticut Sustainable Communities Consortium, 2014). The trend is most pronounced in the availability of multifamily housing in the region. Multi-family development creates a wider range of opportunities than does single-family development for both rental and home-ownership housing at different price points, providing more households with greater access to communities with good schools, better housing, more services or employment opportunities. Although northern New Jersey and southwest Connecticut have been producing more multi-family homes in recent years, multifamily housing production has fallen short in Westchester and Long Island, and single-family homes continue to account for most of the new housing production in the New York and Connecticut suburbs. The suburbs, by and large, have not been producing enough affordable housing or housing accessible to their low-paid labor force, which is increasingly forced to seek housing in the city (Regional Plan Association, 2013).

1.4 Urban Amenities and the Return to the City

The growth in reverse commuting may also be attributable to the increase in the number of households who choose to live in the city not because they are priced out of the suburbs, but because they want to be here. Cities like New York that provide certain amenities – entertainment, nightlife, shopping, good transit, attractive surroundings and cultural institutions – entice more affluent households who prefer to live in close proximity not only to their jobs, but to amenities as well. The rise of the “consumer city,”

Table 3
Percent Change in Average Annual
Employment by Major Industry
Sectors, 2004-2013

Source: Bureau of Labor Statistics Data Series, Quarterly Census of Employment and Wages, Accessed on Oct. 24, 2014

*The Metropolitan Area includes the Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, Ulster and Westchester Counties in New York State; Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union and Warren Counties in New Jersey State; and Fairfield, Litchfield, and New Haven Counties in Connecticut State.

Industry	New York City	Rest of Metro Area*
Total, all industries	14.3%	0.3%
Goods-producing	-15.1%	-19.8%
Service-providing	16.8%	4.0%
Leisure and hospitality	44.2%	18.1%
Education and health services	20.9%	18.9%
Other services	19.1%	8.1%
Professional and business services	18.6%	6.4%
Trade, transportation, and utilities	12.5%	-3.9%
Information	9.3%	-24.7%
Natural resources and mining	9.1%	-5.0%
Construction	8.9%	-9.9%
Financial activities	0.5%	-10.7%
Unclassified	-21.1%	-38.2%
Manufacturing	-37.6%	-25.7%

a term popularized by Harvard economist Edward Glaeser (Glaeser, Kolko and Saiz, 2001), has important implications for the cost of housing. The consequence is robust growth in housing demand from a segment of the housing and labor market that is willing and able to pay a higher price to live in the city than other growing segments of the labor market.

An analysis of ACS and Census data on the change in the share of professional households by neighborhood between 2000 and 2012 shows the movement of this group from outside its traditional base in the core of Manhattan to more economically diverse neighborhoods in northern Manhattan, Downtown Brooklyn, the Greenpoint-Williamsburg area and western Queens. As shown in the map in Figure 12, most of these neighborhoods could be described as areas with good transit near employment centers; low crime; diverse local retail and services; access to open space; attractive, new or well-maintained housing; good views; and an appealing streetscape. These trends support recent research that argues that housing “demand shocks,” caused by such factors as population growth, labor market changes and demographic shifts, cause prices to rise most significantly in lower income neighborhoods that abut wealthier, high amenity areas as households priced out of more desirable neighborhoods select the most affordable, nearby alternative (Guerreri, Hartley and Hurst et al, 2010).

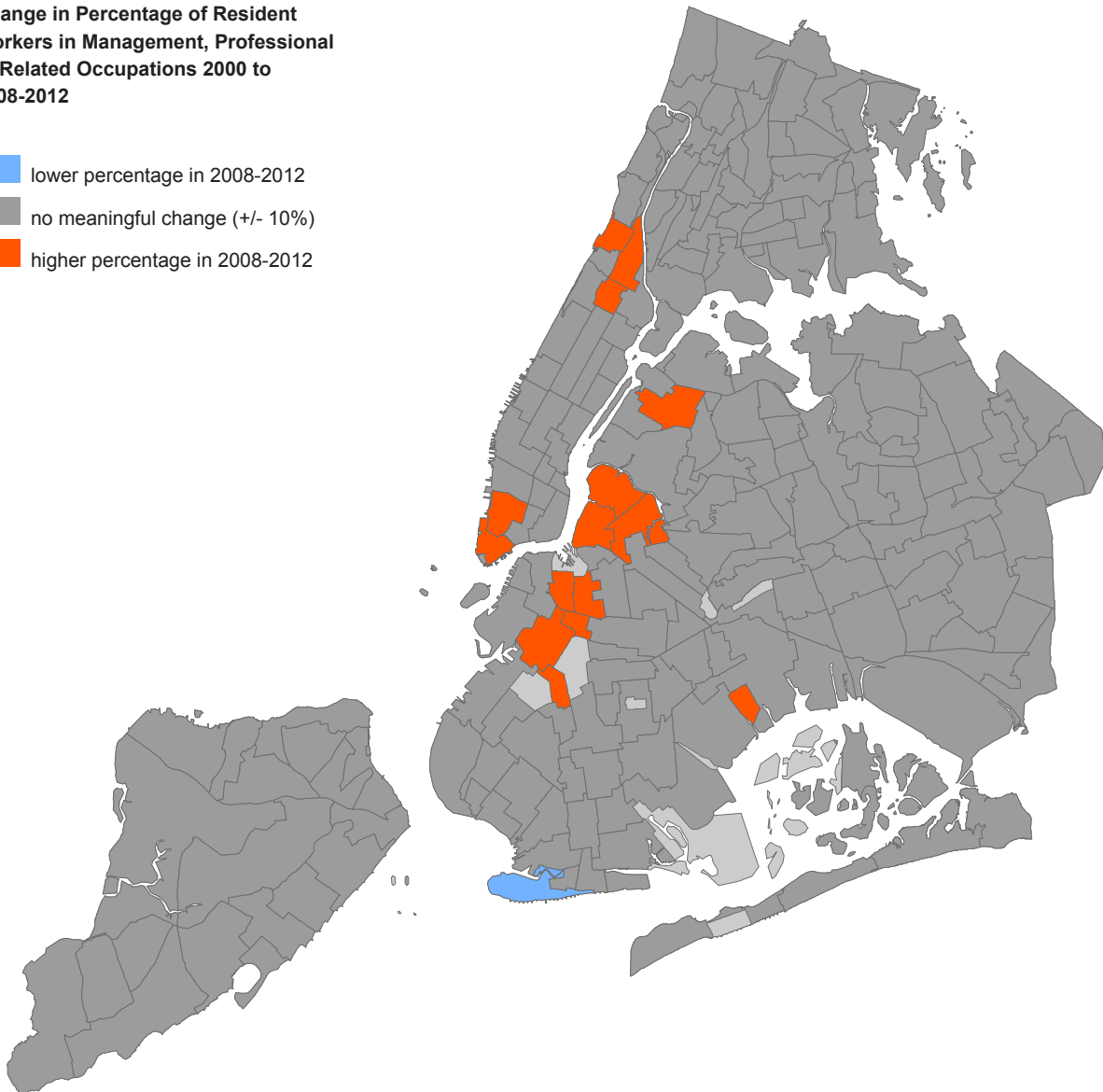
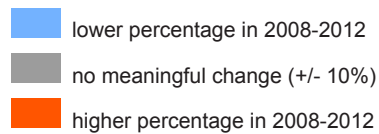
The “consumer city” phenomenon is driving up housing demand not only from managerial and professional domestic in-migrants, but also from investors and owners of second homes who are purchasing housing in a select universe of global “superstar” cities like New York, London, Paris or San Francisco. The relative inelasticity of housing supply has resulted in disproportionately high price appreciation, making housing appealing to both investors and wealthy households that prefer city amenities (Gyourko, Mayer and Sinai, 2006). The significant rise in the number of New York City apartments owned as second homes provides some evidence of this phenomenon. Between 2008 and 2011, the number of unavailable vacant housing units recorded as “held for occasional, seasonal or recreational use” increased by 73 percent to almost 65,000 units, according to the New York City Housing and Vacancy Survey, a figure that suggests that New York City real estate continues to appeal to foreign and domestic investors.⁶

In summary, several demographic and economic trends have converged in recent years, all of which contribute to the demand for housing as a consumption good and as an investment. Population growth, increasing net domestic in-migration, the rising wealth of professional and managerial workers, robust job growth, consumer preference shifts in favor of urban amenities, investor preferences, increased demand for services and the labor to supply them, and constraints on the regional supply of housing have all had the net effect of increasing upward pressure on prices within the housing market in New York City.

1.5 Trends in Housing Production

Like all consumer goods, the amount of housing supplied generally grows or shrinks in response to demand, and prices rise or drop based on the relationship of the demand for housing to its supply. Changes to housing supply, however, differ from other goods in important ways. As a general rule, the rate of investment in housing – i.e. the construction of new housing – declines when interest rates rise and when recessions occur, limiting the supply response to demand shifts. While not permanent, housing has a very long life relative to many other assets. In addition, housing production is time-consuming, and new construction represents a small proportion of total supply. Therefore the supply of housing can be seen, at any given time, as fixed since it cannot be changed quickly in response to changes in demand. In the longer term, however, the supply of

Figure 12
Change in Percentage of Resident
Workers in Management, Professional
or Related Occupations 2000 to
2008-2012



Source: 2000 Census (Tables P050050 and P050003); 2008-2012 5-year ACS Occupation tables normalized to 2010 NTA boundaries by the NYC Dept of City Planning

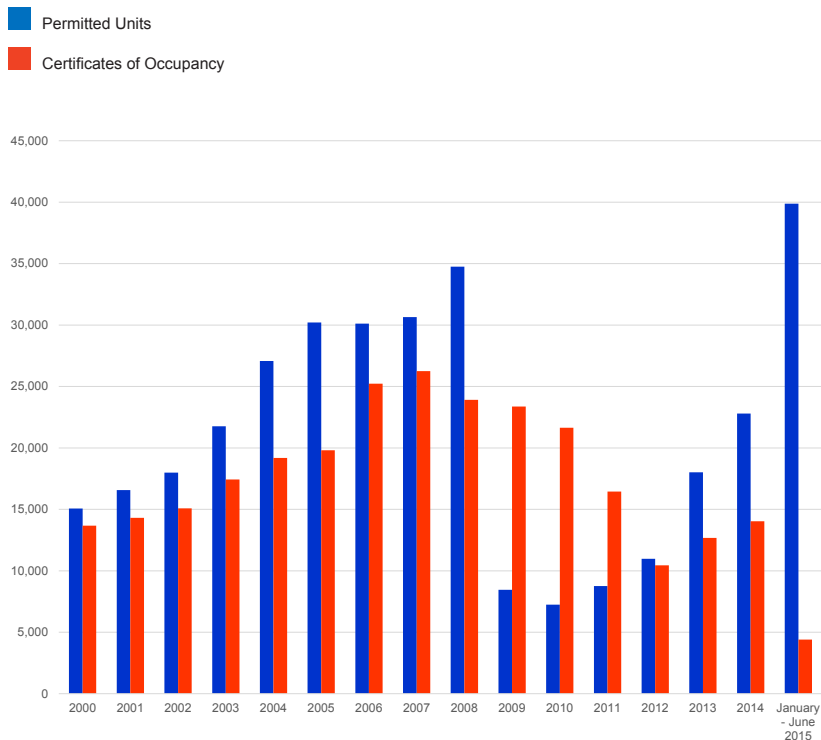
housing, like the supply of most goods, is responsive to its price: the higher the price, the greater the additions to the supply (Dornbusch, Fisher and Startz, 1998).

The factors that affect demand for housing, however, are highly varied. As wealthier households consume more housing (the wealthier the household, the larger and more numerous the housing units they consume) and thereby increase demand for housing, the better net returns on owning housing compare to the real return for other assets, such as stocks and bonds. Population growth affects these trends indirectly, insofar as expectations of future returns are affected by the inability of supply to expand rapidly to meet growing demand. In a simplified model, over the long run, construction should occur at a relatively consistent rate to meet steady demand growth and bring the market to equilibrium (when supply meets demand). However, given that economic change and financial conditions are unpredictable and inconsistent, such theoretical equilibrium is probably not achievable in high-demand, land-constrained cities like New York (Dornbusch, Fisher and Startz, 1998).

Unlike the elastic supply of many assembly-line products such as clothing or electronics, which can be adjusted relatively quickly in response to shifts in demand and consumer preferences, the response of the housing supply to changes in demand is slow. Regulations that limit the amount of housing that can be built, add to the costs of construction, or create discretionary review, such as restrictive zoning, code requirements, and environmental review, also contribute to the inelasticity of the housing supply. Thus changes in housing demand are often reflected in more expensive housing, not added supply. Increases in productivity then can result in higher paid workers and more expensive homes, rather than greater population growth (Glaeser, Gyourko and Saks, 2005). New York City's physical and economic environment presents additional constraints on new supply. Although New York City's high density zoning and largely as-of-right development process do provide opportunities for new multifamily housing, high construction and labor costs, constrained geography, limited site availability and high process costs limit the market's ability to respond quickly to surges in demand for housing.

The new demand from the city's growing population, accompanied by increases in housing prices, has driven up new housing production in New York City since the mid-1990s. Regional housing production shifted markedly toward New York City in the 2000s, and by 2004 the number of housing units developed annually in the city outpaced production in Northern New Jersey and the New York-Connecticut suburbs (New York-Connecticut Sustainable Communities Consortium, 2014). Although new housing permits plummeted after the 2008 financial crisis, which temporarily shut down lending for new housing construction, housing production began to recover in response to resumed economic growth, but not at the levels seen before the financial crisis. New housing units authorized peaked at nearly 35,000 units in 2008, but that number fell dramatically in 2009, and only began to recover in 2011. The number of units

Figure 13
Total Housing Units Permitted and
Built, 2000-June 2015



Source: New York City Department of Buildings;
 NYCDOP HEIP Division

nearly 18,000 units, and to just below 23,000 in 2014. New units permitted in the first half of 2015, however, reached almost 40,000, driven mostly by strong demand and developer interest in vesting under current rules for obtaining a tax exemption pursuant to Section 421-a of the Real Property Tax Law. However, given the scale of the demand and the lag time between permitting and construction, these new units are not likely to alleviate the housing crunch. As shown by the following indicators, recent levels of housing production have not been adequate to offset forces making housing less affordable to most New Yorkers.

1.6 Indicators of Constrained Supply

There are several indicators that the supply remains highly constrained and that production has been insufficient to meet demand from all segments of the market. The citywide rental vacancy rate was 3.45 percent in 2011 (the most recent year for which that data is available), which is far lower than the nationwide vacancy rate, which averaged 7 percent between 2009 and 2013 according to the most recent American Community Survey. The vacancy rate for rent-stabilized units in New York City was just over 2 percent (Gaumer, 2015).

When supply fails to keep pace with demand, prices rise. For the median New York City renter, rents have been rising faster than incomes. The consequence of these trends in housing supply and demand and stagnating incomes is rising rent burdens for a significant number of New Yorkers. A commonly accepted definition of a “rent-burdened” household is one that pays more than 30 percent of its income on rent. A “severely rent-burdened household”

would be paying more than half of its income on rent. As described in *Housing New York*, Mayor Bill de Blasio’s 10-year affordable housing plan, the number of rent-burdened households in New York City has risen 11 percent since 2000, to almost 55 percent of all renter households (City of New York, 2014).

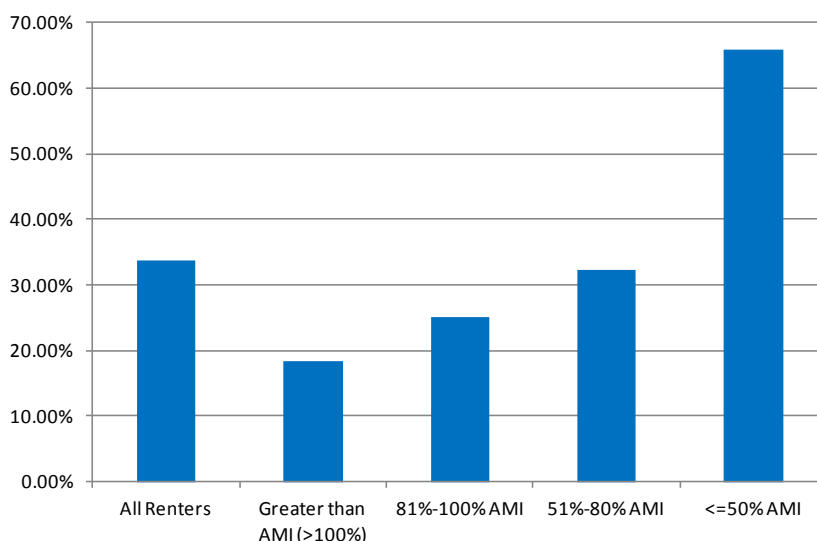
An analysis of rent burden by income band reveals that households at all incomes face high housing costs relative to income; however, it is the very low-income households that face the highest burden. (See Figure 14).

A neighborhood-level analysis of the number of households paying more than 35 percent of income on rent from the 2000 Census and 2009-2012 American Community Survey shows a widely dispersed pattern of increases in the number of rent-burdened households. Although the increase is most acute in high poverty areas in central Brooklyn and the South Bronx and in neighborhoods in western Queens, many of the city’s neighborhoods in all five boroughs have experienced rising rent burden. The neighborhoods with decreases or insignificant change in the number of rent-burdened households include mostly more affluent, lower density communities with higher rates of homeownership, such as eastern Queens, southern Brooklyn, most of Staten Island and Riverdale in the Bronx, as well as higher density, affluent Manhattan neighborhoods with relatively high homeownership, such as the Upper East Side and Tribeca. Neighborhoods with large concentrations of public housing – such as Red Hook and Coney Island in Brooklyn – also show little change in rent burden since the rents of public housing residents cannot exceed 30 percent of income (Figure 15).

The presence of subfamilies⁷ is another indicator of a housing supply that is either constrained or priced too high for the existing population, as families move in with relatives or other unrelated families in order to share housing costs. The number of subfamilies in New York City grew by almost 43,000 households to just over 432,000 between 2010 and 2013, a statistically significant 11 percent

Figure 14
Median Gross Rent to Income Ratio
by HUD Income Limits, New York City
2011

■ Median Gross Rent/Income Ratio

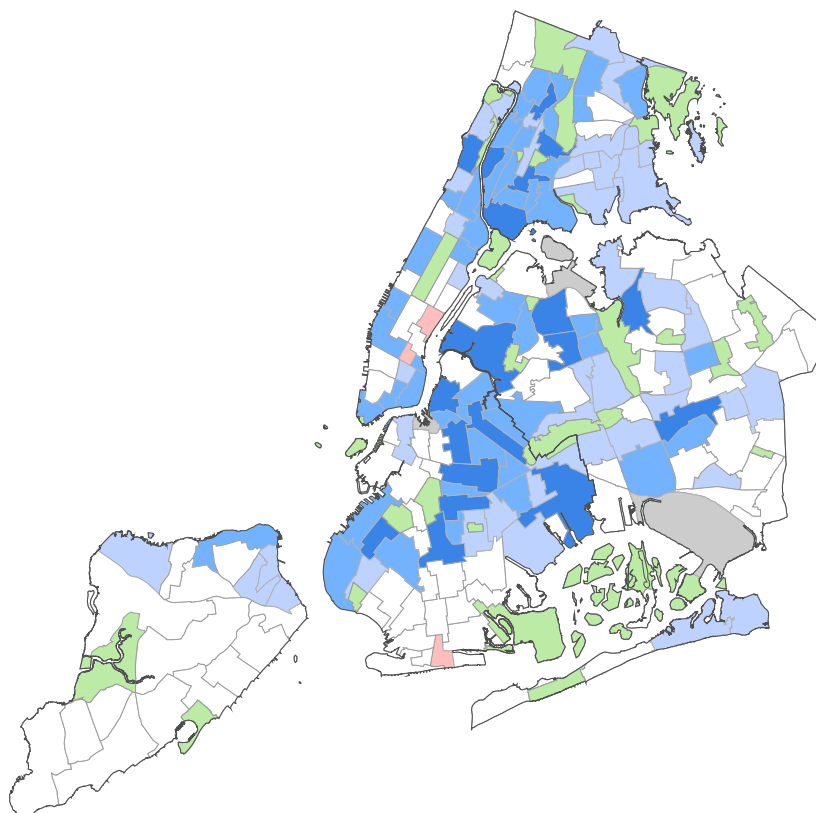
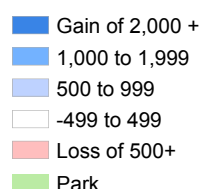


Source: 2011 NYC Housing and Vacancy Survey, Table 6.23

increase in just three years (Figure 16). Although Queens has the largest number of subfamilies, the number of subfamilies grew by 15 percent in the Bronx and 12 percent in Brooklyn. Moreover, the change in these boroughs was statistically significant. For many, living with another family or with relatives is necessary to afford housing; for certain ethnic groups, such arrangements may be the cultural norm. In other circumstances, unrelated individuals without families choose to live together to reduce housing costs. Whether the sharing of housing costs is driven by necessity, social preferences or cultural norms, overcrowded conditions can arise when households double-up to reduce housing costs. Indeed, the most overcrowded households tend to be lower income areas or ethnic enclaves – Williamsburg, Sunset Park East and Borough Park in Brooklyn; North Corona in Queens; and West Concourse in the Bronx (Figure 17). By contrast, there is very little overcrowding in the wealthier neighborhoods in Manhattan below 96th Street, the neighborhoods around downtown Brooklyn and Park Slope, eastern Queens and Staten Island; a reflection of the tendency of higher income households to occupy larger homes.

An increasing number of families and individuals have been forced to rely on City-funded homeless shelters for emergency housing. The shelter population has grown over the last several years, reaching an all-time high in December 2014 with an average nightly DHS shelter population for the month of over 58,000. More recently, the DHS shelter population in April 2015 had an average nightly population

Figure 15
Change in Rent Burdened Households
by NTA, 2000 to 2008-2012



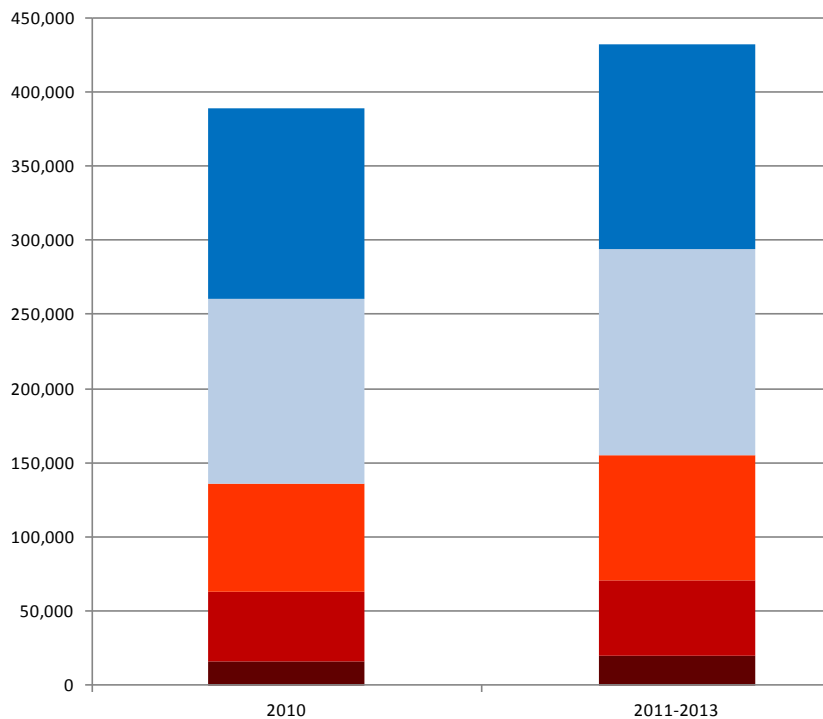
Source: U.S. Census Bureau, 2000 Census- Summary File 1; 2008-2012 American Community Survey- FactFinder

Figure 16
Population in Subfamilies by Borough,
2010 and 2011-2013



* Change was statistically significant

Source: U.S. Census Bureau, 2010 and 2011-2013 American Community Survey-Summary File



of almost 57,000. Although share of working families and residents in the shelter population has remained constant according to recent surveys, almost 12% of single adults in shelter are employed and 28% of families with children have an employed household member.⁸

The constraints on the housing supply have also driven a number of New Yorkers into illegal living arrangements, such as in cellars, basements or rooming units that do not comply with building or zoning codes. Although no official tally of illegal units exists, a 2008 study published by the Pratt Center and Chhaya (Neuwirth, 2008), two New York City-based housing and community development advocacy organizations, estimates that anywhere from 300,000 to 500,000 New Yorkers live in approximately 114,000 “unaccounted for” units.⁹ Most of these units are located in the Bronx, Queens and Brooklyn within lower density neighborhoods on the periphery of the city.

Despite rising employment and falling unemployment in the New York City, overcrowding, the presence of subfamilies, illegal housing and a growing homeless shelter population are prevalent, growing and widespread. These are clear indications of severe constraints on the availability of housing and many low- and moderate-income households’ ability to pay for it.

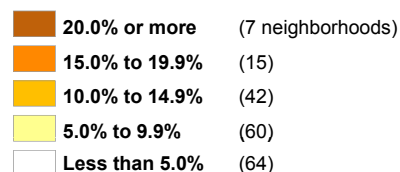
1.7 Filtering Up of Existing Housing Supply

While most goods decline in value over time, the same is not true of housing in New York City because of the scarcity of real estate. New privately financed housing is typically produced at higher price points

Figure 17
Overcrowded Households by NTA,
2008-2012

New York City = 8.6%

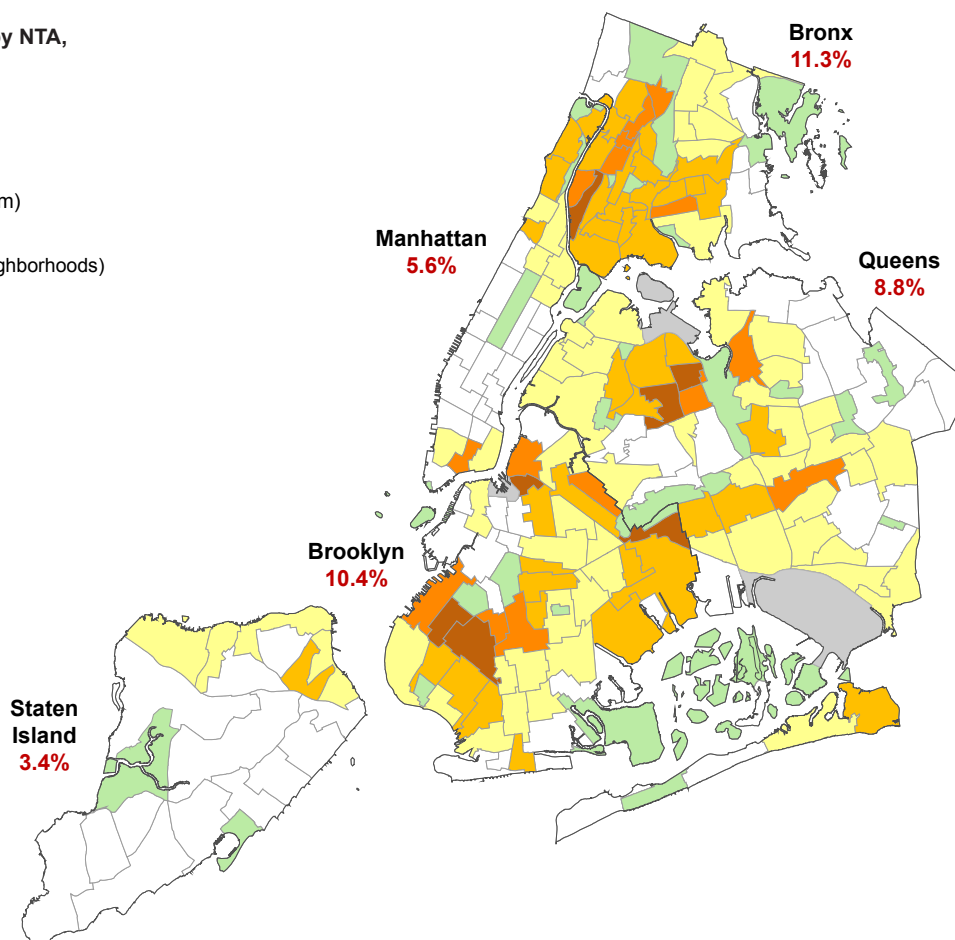
Overcrowded Households
 (more than 1 occupant per room)



Top Neighborhoods

1. Williamsburg
2. North Corona
3. Sunset Park East
4. West Concourse
5. Borough Park

*Neighborhood Tabulation Areas or NTAs, are aggregations of census tracts that are subsets of New York City's 55 Public Use Microdata Areas (PUMAs). Primarily due to these constraints, NTA boundaries and their associated names may not definitively represent neighborhoods.

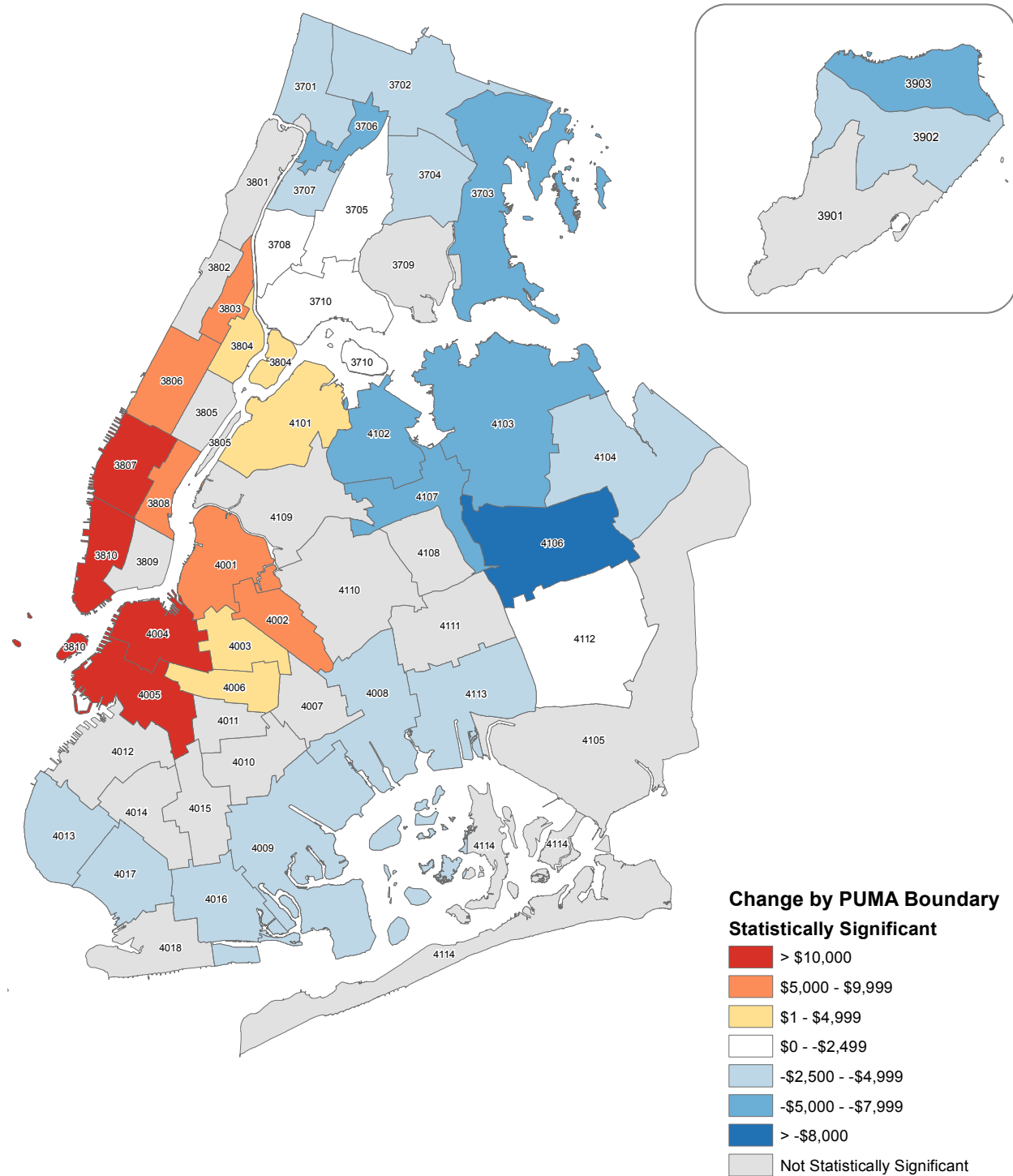


Source: U.S. Census Bureau, 2008-2012, American Community Survey-FactFinder, Population Division - New York City Department of City Planning

that can cover the high costs of construction and land. While some households can afford high-priced new construction in premium locations, many more affluent households also seek housing in older rentals, condominiums or co-ops, or pursue new condominium development in less expensive and less affluent neighborhoods. Since this growing, more affluent population can pay more for the existing limited supply of housing, it is able to outbid less affluent residents. As a result, with new housing production insufficient to meet rising demand, existing housing is filtering up to a higher income population in many New York City neighborhoods, particularly in transit accessible locations with shorter commutes to employment concentrations in Manhattan, downtown Brooklyn and the region. In many of the city's historically low- to moderate- income and high amenity neighborhoods, increased demand driven by the growing population of the new professional domestic in-migrants is driving up the price of housing in existing buildings.

An analysis of the change in median household income by PUMA¹⁰ between the Decennial Census in 2000 and the most recent complete 5-year ACS sample (2008-2012) shows that incomes are in fact rising in these types of neighborhoods (Figure 18). Transit-rich communities in much of lower and upper Manhattan, near downtown

Figure 18
Change in Median Household Income by PUMA



Source: U.S. Census Bureau, 2008-2012 American Community Survey-Public Use Microdata Sample

Brooklyn, Greenpoint, Williamsburg and Bushwick in Brooklyn, and Astoria in Queens all experienced relatively large and statistically significant increases in median household income over the last eight to 12 years.

What is a PUMA?

Public Use Microdata Areas (PUMAs) are Census-designated areas with a populations of at least 100,000 persons. There are 55 PUMAs in New York City which approximate the boundaries of the City's community districts.

Accompanying rising incomes in these areas have been rising rents and increased housing production. An analysis of American Community Survey data for 2005 to 2009 and 2008 to 2012 on the median gross rents by Neighborhood Tabulation Area¹¹, collections of census tracts representative of commonly acknowledged New York City neighborhoods, shows that median rents increased most in many of these same neighborhoods, as well as along most of the Brooklyn and Queens waterfront, central Brooklyn, and Harlem, Washington Heights and Inwood in upper Manhattan (Figure 19).

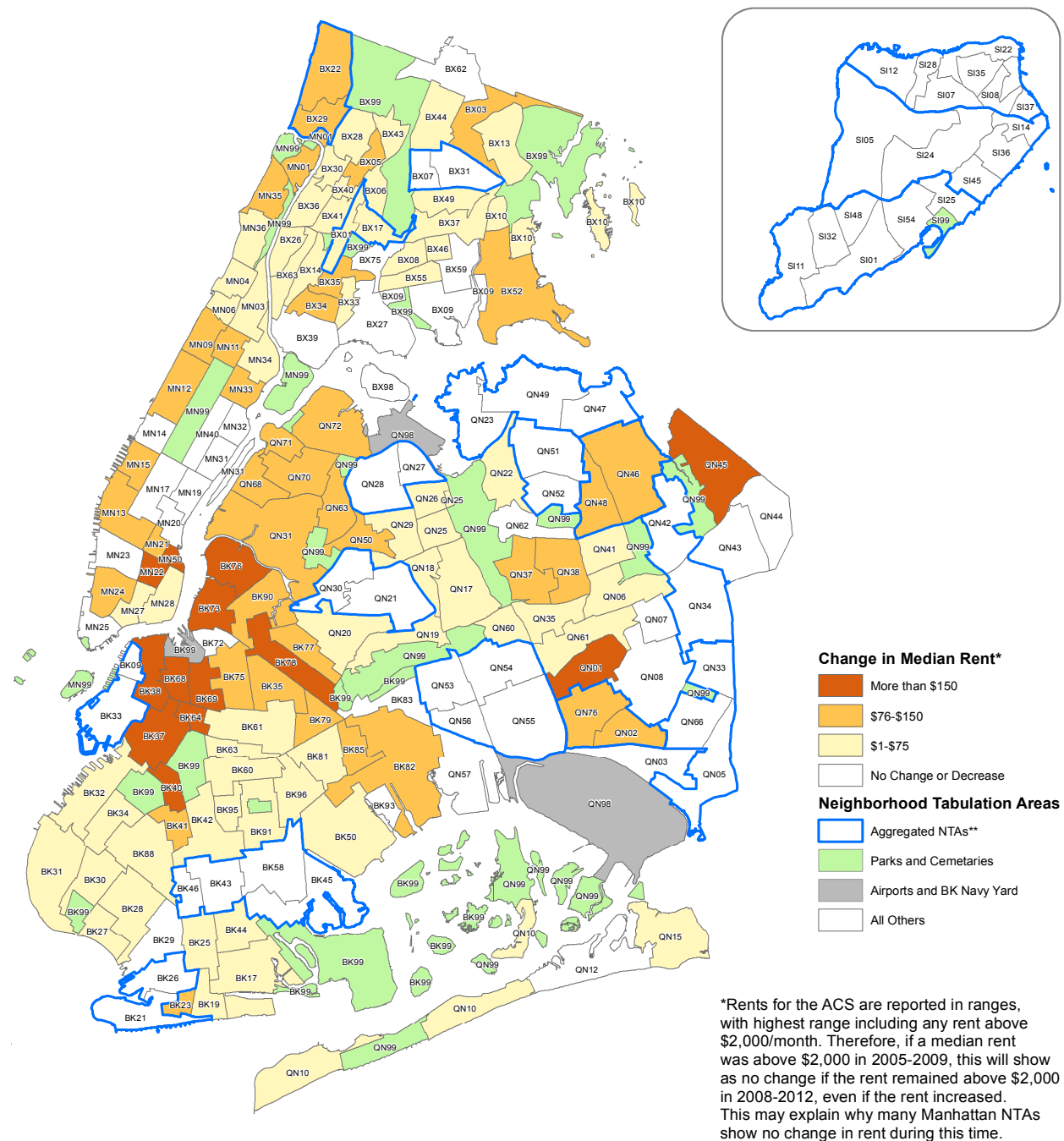
A comparison of the change in rent by NTA with the increase in housing unit permits since 2010 shows that housing production is increasing most in neighborhoods with the biggest increases in rent (Figure 20), which is consistent with economic theory that more residential investment occurs where prices are high (Dornbusch, Fisher and Startz, 1998). In neighborhoods with substantial housing production, an increase in median rents does not necessarily imply a filtering up of existing housing. However, since housing production often lags behind demand, the increase in housing permits does not preclude the filtering up of the existing stock of housing; both are consequences of demographic and socioeconomic changes.

What is an NTA?

Neighborhood Tabulation Areas or NTAs, are aggregations of census tracts that are subsets of New York City's 55 Public Use Microdata Areas (PUMAs). Primarily due to these constraints, NTA boundaries and their associated names may not definitively represent neighborhoods.

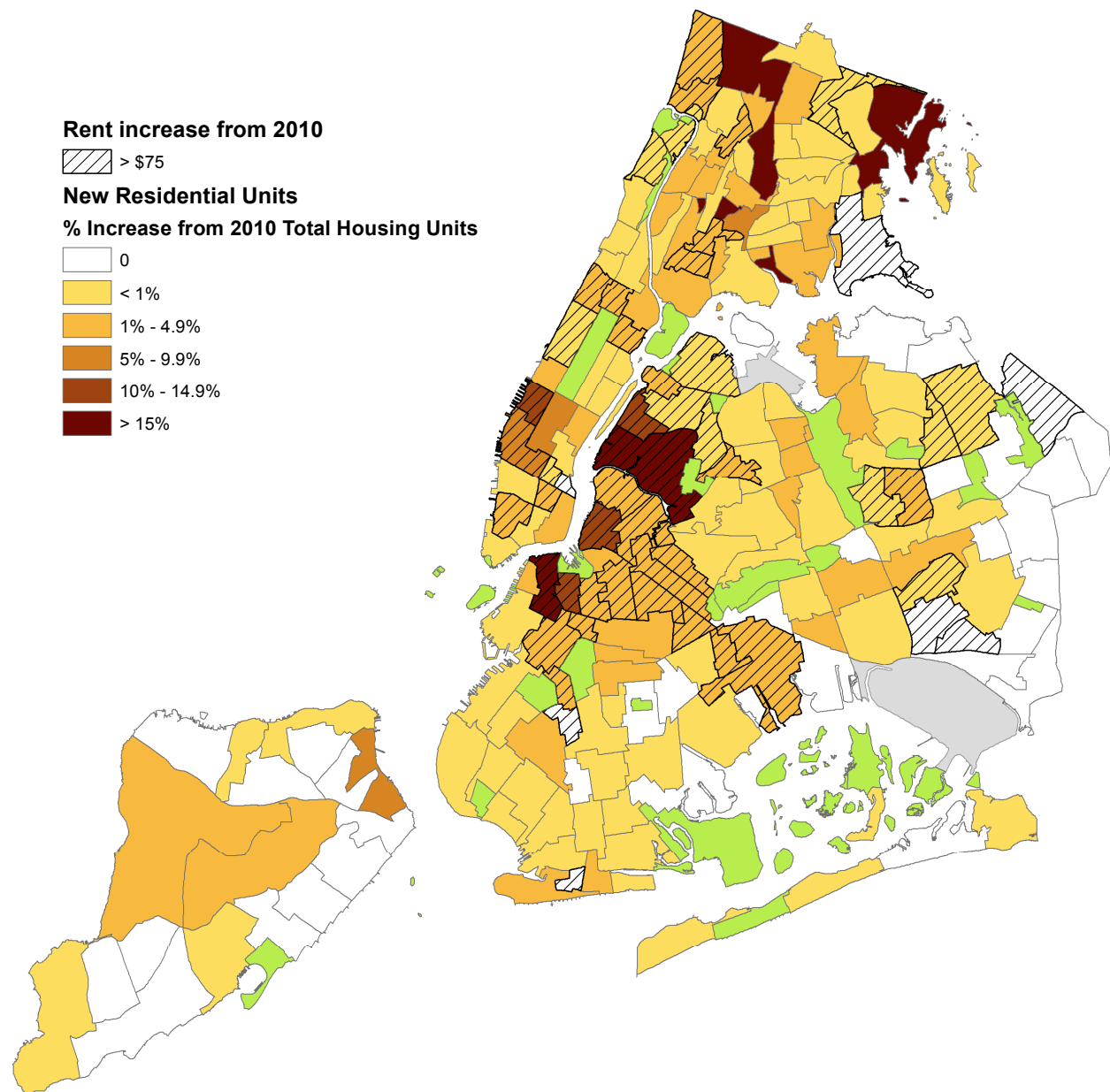
The patterns of new housing production and rising rents indicate that filtering up is also evident in areas where there has been relatively little new housing development. Examples include neighborhoods like Park Slope, Prospect Heights, Kensington, Bushwick and Windsor Terrace in Brooklyn; and the East Village, Upper West Side, Washington Heights and Inwood in Manhattan – all communities with a growing affluent population and increasing rents, but limited new housing production. The transition of existing housing from lower to higher income households is often accompanied by private investment in renovation or upgrades to existing housing. However, new housing production may be limited in these high demand areas either because there is not zoned capacity or sufficient availability of suitable sites for new housing, because the production has not caught up with demand, or both. As shown above in Table 1, domestic in-migrants tend to have smaller average household sizes compared to other households and domestic out-migrants. Consequently, when these households move to lower income neighborhoods, more housing units are needed to accommodate the same number of people. This higher consumption of the existing housing supply by more affluent households can drive up demand disproportionately to the increase in population, compounding the upward-filtering effects.

Figure 19
Change in Median Gross Rent by NTA,
2005-2009 to 2008-2012



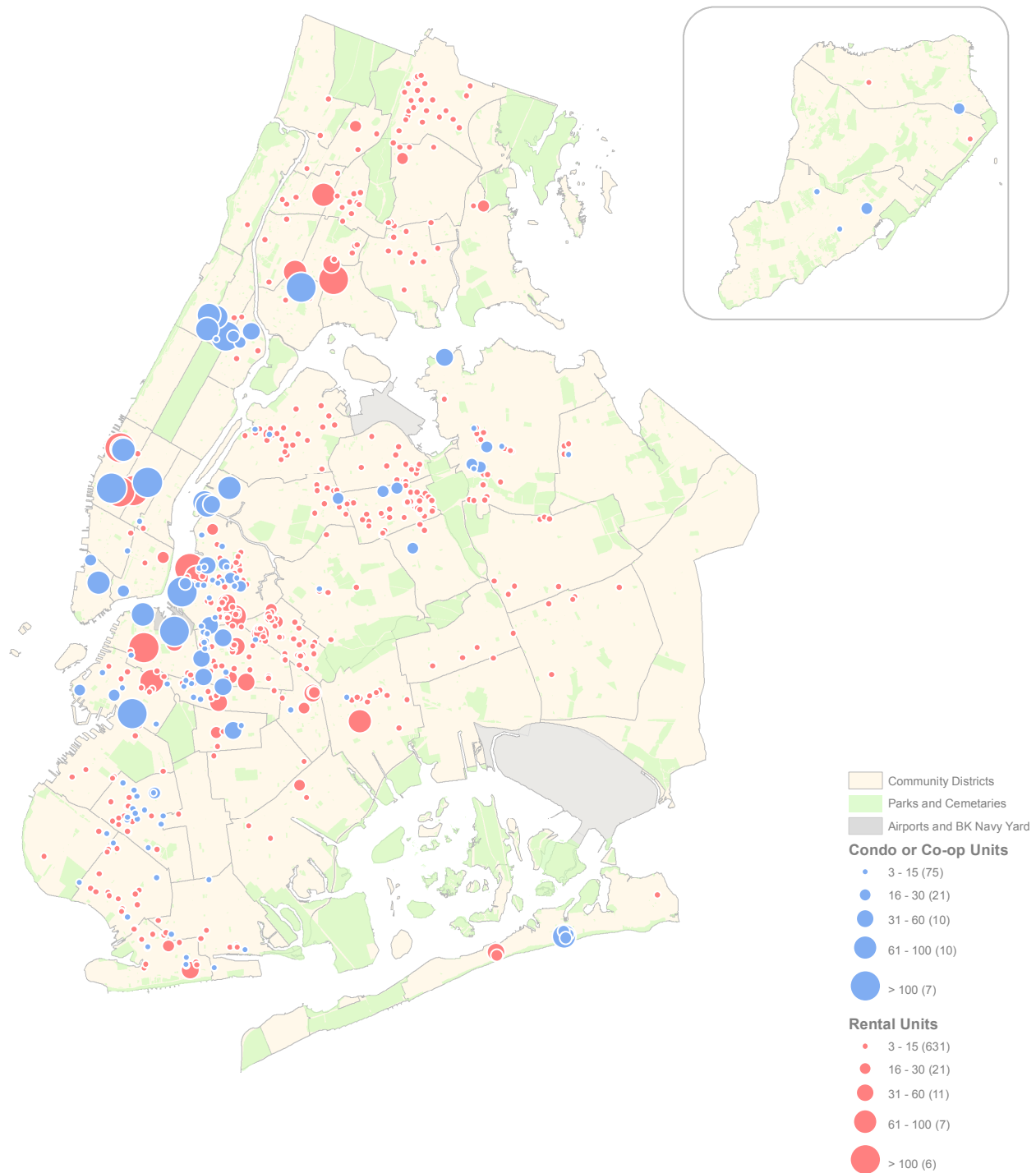
Source: U.S. Census Bureau, 2010 Census SF1 and American Community Survey-FactFinder, 2005-2009 and 2008-2012

Figure 20
Percent Increase in Units Permitted
and Rent Increase of >\$75 Since 2010
by NTA



Source: U.S. Census Bureau, 2010 Census SF1, Total Housing Units and Vacancy Status; American Community Survey 2005-2009 and 2008-2012

Figure 21
New Multifamily Residential Units by Tenure,
2010-2014



Source: PLUTO 2014, DCP-HEIP Division

Mandatory Inclusionary Housing

An analysis of recent construction of multifamily housing completed between 2010 and 2014 illustrates the correlation between population and demographic changes and the housing market's response to demand. Recent new construction includes substantial condominium development in the Manhattan Core (Community Districts 1-8) and in other neighborhoods that have seen large increases in residents in professional or managerial occupations – Long Island City, Greenpoint-Williamsburg and the neighborhoods surrounding downtown Brooklyn (Figure 21). Elsewhere, smaller rental buildings dominate new development.

Despite the existence of impediments to housing production that limit the market's ability to respond to demand, increased housing production remains important to keep pace with demand and reduce upward pressure on housing prices. The *Housing New York* plan identifies a number of actions that are critically needed to spur housing construction, and Mayor de Blasio has identified a housing production target of 240,000 new units over a decade, to keep up with demand and help reduce the burden of housing costs. Although increased housing production is an important component of a comprehensive solution for the city's affordability crisis, production alone is unlikely to increase the availability of housing affordable at all income levels. Without intervention, the market will largely serve higher-income households, and filtering down – a pattern in which older, existing housing becomes more affordable – is likely to reach only a limited segment of the population. In addition, any “filtering down” achieved through increased production is unlikely to result in economic diversity at the neighborhood level.

Chapter 2: Benefits of Neighborhood Economic Diversity

2 Benefits of Neighborhood Economic Diversity

2.1 Housing Choice and Access to Opportunity

Neighborhoods provide residents not only a location in which to live, but also a “package” of services and amenities that in many ways define the opportunities available to them. The qualities of neighborhoods can have profound implications for quality of life and economic well-being. The neighborhood where one lives affects the quality and diversity of choices and prices paid for housing, childcare, healthcare and transportation. It determines the choices parents have for their children’s schools, households’ access to certain social networks, and the time, convenience, and cost associated with traveling to work, to go shopping, or to visit family and friends. Neighborhoods also vary considerably in the degree to which they increase residents’ exposure to crime or pollution, and provide access to public amenities such as parks and open space, community centers and libraries.

All of these factors affect well-being and quality of life in profound ways, according to the growing consensus within a large body of economic, sociological, medical and public policy research conducted over the course of several decades. Families experience worse outcomes when they live in neighborhoods where poverty is highly concentrated and the quality of services and amenities is often limited. There is evidence in particular that place matters for low- and moderate-income children and families, and strong evidence that growing up in places with concentrated poverty contributes to

New York City’s neighborhoods are characterized by distinct environments and opportunities



health issues and problems such as teen pregnancy, unemployment, substance abuse and delinquency (Sharkey, 2013; Popkin et al., 2000; Ellen and Turner, 1997; Wilson, 1987). Despite progress nationally since 1990 in reducing the concentration of low-income households, minority and female-headed households remain more likely to live in poor neighborhoods (Jargowsky, 2003). Moreover, recent research shows that the experience of growing up in these neighborhoods can have lingering effects over generations for families who are essentially “stuck” in disadvantaged neighborhoods with high crime rates, low labor force participation, poor performing schools, high pollution rates or inadequate services (Sharkey, 2013).

2.2 Federal Housing Policy and Neighborhood Economic Diversity

The Fair Housing Act of 1968 and the Housing and Community Development Act of 1974 establish neighborhood economic diversity and de-concentration of poverty as central tenets of federal housing policy and obligate all levels of government to administer programs and activities in a manner that “affirmatively furthers” these fair housing goals. While the statutes do not precisely define the extent or nature of that obligation, HUD guidance and the recent history of federal housing policies, outlined below, support a balanced approach encompassing both housing mobility strategies and place-based neighborhood revitalization strategies.¹² Housing mobility strategies, whether housing vouchers or affordable housing production in high opportunity areas, give low-income families the ability to move away from areas of concentrated poverty and low opportunity to places with better schools, access to jobs, lower crime, and better public services and amenities. Place-based neighborhood revitalization strategies seek to improve areas of concentrated poverty and low opportunity through targeted and coordinated neighborhood investments and mixed-income development that preserves a place for existing residents, no matter their economic trajectories, as these strategies help to make neighborhoods become more desirable, higher opportunity places to live. Both strategies support neighborhood economic diversity and higher opportunity for families, whether they choose to pursue those opportunities elsewhere or wish to remain in their existing neighborhoods.¹³ Families will value these options differently based on a host of unique needs and circumstances.

Current policy works against the legacy of decades of misguided federal policies and outright discrimination by lenders, civic associations and federal regulators that had by the 1960s resulted in the concentration of low-income minorities in urban neighborhoods as more affluent, typically white households moved in droves to the suburbs (Jackson, 1985).

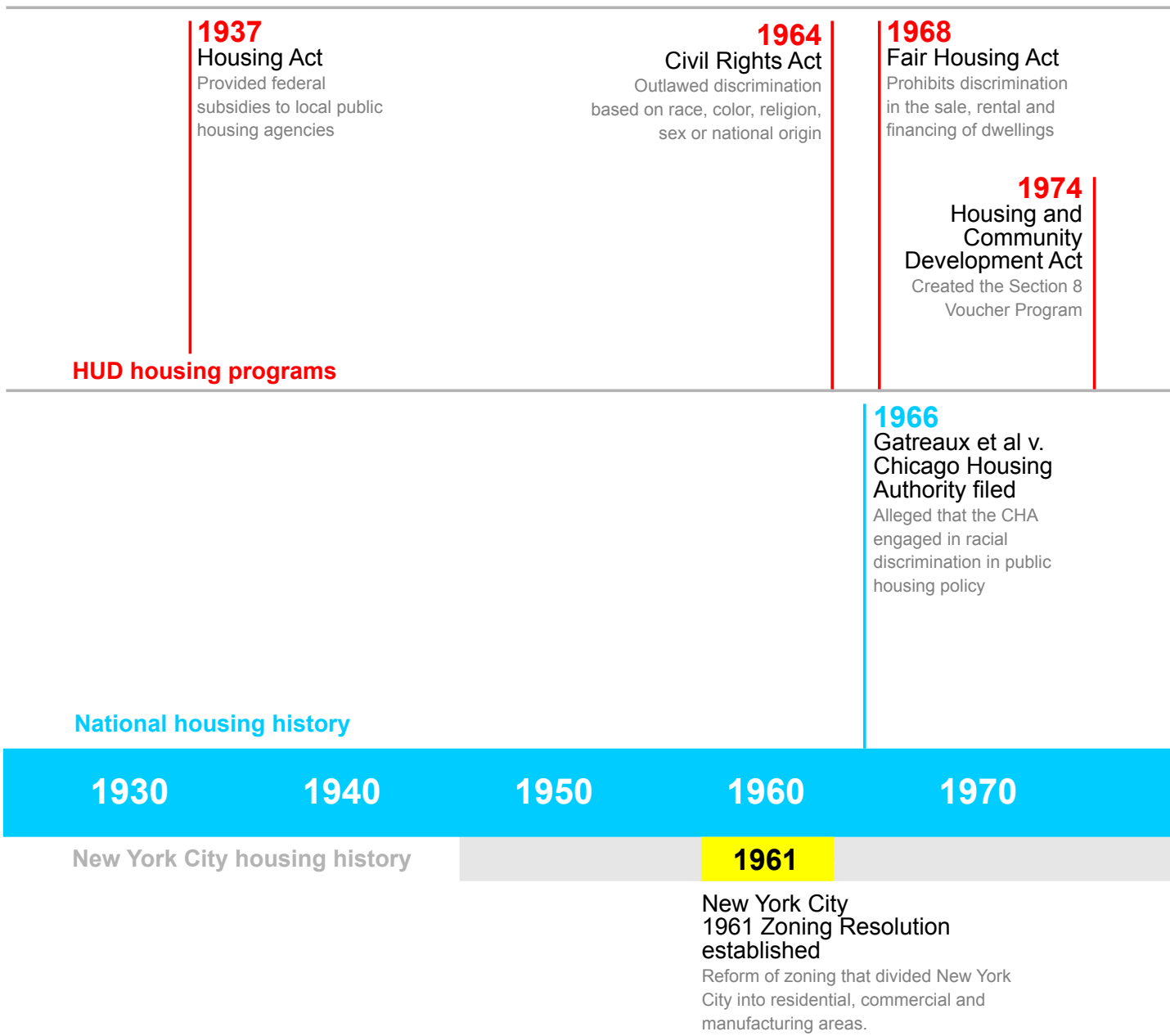
The effects of these policies were most pronounced in many of the nation’s public housing developments, many of which were created under the auspices of the Housing Act of 1937. The Wagner-Steagall Act, as the legislation is often called, authorized federal financing

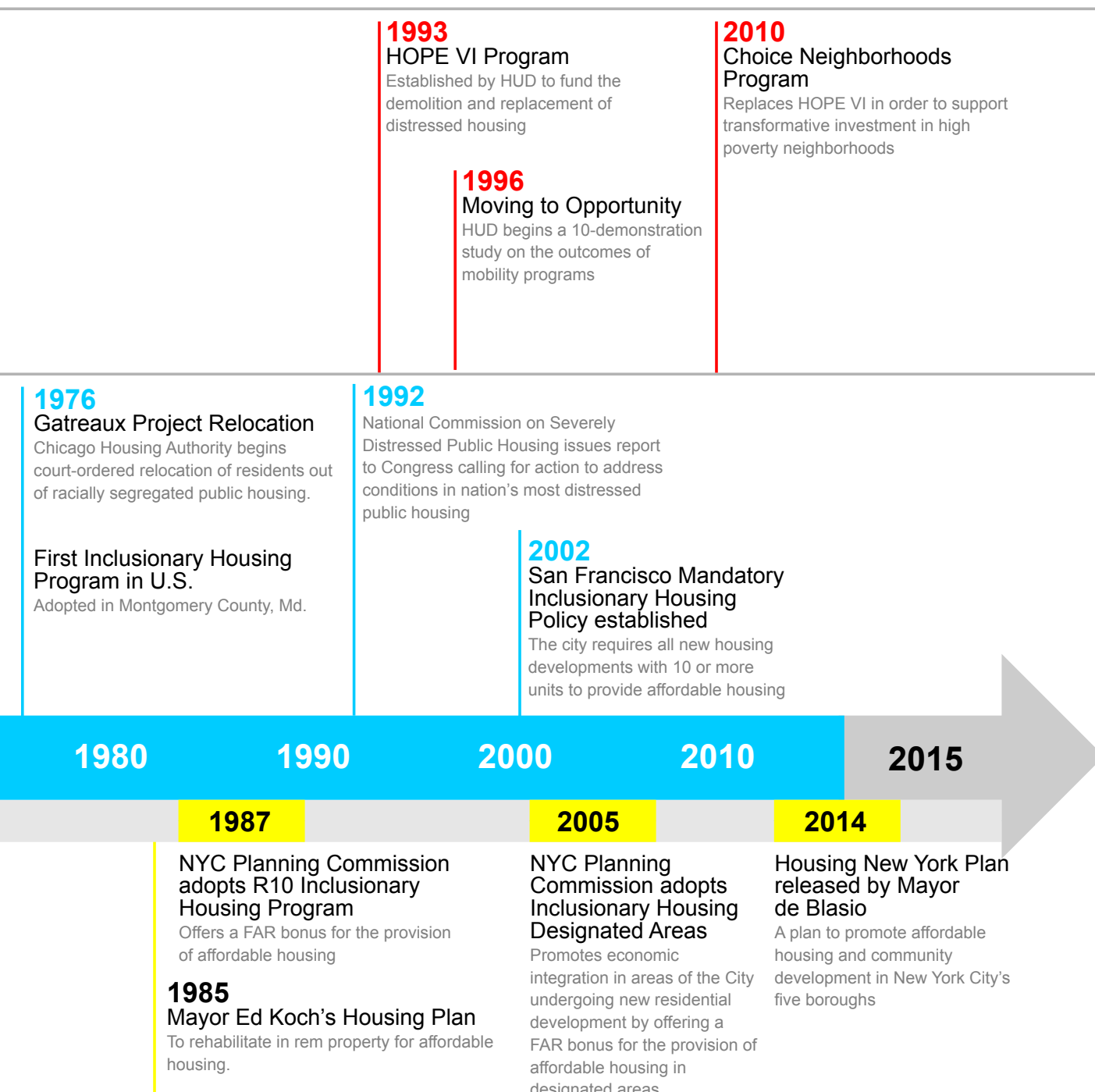
for slum clearance and the construction of low-income housing by local public housing authorities in order to provide “decent, safe and sanitary dwelling for families of low-income, and for the reduction of unemployment and the stimulation of business activity”. Despite the intentions of the bill’s sponsors, Democrats Henry Steagall of Alabama and Robert Wagner of New York, living conditions deteriorated for many residents of the public housing developments, which were increasingly underfunded, isolated from employment and services, and racially and economically segregated (Green and Lane, 1992; Jackson, 1985; Gans, 1959). By the 1960s, formerly working-class public housing developments served to concentrate and reinforce urban poverty in neighborhoods that were already among the lowest opportunity areas in the nation.

The first major challenge to racially discriminatory housing practices that highlighted the effects of racial and economic segregation was filed in 1966 in *Gautreaux et al v. Chicago Housing Authority*, in which Chicago Housing Authority (CHA) residents charged that by concentrating public housing units in isolated, poor and predominantly black neighborhoods, the CHA and HUD violated both the 1964 Civil Rights Act as well as the equal protection clause of the U.S. Constitution. The U.S. Supreme Court ruled in favor of the CHA residents and ordered the desegregation of CHA sites through the creation of new “scattered site” public housing within nonminority communities. The settlement also resulted in the establishment of the Gautreaux Assisted Housing Program, the nation’s first housing mobility program, which provided rent subsidy vouchers to allow the relocation of 25,000 CHA residents to over 100 communities in the Chicago metropolitan area between 1976 and 1998 (BPI, 2015).

Promoting racial and economic diversity underpinned the decision, which prohibited public housing development in census tracts that would reinforce the concentration of minority and low-income households (*Gautreaux v Chicago Housing Authority*, 1969). The Gautreaux legacy can be credited with inspiring a broad range of housing programs and policies that aim to de-concentrate poverty and promote mixed income communities (Popkin et al, 2000). In the midst of the Gautreaux litigation, Congress passed the Fair Housing Act within the Civil Rights Act of 1968 guaranteeing that all persons living in America were protected by law from discrimination in housing on the basis of race, color, religion, sex, national origin, disability and familial status. The act also required that the Secretary of Housing and Development administer programs and activities in a manner that “affirmatively furthers” fair housing (Civil Rights Act, 1968).

National and Local Housing Policy Timeline





By the 1970s the long term consequences of federal housing policy and deteriorating conditions in the nation's cities led Congress to pass the Housing and Community Development Act of 1974, which established the Section 8 housing voucher program and Community Development Block Grants (CDBG), a consolidation of existing federal community development programs that gave local governments more discretion in deciding how to spend the funds (US Department of Housing and Urban Development 2015). In addition to promoting new investment in distressed neighborhoods, the act also sought to improve housing and economic opportunity for low- and moderate- income households in ways that resulted in "the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial de-concentration of housing opportunities for persons of lower income" (Housing and Community Development Act, 1974). The obligations under the Fair Housing Act to affirmatively further fair housing are extended by the Housing and Community Development Act to all recipients of government funding, including state and local recipients of CDBG funding.¹⁴

By the late 1980s inner city crime and decades of deferred investment in the nation's public housing led Congress to once again assess how to deal with problems associated with concentrated poverty in urban neighborhoods with the formation of the bipartisan National Commission on Severely Distressed Public Housing in 1989. The Commission was charged with establishing an action plan to address conditions in the nation's worst public housing projects (Department of Housing and Urban Development Reform Act of 1989). After an 18-month study that involved visits to public housing developments in more than 25 cities, 20 public hearings, and interviews with public housing residents and staff, the Commission reported, among its many findings, that the most severely distressed public housing was often located in "deteriorated, service-poor neighborhoods that also suffer from general disinvestment." Strategies to encourage economic diversity were central to the recommendations within the Commission's action plan. In its August 1992 report to Congress, the Commission advocated for appropriation of \$7.5 billion over 10 years to finance the demolition and redevelopment of "severely distressed" public housing as part of an "overall strategy to promote neighborhood improvements." The replacement housing, they stressed, "must be used as a method of promoting an income mix in the neighborhood...as part of a comprehensive plan for redeveloping a distressed site and economically integrating the neighborhood" (Green and Lane, 1992).

The recommendations in the report resulted in the creation of HOPE VI in 1993, a HUD-administered program that provided revitalization grants to public housing authorities to cover the costs of demolition of severely distressed public housing, major rehabilitation or replacement housing and community and supportive service programs. Revitalization grants that funded the development of replacement housing were required to "avoid or lessen concentration of very low- income families" (US Department

of Housing and Urban Development, 2010). HOPE VI set in motion a national effort to promote mixed income developments in order to promote neighborhood economic diversity, secure greater access to opportunity for low-income households and improve neighborhood conditions. The program ended in 2010 after federal expenditures of \$6.1 billion on projects that resulted in the demolition of 96,200 public housing units, and the development of 107,800 new mixed-income or renovated units, of which 56,800 were affordable to the lowest incomes. An additional 78,000 households in demolished HOPE VI sites received housing vouchers to move to lower poverty neighborhoods (US Department of Housing and Urban Development, 2010). Although HOPE VI did achieve its goal of moving families out of high poverty and creating mixed income neighborhoods, it was criticized for resulting in a net loss of units for low-income families (Cabrera, 2007). Former HUD Secretary Shaun Donovan acknowledged this in a 2009 speech to the National Press Club on urban revitalization and opportunity: “A legitimate criticism of HOPE VI is that in some tight housing markets, we lost desperately needed hard units that were affordable to the poorest families...As we build on HOPE VI, the next generation of housing policy must not penalize an extremely low-income family for the housing market they live in” (Donovan, 2009).

HOPE VI is complete and the living conditions within once severely distressed public housing developments have much improved, yet poverty remains concentrated in many communities. After HOPE VI, neighborhood economic diversity remains an objective of federal housing policy, but the focus is now on programs that provide affordable housing outside of public housing, in partnership with the private sector, and with efforts that address neighborhood conditions more comprehensively. HUD’s Choice Neighborhoods program replaced HOPE VI in 2010 with the purpose of supporting “transformative investments in high poverty neighborhoods” (Donovan, 2014). The program seeks to align housing interventions more closely with other interventions that address neighborhood quality, such as efforts to stimulate private investment, school reform and job placement programs.

2.3 Benefits of Economic Diversity

Most present-day affordable housing policy is based on the premise that reducing concentrated poverty through creating mixed-income neighborhoods is a critical part of the battle to end poverty and its effects. Less clear, however, is who benefits and in what ways and what the best mechanisms are for de-concentrating poverty. There are generally two approaches that have been outlined in the federal policies described above – supply side solutions that seek to build publicly owned or subsidized housing and demand side solutions that provide rental subsidies in the form of vouchers that tenants can use to supplement market rate rents in private buildings. Both strategies have a long history of programs – some court-ordered – that have been met with mixed success but have nonetheless provided a wealth of information about how communities benefit

from economic diversity. Over the past 50 years, a significant body of research has evolved that attempts to answer these questions. An equally rich body of research explores the neighborhood conditions that determine the success of households and benefit to communities, regardless of whether they were directly affected by these housing programs, providing important insight into how cities benefit from economic diversity.

Housing mobility is a household's ability to move to a place that provides better opportunities, often defined as low-poverty neighborhoods, or away from a place with negative influences or limited opportunity, often defined as high-poverty neighborhoods. Experiments in the success of mobility programs that relocate poor households from high poverty to low poverty neighborhoods have consistently been shown to have numerous positive outcomes for the families, and children in particular. The nation's first mobility experiment was the court-ordered relocation of Chicago Public Housing Authority residents from racially segregated, high poverty neighborhoods to communities with a higher degree of racial and economic integration. Although the emphasis of Gautreaux was on the racial integration of communities, families also moved into neighborhoods that were also more economically diverse, often in the suburbs. Gautreaux was not a social experiment. It was part of the U.S. Supreme Court-ordered desegregation of CHA housing necessary to remedy civil rights violations caused by discriminatory practices. Findings from studies of the Gautreaux movers found that families who moved to economically and racially diverse suburbs were more likely than those who remained in the city to be employed after moving. Children also were more likely to finish high school and attend college. Although studies on the outcomes of Gautreaux movers champion the positive benefits of mobility programs, it should be noted that these studies have limitations. The study was not a controlled experiment and participants were self-selected, which may have resulted in the selection of a motivated population already more likely to succeed (Popkin, Buron et al., 2000).

The encouraging results of the Gautreaux relocation inspired the first controlled experimental mobility program - Moving to Opportunity. This demonstration project was sponsored by the Department of Housing and Urban Development to test outcomes of families receiving housing vouchers. It found that among households that moved to neighborhoods with lower poverty rates, adults had both physical and mental health improvements, and that girls had significant mental health improvements.¹⁵ (U.S. Department of Housing and Urban Development, 2011). An evaluation of the program after 10 years showed these positive outcomes held true, and also showed that teenage girls were much less likely to be arrested for violent crimes or engage in risky or delinquent behavior, such as drug use or smoking (Orr et al, 2003). These young girls were also more likely to stay in school and have a positive outlook on going to college or getting well-paying jobs.

Another finding of the MTO study is that mixed-income neighborhoods provided low-income residents with a better

environment and public services than they would have otherwise had. The experimental families who moved found homes not only in places with lower poverty; the neighborhoods also had “higher adult employment rates, a substantially higher proportion of two-parent families and high school graduates, and nearly twice as many homeowners.” Many families noted significant increases in the perceived safety of their surroundings, and also reported substantial improvements to neighborhood quality of life with less litter, graffiti, loitering or public drinking (Orr et al., 2003).

Some of the disappointing results of the study showed that boys had less favorable, and sometimes worse health and delinquency results, and educational and employment outcomes did not improve for most of the MTO families. Other studies have shown similar disparate effects on boys and more study is needed to understand why boys that move from high- to low-poverty neighborhoods have different outcomes (Badger, 2015).

Much of the research on neighborhood effects is based on the results of households participating in housing mobility programs. A 2008 analysis of the MTO evaluation highlights some of the shortcomings of demand side solutions to housing affordability, most notably that voucher users are faced with housing situations that are less stable and more influenced by shifting markets. That analysis found that although 89 percent of the MTO participants had initially moved to low-poverty neighborhoods, only 39 percent still lived in low-poverty neighborhoods 10 years later. About half of those who moved ended up in census tracts that experienced increases in poverty, suggesting that they went to places that were in decline (Comey, de Souza Briggs, et al., 2008); others later moved to different neighborhoods with higher poverty rates. The reasons provided for these moves varied. Many of the MTO participants in New York City who moved back to high-poverty neighborhoods were often forced to move due to market factors like a landlord’s decision to sell or raise rent (Comey, de Souza Briggs, et al., 2008). Most movers to lower poverty neighborhoods reported satisfaction with their new communities; among those who moved back to their original neighborhood for social reasons, a lack of public transportation in their new neighborhoods that could be used to visit family and friends was often a motivating factor for the move.

A 2010 study by Heather Schwartz of the Century Foundation provides what is perhaps the most robust analysis to date of the benefits of supply-side strategies to creating economically diverse neighborhoods, and of the benefits of inclusionary housing programs in particular. Her analysis focused on the academic performance of students living in publicly-owned inclusionary housing units in Montgomery County, Maryland – one of the wealthiest counties in the nation and home to the country’s largest and oldest inclusionary housing program. In examining the longitudinal school performance of 850 public elementary school students from the inclusionary units, those students who attended the county’s most advantaged schools¹⁶ far outperformed in math and reading skills compared with students in from inclusionary units who attended the least advantaged schools.

In fact, as school poverty levels rose, the “academic returns” of living in economically integrated housing diminished.

She also found that for even very low income families in inclusionary housing units, residential stability improved student outcomes, as results improved over time. Based on these results, Schwartz provided the following justification for inclusionary housing: “Housing and education traditionally have been considered the primary instruments of social mobility in the United States. Since education is an investment with both individual and societal benefits, improving low-income students’ school achievement via integrative housing is a tool that not only can reduce the income achievement gap but also can help stem future poverty” (Schwartz, 2010).

Other non-experimental studies support the link between neighborhood effects and financial outcomes. In a recent paper exploring the geography of inter-generational upward mobility (the potential for an individual to move from the lowest income bracket in childhood to the highest in adulthood), Harvard economist Raj Chetty demonstrated that upward mobility varies substantially between jurisdictions and is correlated with several characteristics that are influenced by neighborhood effects. Chetty analyzed federal income tax data on the incomes of more than 40 million children and their parents between 1996 and 2012 to study intergenerational mobility (Chetty et al, 2014). After determining the joint distribution of parent and child income at the national level, he estimated the probability that a child born into the bottom quintile of the national income distribution would reach the top quintile as an adult. He found substantial variation across national commuting zones. For instance, the probability of the child moving from the bottom to the top quintile was just 4.4 percent in Charlotte, N.C. compared with 10.5 percent in New York City and 12.9 percent in San Jose, C.A. Moreover, he found several characteristics that define the places with the highest mobility. These places had less residential segregation, less income inequality, better primary schools, greater social capital and greater family stability. His research also shows that location matters. Even within jurisdictions there were variations in economic mobility depending on the neighborhood.

A recent study by Chetty and economists Nathaniel Hendren and Lawrence Katz provides further evidence that neighborhood matters, particularly for young children (Chetty, Hendren and Katz, 2015). The study, released in May 2015, provided an assessment of the long-term outcomes of families who participated in the MTO experiment based on an analysis of administrative data provided on individual tax returns. The study analyzed information on income, educational attainment, residence and marital status provided on the individual tax returns and W-2 forms of MTO participants, and compared the results of three different groups: an experimental group, which received housing vouchers that could only be used within low poverty census tracts (less than 10 percent); a Section 8 group that could use housing vouchers anywhere; and a control group that received no assistance. The study focused specifically on the tax records of adults whose families participated in the MTO experiment when they were

children (ages 18 or younger).

The study found that adults who moved as young children (less than 13 years old) from high-poverty to low-poverty neighborhoods had better long-term outcomes than their peers who remained in high-poverty neighborhoods. As adults, the child movers to low-poverty neighborhoods had higher earnings and educational attainment. They were also more likely to live in a low-poverty neighborhood as an adult and were less likely to become single parents. In contrast, they show, the same moves did not provide benefits to adults who were age 13 or older at the time of the move, and many teenagers, in fact, fared worse than peers who remained in high-poverty neighborhoods. The benefits diminished over time, with youngest movers faring the best in the long term. This may suggest that neighborhood effects are most important in the development of young children, but less influential in the outcomes of older children and adults. This finding is consistent with previous longitudinal studies of the MTO experiment that found adults generally did not see income gains from moving to lower poverty neighborhoods.

A companion study by Chetty and Hendren, also released in May 2015, showed the same positive outcomes for young children who moved to better neighborhoods (Chetty and Hendren, 2015). This quasi-experimental study analyzed the individual tax records of more than five million adults who moved as children across counties or commuting zones, comparing reported information on income, educational attainment, residence and marital status. The study analyzed long-term outcomes by income percentile in order to distinguish low-income movers from high-income movers. It found that children whose parents moved to a better neighborhood – as defined by a county or commuting zone where the children of non-movers in the same income percentile had higher earnings in adulthood – earn more themselves as adults (between the ages of 24 and 30). These individuals also had better outcomes on several measures, including educational attainment, teenage employment, teen pregnancy and marriage. Similar to their study of the MTO participants, Chetty et al. also found in this study that positive effects were linear with respect to age – the younger the children were at the time of the move to a “better” neighborhood, the better the outcomes.

The researchers then assessed the characteristics of neighborhoods¹⁷ with the highest and lowest intergenerational mobility, as determined by the difference in income status when the movers were children and when they were adults, in order to determine a possible cause for the better outcomes. They found that the counties¹⁸ that produce the best outcomes for low-income families tend to have the following characteristics: lower rates of residential segregation by income and race; lower levels of income inequality; better schools; lower rates of violent crime; and higher rates of two-parent households.

While not directly assessed through quantitative research, there are other respects in which similar beneficial effects of neighborhood economic diversity can be hypothesized, particularly within the New York City context. Household composition and economic

circumstances are dynamic, rather than static: in the course of everyday life, households grow (e.g., through marriages, births, or adoptions, or roommates moving in) and shrink (e.g., through deaths, separation or divorce, or adult children or roommates moving out) at irregular intervals. To the extent that these changes affect a household's income or the amount of space it needs, it may be necessary or desirable for the household to move to a larger or smaller, more expensive or less expensive housing unit. However, if a suitable alternative unit is not available at an affordable price within the area, such a move may require relocating to another neighborhood entirely. This could have substantial effects on the opportunities available to these populations. Sources of social capital that support the economic health of a household – such as access to a current employment location, or to quality schools; proximity to family and friends; availability of relatives to care for children or seniors; or language-specific or culturally specific services for an immigrant community – can be highly localized, particularly in a “city of neighborhoods” like New York.

A move outside the neighborhood may erode the social capital a household has established in a particular location. However, in an economically diverse neighborhood where housing is available at a range of income levels, greater potential may exist for households to relocate within the neighborhood, enabling them to preserve these assets despite household changes. The geographic stability of lower-income residents would also be expected to enhance their ability to participate in community, civic, and religious institutions, and through this participation to support the vitality of these organizations.

Chapter 3: Neighborhood Economic Diversity in New York City

3 Neighborhood Economic Diversity in New York City

New York City's many assets and amenities – such as its parks, world class cultural attractions, nightlife and restaurants – make it an attractive home for some of the wealthiest households in the world. It is demand for new luxury housing from this segment of the population that is driving much of the recent new market rate housing construction in many of the city's neighborhoods.

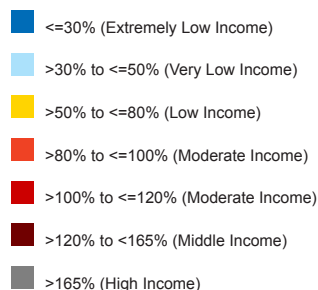
At the same time, lower-income households – a group that includes many recent immigrants as well as native-born residents, and many without the means to access a car – depend on the city's excellent transit system, robust job market and racially and ethnically diverse enclaves. These assets enable low-income households to support a family, access opportunities that improve economic outcomes, and maintain ties to social and cultural networks that improve quality of life.

3.1 Existing Patterns of Economic Diversity

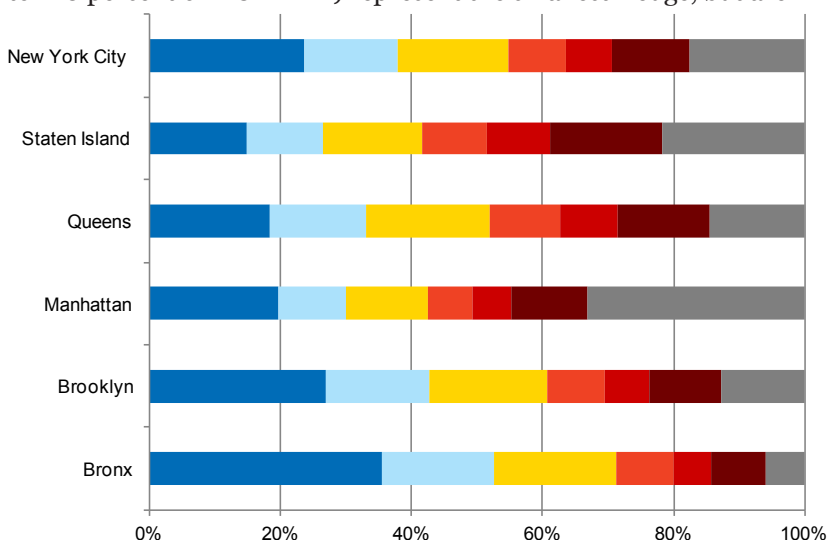
The city's population includes a diverse mix at income levels in between these extremes – lifelong New Yorkers with deep ties to their local communities; civil servants and teachers; upwardly mobile immigrant households that have risen out of poverty; and budding artists, young professionals and entrepreneurs who moved here from other parts of the country in pursuit of careers and whose creative endeavors continue to help drive the city's economy.

Consequently, New York City is, on the whole, very economically diverse, with a greater concentration of high-income households in Manhattan and Staten Island and more very low-income households (below 50% of HUD AMI) in the Bronx and Brooklyn. Incomes are distributed most evenly in Queens. Moderate-income households (80 to 120 percent of HUD AMI) represent the smallest wedge, but are

Figure 22
Distribution of New York City Household by HUD Income Limits, by Borough, 2008-2012



Source: U.S. Census Bureau, 2008-2012 American Community Survey-Public Use Microdata Sample; DCP Population/HEIP



rather evenly distributed throughout the five boroughs.

Although the city on the whole is diverse, it is economic diversity at the neighborhood level that leads to improved outcomes for families, more stability for workers and fewer social problems, such as crime and poor health, potentially reducing public expenditures on social welfare and policing programs. New York City has a complex economic geography – while broad patterns of income distribution can be observed among the boroughs, it is also not uncommon to find economic contrasts in close proximity, such as million-dollar condominiums located across the street from a public housing development. The scale at which a measure of economic diversity is defined can vary (as can different observers' definitions of what constitutes a "neighborhood"), and these patterns frequently shift over time.

HUD AMI

The U.S. Department of Housing and Urban Development (HUD) sets annual limits for various funding uses and eligibility guidelines. The limits are based upon median family income that are adjusted by HUD for household size, local housing costs, and other geographically specific factors.

The income limits are higher than the median incomes in some New York City neighborhoods because of these adjustments. The result is a set of limits for households of various sizes and income levels in different metropolitan areas, which are typically described in terms of percentages of Area Median Income, or AMI.

Data at the Community District level show that populations in New York City are more concentrated by income band (see Figure 23) at geographies smaller than the borough. A PUMA-level analysis of ACS 2008-2012 data on household incomes distributed according to HUD income limits shows that certain areas of the city are more likely to have a concentration of either very low-income or very high-income households. In 17 of the city's 55 PUMAs, 30 percent or more of all the households had incomes below 30 percent of AMI, the HUD threshold for an extremely low-income household. In the two Bronx PUMAs that include the Hunts Point, Longwood, Melrose, Belmont, Crotona Park East and East Tremont neighborhoods, more than half of all households were extremely low-income.

Similarly, in 17 other PUMAs, households earning more than 120 percent of AMI comprised 30 percent or more of the total, mostly within the Manhattan core, low-density parts of eastern Queens and Staten Island, and relatively affluent mid-density neighborhoods such as Riverdale in the Bronx. Incomes are distributed more evenly across 21 New York City PUMAs. In these communities, concentrated mostly in Queens, no more than 30 percent of the total households

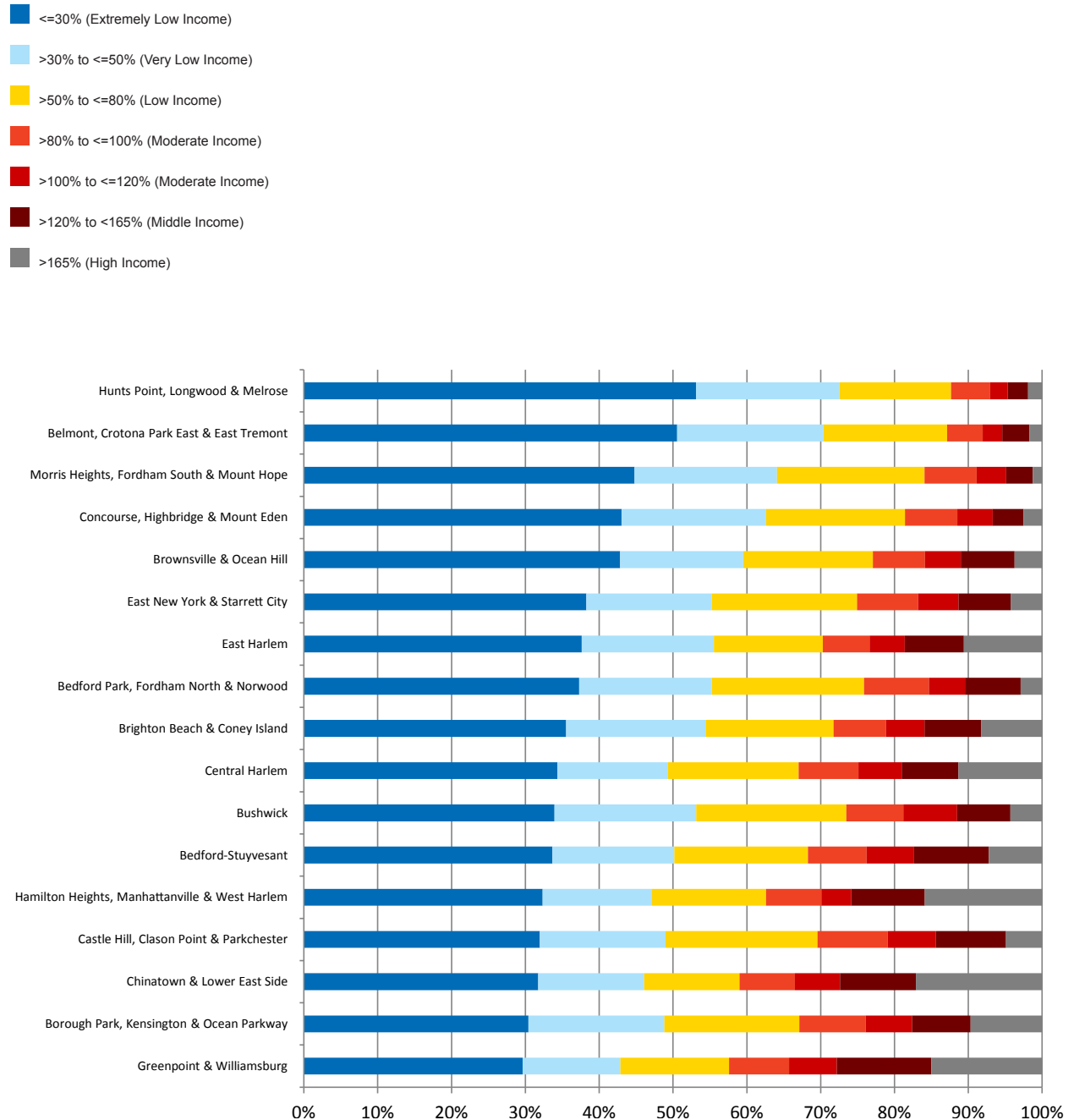
HUD Income Limits by Household Size

		1-Person	2-Person	3-Person	4-Person
Income Categories	HUD 2015 Income Limit ("AMI")	\$60,440	\$69,060	\$77,690	\$86,310
	Extremely Low (<30% of AMI)	\$18,130	\$20,720	\$23,310	\$25,890
	Very Low (30%-50% of AMI)	\$30,220	\$34,530	\$38,850	\$43,160
	Low (50-80% AMI)	\$48,350	\$55,250	\$62,150	\$69,050
	Moderate (80%-120% AMI)	\$72,530	\$82,870	\$93,230	\$103,570
	Middle (120%-165% AMI)	\$99,730	\$113,950	\$128,190	\$142,410

Source: FY 2015 Income Limits Documentation System, HUD

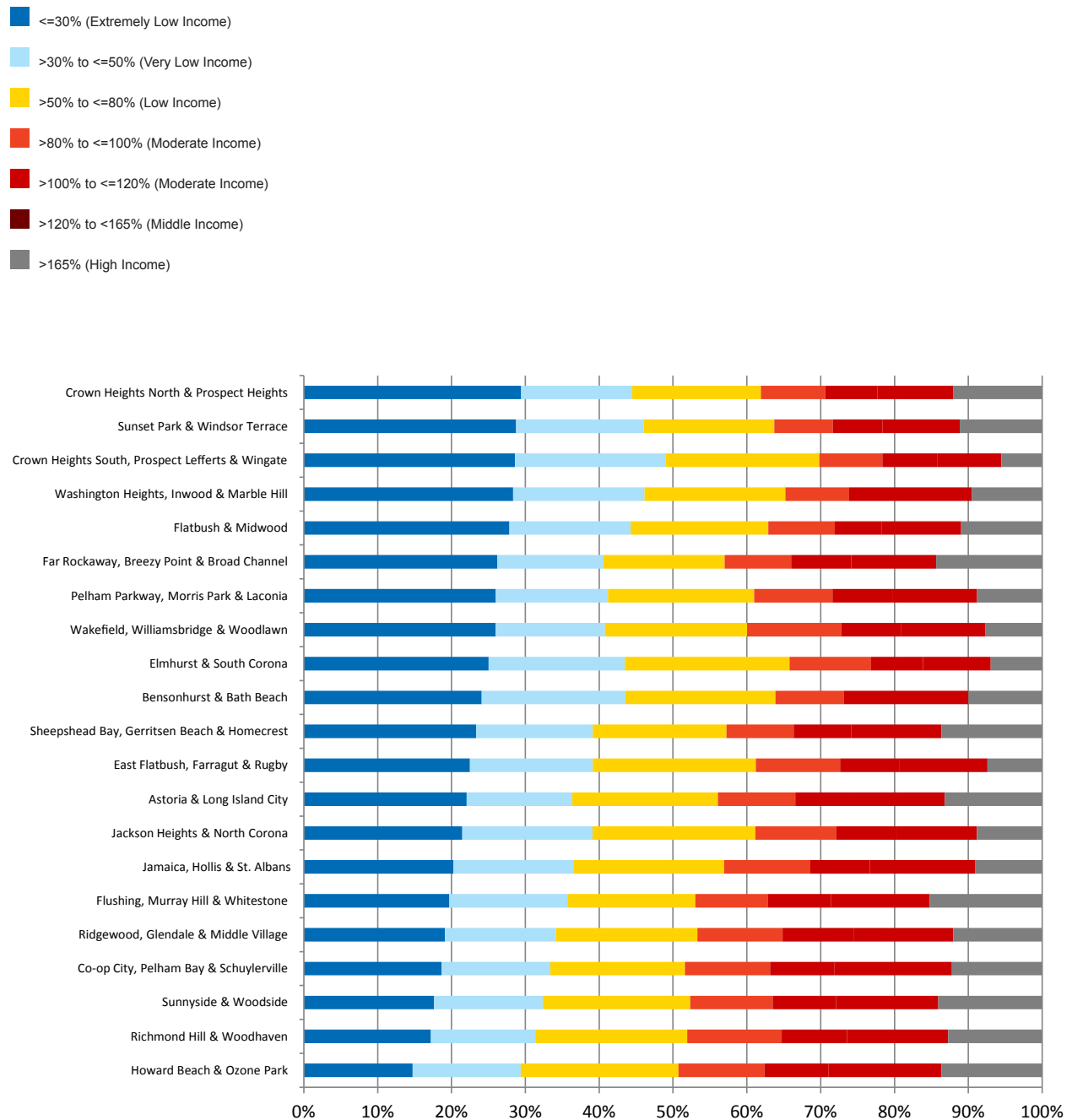
Figure 23.1

Distribution of Occupied Housing Units by HUD AMI Bands, PUMAs with High Concentrations of Extremely Low-Income Households, 2008-2012



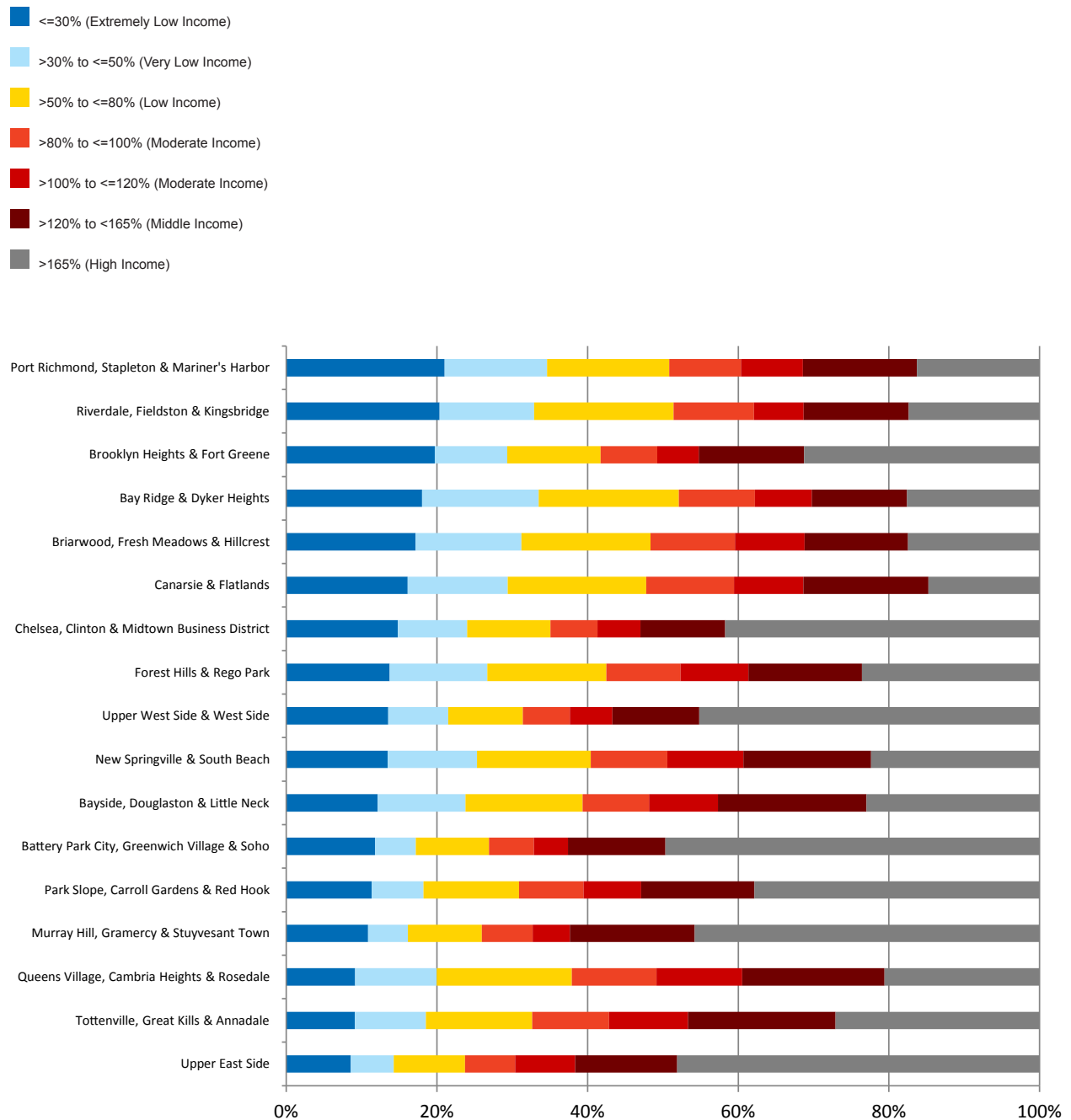
Source: U.S. Census Bureau, 2008-2012 American Community Survey-Public Use Microdata Sample; Income Bands Adjusted for Household Size

Figure 23.2
Distribution of Occupied Housing Units by HUD AMI Bands, PUMAs with More Even Income Distribution, 2008-2012



Source: U.S. Census Bureau, 2008-2012 American Community Survey-Public Use Microdata Sample; Income Bands Adjusted for Household Size

Figure 23.3
Distribution of Occupied Housing Units by HUD AMI Bands, PUMAs with High Concentrations of Middle- and High-Income Households, 2008-2012



Source: U.S. Census Bureau, 2008-2012 American Community Survey-Public Use Microdata Sample; Income Bands Adjusted for Household Size

fall within any of seven HUD-defined income brackets.

Most measures of economic and racial segregation typically rely on census tract-level data on race, income and poverty. Most social scientists as well as the U.S. Census Bureau and HUD use poverty rate as a proxy for neighborhood quality, assuming that places with very high poverty rates have limited opportunities for residents. But New York City has many neighborhoods with relatively high poverty rates that are nonetheless desirable places to live, with good transit, quality housing, parks, services, strong community ties and well-established social networks. Some of these places are working class neighborhoods, where families have deep ties to the local communities; others may be places where large tracts of publicly assisted housing exist within otherwise affluent neighborhoods. The U.S. Census Bureau and HUD often consider any neighborhood where more than 20 percent of the households have incomes below the federal poverty line to be an area of high poverty. Other social researchers have used thresholds closer to 30 percent. Less research exists on the qualities that make a “good” neighborhood; however for the purposes of mobility programs such as Moving to Opportunity, HUD has regularly defined “low-poverty” neighborhoods as places where the poverty rate is below 10 percent (Khadduri, 2001).

In his research on the geographic concentration of poverty, Rutgers University public policy professor Paul Jargowsky found that the poverty rate was typically 40 percent or higher in the neighborhoods subjectively defined by knowledgeable locals as being dysfunctional places with slum-like conditions (Jargowsky, 1997). Using 2000 census-tract level data on poverty, Jargowsky found that the New York metropolitan area was one of the least economically integrated places in the country, with more than 25% of its low-income households living in census tracts with poverty rates of 40 percent or higher (Jargowsky, 2009). This result, however, is in part an artifact of the use of census tracts. Unlike many other municipalities, census tracts in New York City tend to be physically small because of the city’s high population density. It is not unusual, for instance, for a single building or a complex of buildings to have its own census tract. This is the case for many of the city’s income-restricted public housing developments. Consequently, in New York City, census tracts with highly concentrated poverty often abut higher income census tracts. In contrast to a low-density environment, these communities often have access to the same “package” of neighborhood services, making for neighborhoods that are more economically diverse than the poverty rates of individual census tracts would suggest.

A more useful geography at which to measure economic diversity in New York City is the Neighborhood Tabulation Area, collections of census tracts that roughly correspond to subjective definitions of New York City neighborhoods, places defined by their own unique mix of amenities, services, housing types and conditions. ACS data on family poverty rate provides a useful indicator of how economically diverse a neighborhood is and whether that neighborhood can be considered a good source of opportunity. When assessed at the neighborhood level, the extent to which certain neighborhoods have

highly concentrated poverty becomes evident. An analysis of the where families in poverty live in New York City shows that although many New York City neighborhoods do have high concentrations of poverty, approximately 7 percent of family households who live in poverty are in the city's most economically segregated neighborhoods where 40 percent or more of the family households live in poverty – far less than suggested by Jargowsky's census tract-level analysis (Table 4). These neighborhoods, located mostly in the Bronx, account for only six of the city's 188 NTAs in 2009 to 2013. Notably, the number of families in poverty living in neighborhoods with very low family poverty rates (10 percent or less), was higher than the number of families living in the most economically segregated neighborhoods. Approximately 12 percent of all the New York City families living in poverty were distributed across these 68 neighborhoods, concentrated in eastern Queens, Staten Island and Manhattan.

The vast majority of the New York City families below the poverty line live in neighborhoods where the poverty rate is between 10 and 40 percent, with 41 percent of New York City family households in poverty living in 38 neighborhoods where the poverty rate is still quite high, at 25 percent or more of total families. These are concentrated mostly in the Bronx, central Brooklyn and northern Manhattan and are, by many measures, considered high poverty. An equal number of family households in poverty are distributed across 81 NTAs with poverty rates that, at between 10 and 25 percent, are neither particularly high nor particularly low, suggesting that a large proportion of the lowest income households live within a diverse range of economically integrated middle- and working-class neighborhoods.

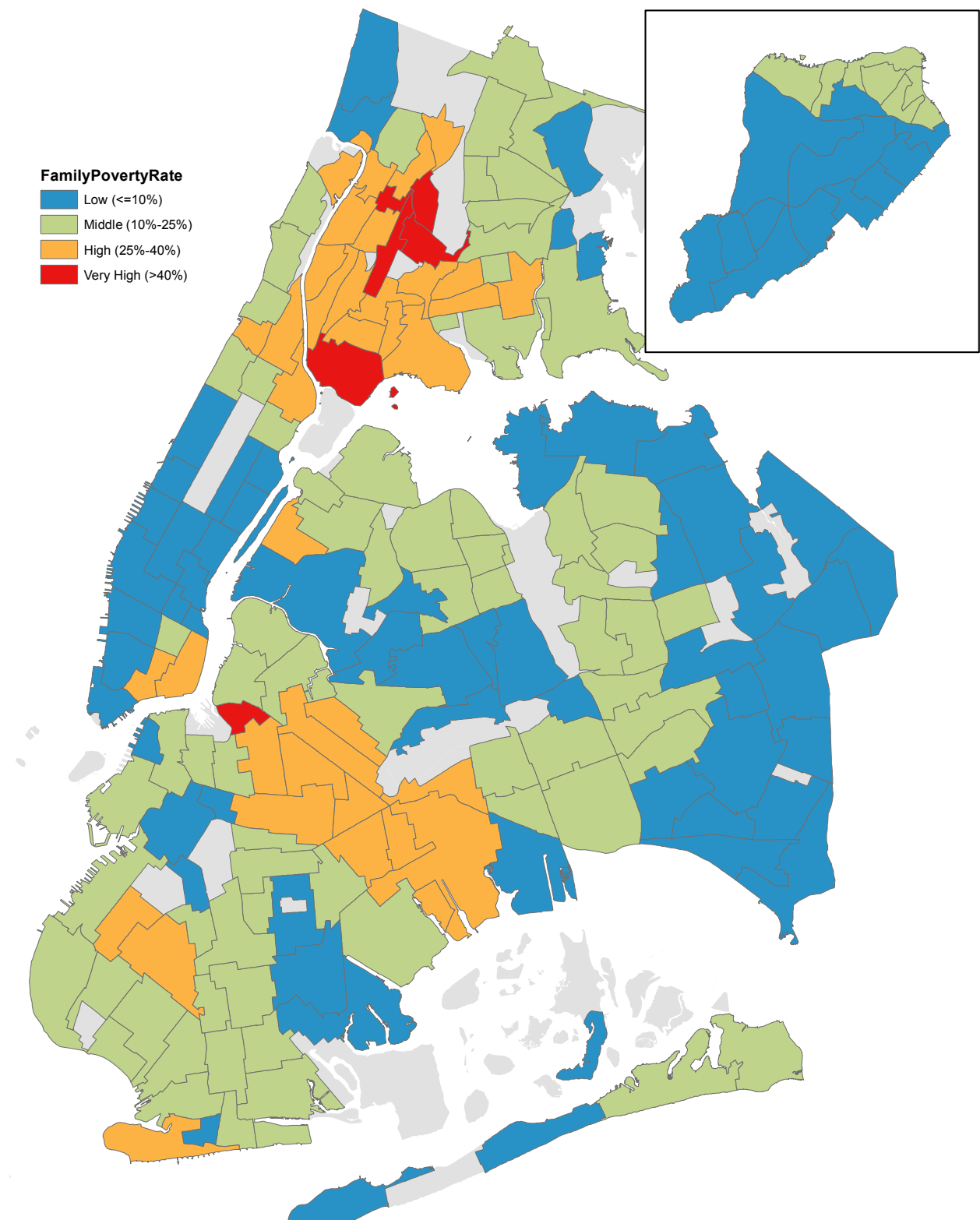
A map of the family poverty rate shows how these neighborhoods are distributed across the city, revealing that many of the neighborhoods where poverty is highly concentrated adjoin one another, meaning that there are large swaths of concentrated poverty in places like the south Bronx, central Brooklyn and northern Manhattan (Figure 24). If family poverty rate is a proxy for income diversity, than 68 of the city's 188 neighborhoods could be considered high opportunity areas with poverty rates of less than 10 percent, while another 81 neighborhoods fall in the middle. Family poverty rates

Table 4
Total Families below Poverty by NTA
Poverty Rate

	Total Families Below Poverty	Percent of Total Families Below Poverty
In NTA's with family poverty rate >= 40%	20,702	7%
In NTA's with family poverty rate 25-40%	129,418	41%
In NTA's with family poverty rate 10-25%	131,502	41%
In NTA's with poverty rate <=10%	36,743	12%
All NTAs, Total Families below poverty	318,365	100%

Source: 2009-2013 ACS: NYC Dept of City Planning

Figure 24
Family Poverty Rate by NTA, 2009-2013



Source: American Community Survey 2009-2013; DCP HEIP & Population Divisions

remain persistently high at more than 25 percent in 44 of the city's neighborhoods.

Households also regularly move between income categories, and often move to different neighborhoods in response to life events that reduce household earnings, such as the loss of job, divorce or the birth of child, or increase household earnings, such as a promotion or marriage. The migration of households between neighborhoods combined with other migration into and out of the city means that even if the socio-economic status of a neighborhood remains relatively constant over time, the composition of its households and the demographic characteristics of its residents often may shift.

On the whole, the number of households in New York City earning less than 80 percent of the HUD AMI for the New York City region increased between 2000 and 2012. However, the change in this population varies dramatically at the Community District level. An analysis by PUMA of the change shows that many of the city's most affluent areas have had a net loss of low- and moderate-income households, indicating that there has been a decline in the amount of housing accessible to low- and moderate-income households in these areas (Figure 25). Meanwhile, the PUMAs that have gained a disproportionate number of low- and moderate-income households tend to be the neighborhoods where poverty is already highly concentrated. A notable exception to this pattern is PUMA 3807, which includes the neighborhoods of Chelsea, Clinton and Midtown in Manhattan. This area experienced an absolute increase of over 2,500 households earning less than 80% of AMI despite having one of strongest housing markets in the city as measured by rents and condo sales prices (BAE Economics, 2014). The area also ranks among the top PUMAs in the city for new housing production, accounting for 17% of new units permitted for multifamily housing between 2010 and 2013, fueled mostly by recent rezonings that significantly increased the capacity for new housing.¹⁹

Notably, most of these rezonings incorporated Inclusionary Housing provisions, which together with tax incentives promoted the provision of a share of new housing as permanently affordable to low-income households. It is likely that these policies, along with robust City-sponsored affordable housing creation in the area, are responsible for the increase in the number of lower income households in some of the city's most expensive neighborhoods.

3.2 Importance of Maintaining New York's Economic Diversity

These trends indicate that overall, a diminishing share of the city's housing stock is affordable to low- and moderate-income households even as the demand for housing by households with low and moderate incomes is rising because of employment growth. Housing affordability is crucial to a city's ability to attract and maintain a qualified labor force necessary to sustain and grow employment and enhance worker mobility. As a result, more households, many of which moved to the city in pursuit of job opportunities within growth

industries, face higher rent burdens, greater overcrowding and are becoming concentrated in fewer neighborhoods. In the most extreme cases, families are driven to homelessness and must seek shelter from the City even though family members may be working.

The current dynamics of the housing market, in which the supply of housing is expanding only for households at higher income levels, will not support the needs of future growth. Expanding the availability of housing for households at a range of income levels, in neighborhoods around the city, is crucial to ensuring that populations can move to the city to prosper from its opportunities, and to meeting the labor force needs of employers at a range of locations.

It is possible that given the prevailing market forces, the sorting of populations will be dictated primarily by the preferences of more affluent professionals who increasingly choose to live within the city in amenity rich neighborhoods near transit; outbidding low- and moderate-income households who have long characterized those areas (Guerrieri, 2010). If current trends continue it is likely that, over time, some neighborhoods that are more economically diverse today will have fewer low- and moderate income households in the future and the number of very low- income households will rise in the areas that already have high concentrations of poverty. In short, the city's neighborhoods will become even less economically diverse as the population sorts by socioeconomic status.

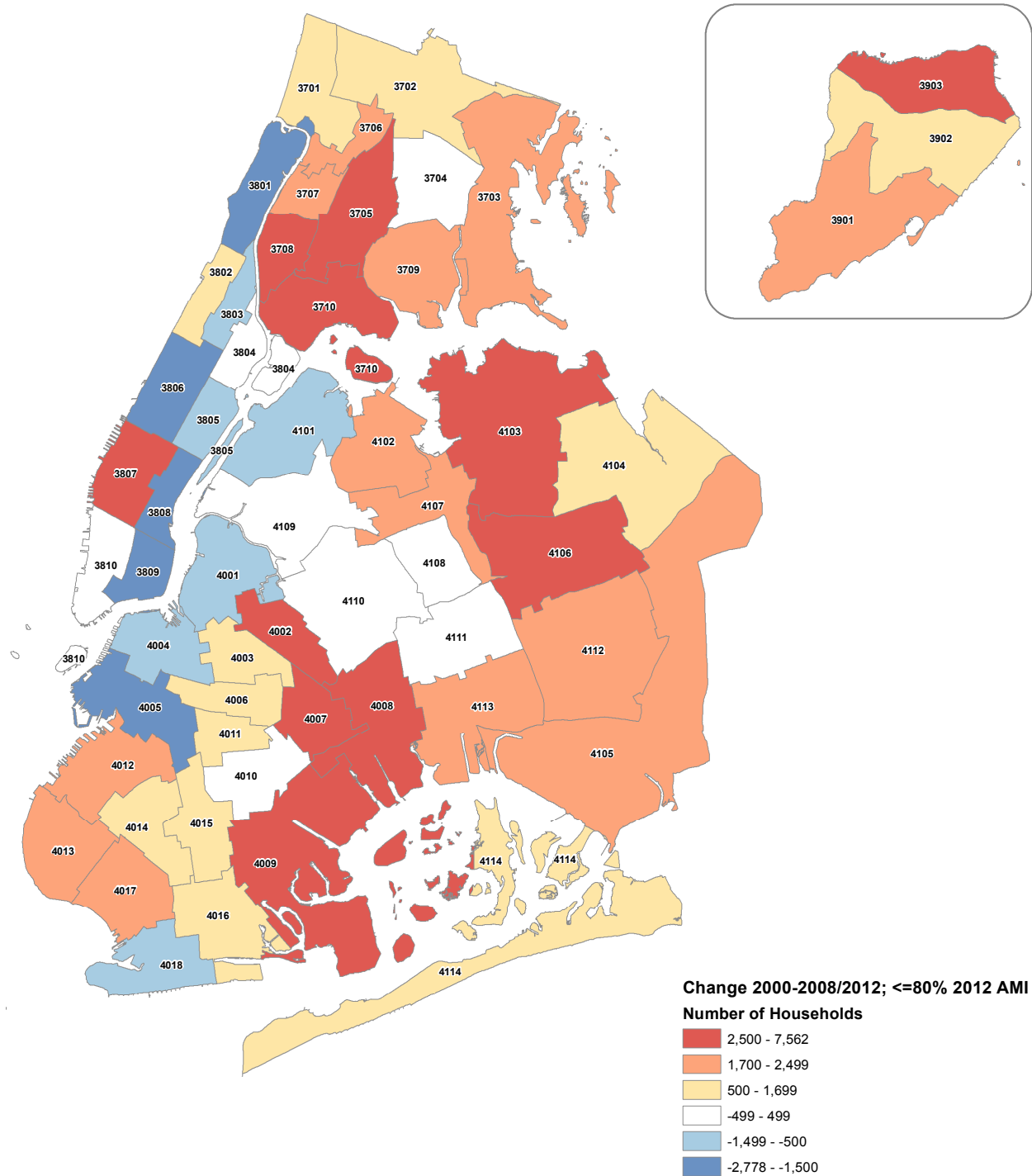
There are a number of reasons why this scenario does not bode well for the city, and why policies that promote economically integrated neighborhoods are beneficial to communities and families. First, more of these households, many of which moved to the city in pursuit of job opportunities within growth industries, face higher rent burdens, severe overcrowding and informal and often hazardous living arrangements. Families make trade-offs that can affect childhood outcomes when they choose to pay more of their income for housing to live in neighborhoods with more opportunity. Recent research showing that children from households that are not rent burdened score better on cognitive tests in reading and math and benefit from greater child enrichment expenditures than families that pay a more than 30 percent of their income on housing costs (Newman and Holupka, 2014).

To escape prohibitively expensive rents, many low- and moderate-income families will find themselves living within illegal or overcrowded conditions. The map in Figure 18 shows that overcrowding is already widespread in many of the city's lower income neighborhoods, while the Pratt/Chhaya study showed that incidence of illegal housing is most common in low-density neighborhoods on the city's periphery that may be less convenient to employment opportunities.

The consequences of overcrowding and illegal units are multifaceted, both on the families that must live in these conditions and the neighborhoods in which they live. For communities, this unplanned growth strains the local infrastructure, affecting the quality of

Figure 25

**Change in Total Households Earning less than 80% of the HUD Income Limits,
2000 to 2008-2012**



"2000 Households <=80% AMI using 2012 HUD definition (in 1999\$);
2008-2012 Housholds <=80% AMI 2012 HUD definition (in 2012\$)

Source: U.S. Census Bureau, 2008-2012 American Community Survey-Public Use Microdata Sample; 2000 5% ACS PUMS

Mandatory Inclusionary Housing

services and local schools and the character of neighborhoods. Families living in illegal and overcrowded housing, as well as their neighbors, experience unsafe living conditions due to increased hazards posed by housing that does not comply with building or fire codes.

Second, other households may choose to move to places where legal housing opportunities exist, but are already isolated concentrations of poverty. Concentrations of poverty that are isolated from employment are often faced with a greater degree of other challenges that affect neighborhood character, individual opportunity and quality of life, including higher crime rates; lower performing schools; limited access to capital that spur community investment and job creation; and fewer institutional resources (Wilson, 1996). These negative consequences affect not just families living in households today, but for future generations (Sharkey, 2013).

A recent report by New York University's Furman Center, a research institute that focuses on housing, neighborhoods and urban policy, found increasing degrees of segregation of both high income (top 10 percent) and low-income (bottom 10 percent) households between 2000 and 2012, and persistent discrepancies in measures of neighborhood opportunity. The places with the greatest degree of concentration and isolation of low-income populations are also more likely to have poorer neighborhood conditions. Although the report states that neighborhoods at all income levels showed improvement during this time in exposure to crime and access to higher-performing elementary schools, "overall, lower-income households continue to live in neighborhoods with higher crime rates and lower-performing schools than their higher-income counterparts" (Ellen et al., 2014).

Third, housing opportunities affordable to a range of incomes, in accessible locations in all five boroughs, are needed to support the city's diverse and growing labor force. While the pace of job growth has been greater outside the Manhattan CBD than inside, jobs in the other boroughs are more geographically dispersed, and low- and moderate-income households are experiencing increasingly longer commute times. The Furman Center report also documented very long commutes for moderate-income workers (incomes between \$40,000-\$60,000). The lowest income workers (less than \$20,000) experienced the steepest increase in commute times among workers between 1990 and 2012. During the same period the commute times of higher income workers were unchanged, with fewer driving alone and more using public transit, suggesting that inequality extends to commutes as well. These trends support other evidence that higher income households are moving to transit-rich locations with good access to employment, while the housing options available to low- and moderate-income households are located farther away. Moreover, evidence exists that high housing costs are distorting the employment decisions of low- and medium-skilled workers who are increasingly leaving the region for lower cost jurisdictions. This trend could affect the city's ability to attract labor for growing industries and to support future economic growth. Nationally, there has been

a trend of households moving away from productive, but high cost, cities, like New York, to jurisdictions with lower housing costs, even if those locations provide less opportunity (Ganong and Shoag, 2013). This is a reversal of historic migration patterns, dating back to the 1880s, in which populations migrated to richer states. In the last 30 years, however, population in states with lower housing costs has grown at a faster rate than population in states with higher per capita income. Although highly skilled workers continue to migrate to productive cities like New York, low-skilled workers are moving to places with lower housing costs, but where higher incomes can be achieved relative to housing costs. Put simply, in cities like New York, high housing costs are reducing the returns on employment and, for an increasing number of lower-paid workers, this tradeoff may not be supportable.

There is evidence that this is already occurring in New York City. As shown above in Table 3, ACS data for 2007-2011 show in-migrants are reporting higher household incomes compared with out-migrants. Moreover, differences in earnings and the poverty rate are no longer statistically significant. Further analysis is necessary to determine where lower income households leaving the city are moving to, but given the limited supply of affordable housing, high taxes and transportation costs common to many of the city's suburbs, it is likely that these families are moving to other places with lower housing costs.

However, it's likely that New York City will remain home to many lower income households because of its access to transit and diverse employment opportunities. As shown above in Table 3, households surveyed between 2008 and 2012 that lived at an address within the city in the previous year had lower incomes and less education than both domestic in-migrants and out-migrants, an indication that lower-income households are choosing to stay despite the rising costs of housing. Many of these existing families are forced to make difficult trade-offs in order to afford housing, including paying an increasingly high percentage of income on rent; living in illegal or overcrowded conditions; or moving to neighborhoods where poverty is already highly concentrated.

Continued in-migration of higher-earning new professionals and population growth will continue to fuel demand for less skilled jobs in health care, services, accommodation and food services, retail and construction. Even if efforts to increase the wages associated with many lower-paying jobs succeed, for New York City to continue its success in attracting business and creating jobs, an adequate supply of housing units will be necessary to provide options for workers at all income levels to ensure safe and adequate housing and to ease the burdens of commute times.

3.2 Inclusionary Zoning and Local Tools for Maintaining Economic Diversity

Historically, New York City and other locations have provided affordable housing through the use of City, State, and Federal housing funds and development on City-controlled land. Today, in an environment of declining federal funding for the creation of affordable housing, and when many cities, like New York, control relatively little land on which affordable housing can be created, municipalities have implemented a range of programs to expand housing opportunities, including inclusionary housing programs.

In municipalities ranging from suburban to urban, cities have established either voluntary or mandatory inclusionary housing policies through executive orders, municipal codes or local ordinances. Typically, inclusionary affordable housing policies apply to specified categories of new development, and are a tool for providing affordable housing in tandem with private development. In some cases, communities that originally established voluntary programs have shifted to mandatory programs.

Year to year, the same municipalities top the list of ‘most expensive U.S. cities’: San Francisco, New York, Boston and Washington, among others.²⁰ These cities are attractive places to live with strong economies and growing job markets. They share other physical and economic characteristics that also tend to produce expensive housing: high urban densities and costs of constructing housing; investments from external sources; and geographic or political restrictions that limit developable land area. In these communities, low- and moderate-income residents have experienced rising costs over time, and these populations have often shifted to less expensive areas in more distant neighborhoods or communities.

To address local housing concerns, inclusionary housing policies are now a common tool in urban and suburban areas from California to Massachusetts. National planning and housing policy organizations, including the American Planning Association, National Housing Conference, Smart Growth Network, Furman Center for Real Estate and Urban Policy and Urban Land Institute also advocate for inclusionary affordable housing programs as one of many tools available to address affordable housing needs. These programs have generally been most effective at producing affordable housing in cities with strong real estate markets and in neighborhoods experiencing growth, as affordable units are only generated in tandem with new residential development.

There are three primary types of inclusionary housing requirements employed in the United States: mandatory laws; incentive or voluntary programs achieved through tax incentives, fee waivers, and flexible zoning standards or density bonuses; and direct subsidy programs. Since 1987, and more broadly since 2005 (as discussed further below), New York City has employed an incentive-based voluntary program; in specified areas, developers can opt to receive

increased floor area based on the amount of affordable housing they provide, up to a limit. While every city is different, municipalities have generally elected to apply inclusionary housing policies to a range of new development types:

- As-of-right new residential development projects, generally limited to those above a minimum number of units
- New residential development projects that result from a rezoning, require special zoning actions or approvals, relief from zoning requirements, or are part of a planned unit development
- City-funded projects
- Projects on city-owned land
- Projects that result from the disposition of city-owned land

Typically, and particularly in a mandatory program, developers are given a list of options for satisfying an inclusionary requirement, which may include:

- Direct on-site construction of residential units that are designated and protected in accordance with the city's program;
- Off-site construction of affordable housing units, which may be required to be located within a specified distance;
- Preservation of affordable units set to expire or conversion of market-rate units to affordable units;
- Payment of a fee in lieu of provision of affordable housing.
- Off-site and payment-in-lieu options are sometimes established at a higher rate to encourage the on-site provision of units
- Affordable housing fees are then used to fund new affordable housing projects or programs.

Table 5
Comparison of Inclusionary Housing Programs

	Boston	Chicago	District of Columbia	Denver	Los Angeles	San Francisco	Seattle
Year Adopted	2000	2003	2006	2002	1991	2002	2001
Voluntary/Mandatory	Voluntary	Voluntary	Mandatory	Combination	Mandatory	Mandatory	Voluntary
Affordability Duration	50 years	30 or 99 years	Perpetuity	15 years	30 years or life	Perpetuity	50 years
Density Bonus	Varies	Varies	20%	N	Varies	N	Y
Total Inc Set Aside	15%	10%	Varies	10%	15%	12% onsite, 20% offsite	Approx. 5%
Target Incomes (AMI)	<70%-100%	≤60%-100%	<50%-80%	50-80%	30-80%	≤55-90%	80-100%
Applies to Market Rate Rental	Y	Y	Y	Y	N	Y	Y
Applies to Market Rate Condos	Y	Y	Y	Y	Y	Y	Y
Off-Site Allowance	Y	N	Y	Y	Y	Y	Y
Total Unit Production * - Changes underway	1,070 units (thru 2012)	740 units (as of mid-2014)	80 units (as of mid-2014)*	77 units (as of mid-2014)	N/A	1,560 units (as of mid-2014)	56 units (as of mid-2014)^
In-Lieu Fee	Y	Y	N	Y	Y	Y	Y
Total In-Lieu Fees Collected	\$57.2 M	\$19.0 M	N/A	\$7.6 M	N/A	\$58.8 M	\$31.6 M

Source: BAE Urban Economics, 2014

3.3 Inclusionary Housing in New York City

Until the mid-1980s, the New York City relied primarily on federally backed urban renewal programs to acquire sites for creating new publicly assisted housing [citation]. By 1985, however, declining federal funds for urban housing programs led Mayor Ed Koch to shift the focus to the City's own inventory of properties acquired through tax foreclosure (in rem) as a source of real estate to support the creation of more affordable housing. This created a new emphasis on substantial rehabilitation of dilapidated properties (Koch, 1985), but also included substantial new construction.

The City's in rem inventory, however, was concentrated in the neighborhoods hardest hit by the urban decline and financial crises of the 1960s and 1970s, limiting the ability of the City to address affordability in more stable residential neighborhoods with little abandonment and rapidly rising rents. The lack of available publicly-owned sites in high-density residential neighborhoods with strong real estate markets led to the adoption by the City Planning Commission in 1987 of the City's "R10" inclusionary housing program.

This program, which still exists, applied only in R10 or equivalent zones (the city's highest-density residential districts) because, the CPC reasoned in its April 1, 1987 report, "there [was] a high correlation between the location of R10 districts and the traditionally mixed-income areas experiencing a shift away from economic heterogeneity." The program was so novel at the time of its adoption, the Commission noted, "the inclusionary housing program is designed as an experiment to test the viability of encouraging the private sector through zoning to provide lower income housing in neighborhoods where market rate residential construction is occurring." The program was optional, they noted, "in order to test its feasibility, and develop a basis for evaluation of the effectiveness of the regulations" (New York City Planning Commission, 1987).

In districts where the R10 Program applies, a floor area bonus of 20 percent is available to developments that provide affordable housing. Qualifying units must be affordable to households at or below 80 percent of Area Median Income. For each square foot of affordable housing provided, between 2.0 and 3.5 square feet of bonus floor area are permitted, depending on whether the affordable units are provided through new construction, rehabilitation or preservation. In 2009, the program was amended to clarify restrictions on the use of housing subsidies, and to allow publicly subsidized units at less favorable bonus ratios.

In 2005, the Inclusionary Housing program was expanded in conjunction with neighborhood rezonings that encouraged substantial new housing production. This "Inclusionary Housing designated areas (IHDA)" program allows developments in designated redeveloping areas to construct more floor area if they provide affordable housing. The stated purpose of the Inclusionary Housing designated areas program was to promote economically

integrated neighborhoods in communities where zoning changes would encourage substantial new housing development. The designated areas program was first applied in the Greenpoint-Williamsburg, Hudson Yards and West Chelsea rezonings, and was later applied in over 30 City-initiated and private rezonings. In 2009, the program was modified to improve its function and to include an affordable homeownership option.

In Inclusionary Housing designated areas, which have been established in the Bronx, Brooklyn, Manhattan and Queens (Figure 26), developments taking advantage of the full 33 percent bonus must devote at least 20 percent of their residential floor area to housing that will remain permanently affordable to lower-income households (at or below 80 percent of Area Median Income).²¹ The zoning floor area bonus can be combined with a variety of City, State and Federal housing subsidy programs, which frequently make it possible to reach lower income levels. Affordable units may be provided on-site or off-site, within the same Community District or a half-mile of the bonused site, and may be provided through new construction, substantial rehabilitation, or preservation.

Since their inception, the R10 and designated areas programs have produced over 8,500 affordable units (3,200 in the R10 program, 5,300 in designated areas). An analysis by the Department of City Planning of affordable housing and total housing production through July 2013 in Inclusionary Housing designated areas found that in many areas, the program had produced a number of affordable units at or even above the 20 percent target established under the program, while in other areas, the program had failed to produce affordable units. To the extent that this program has successfully produced affordable housing, it has contributed to achieving its stated objective of promoting neighborhood economic diversity. However, concerns have been voiced by communities that the program could do more to promote housing affordable at below-market rates, including reaching a wider range of income levels, particularly lower income levels. Housing advocates and communities have frequently expressed concerns that a guarantee of affordable housing is important to the future of neighborhoods facing the potential for substantial new housing development.

Inclusionary Housing in New York City is primarily a tool for promoting neighborhood economic diversity, and is part of a much larger effort to create and preserve affordable housing. Under Mayor de Blasio's *Housing New York* plan, the City plans to expend over \$8.2 billion, with a total investment of over \$41 billion, to create and preserve 200,000 units of affordable housing over 10 years. While previous affordable housing creation tended to produce units affordable at 60% of Area Median Income, the plan includes new initiatives to create more affordable units at lower income levels, as well as at moderate incomes, and to provide more affordable housing for seniors and other populations with special needs. The creation of a Mandatory Inclusionary Housing program, to be applied in conjunction with zoning changes that promote new housing creation, is an important feature of the plan.

Legend

- Inclusionary Housing Designated Area
- R10 Program
- Parks or Cemeteries
- NYCD - Community Districts (LION)

The map displays the following community districts and areas:

- West Harlem
- Upper West Side
- Riverside South
- West Clinton
- Clinton Park
- West 44 Street
- West 47 Street
- Hudson Yards
- West Chelsea
- West 28 Street
- Hudson Square
- Third Avenue
- North Tribeca
- East Village
- DUMBO
- 363-365 Bond Street
- South Park
- Sunset Park
- Flushing
- Coney Island
- Bedford-Stuyvesant North
- Fort Greene
- Clinton Hill
- Bedford-Stuyvesant
- Crown Heights
- South West
- Rhinegold
- Broadway Triangle
- Groenpoint/Williamsburg
- McGuinness Boulevard
- Orin-Williamsburg WAP
- Hunter's Point South
- East River Realty
- East River
- Hallett's Point
- Astoria Cove
- Astoria
- Dutch Kills
- Sunnyside/Woodside
- Maspeth/Woodside
- 161 St/ River Avenue
- 380 Gerard Ave
- Lower Concourse
- Webster Ave/Bedford Park/Norwood
- East Fordham Rd
- Third Ave/Tremont
- Crotona Park East/West Farm Road
- Jamaica

Chapter 4: Mandatory Inclusionary Housing

4 Mandatory Inclusionary Housing

4.1 A Multifaceted Approach to Promoting Neighborhood Economic Diversity

Creating more housing opportunities for households at a range of incomes can enhance the city's overall economic diversity, alleviating the effects of rent burden, overcrowding, and illegal housing and providing opportunities to attract and maintain a diverse workforce. At the same time, increasing economic diversity at the neighborhood level is important for improving households' access to the "package" of services and amenities that a neighborhood provides and for creating options for families outside of areas of highly concentrated poverty.

As described in Housing New York, in recognition of the need to continue to produce new housing to support a growing population and workforce, the City is undertaking neighborhood planning initiatives that would create zoning capacity to support new housing creation, along with supporting infrastructure and services. When planning for growth, neighborhood economic diversity should be promoted, to enable households of all income levels to enjoy the opportunities afforded by these many different neighborhoods, and to enable the benefits of public investments in these areas to be realized by a diverse population.

To maintain and encourage greater economic diversity within neighborhoods, the City must produce new housing to accommodate growth while ensuring its ability to increase the supply of housing within neighborhoods that is affordable to households at a range of income levels. Given the many constraints on housing production, even an aggressive effort to increase overall capacity is unlikely to make a sufficient supply of housing available at a range of income levels, and would not encourage economic diversity at a neighborhood level. The City has long used a wide range of tools to create and preserve housing that is affordable to low- and moderate-income households, most significantly the use of City, State and Federal subsidies to support the creation and preservation of affordable housing on both publicly and privately controlled land.

These public investments play an important role in increasing the availability of housing for households at lower incomes and in providing housing investment within neighborhoods where the private housing market is not active. However, the lack of available sites in high opportunity neighborhoods, high land prices and competition from market-rate development make site acquisition for publicly subsidized housing development challenging. A voluntary inclusionary housing program has provided a mechanism to create affordable housing on private sites, but has not provided assurances that affordable housing will be included in new developments in

a wide range of neighborhood conditions. The set of programs and policies utilized to date has not been sufficient to promote economically diverse neighborhoods at locations throughout the city and in the wide range of housing market conditions that exist in various neighborhoods.

Maintaining economically diverse neighborhoods and the availability of housing for New Yorkers at a range of income levels requires a multifaceted approach:

- Support housing production to absorb growth in housing demand and reduce upward pressure on housing prices. Current initiatives include measures to remove zoning impediments to the creation of housing, including affordable housing, and neighborhood planning initiatives including zoning changes to promote the creation of new housing with supporting infrastructure and services.
- Use City, State and Federal resources to create and preserve affordable housing throughout the city. Housing New York, Mayor de Blasio's ten-year, five borough affordable housing strategy, outlines initiatives to build and preserve 200,000 units of affordable housing over a decade. City-supported affordable housing development can not only provide for affordable housing opportunities in a range of neighborhoods, but it also provides a critical source of housing investment in communities where the private housing market is not creating new housing.
- Establish a mandatory Inclusionary Housing program. The City should mandate affordable housing where land use actions promote new housing development, to ensure that new housing created within these neighborhoods serves households at a range of incomes below those that would be served by the market alone. Requirements for units to remain permanently affordable will ensure that these affordable units remain a resource for the community into the future, even as neighborhood economic conditions may change.

4.2 Financial Feasibility

In support of the multifaceted approach outlined above, a mandatory Inclusionary Housing program would establish requirements for affordable housing that promote neighborhood economic diversity while supporting the continued feasibility of housing production. In some areas and market conditions, new housing development is not generally feasible without public subsidy. It should be expected that subsidy would continue to be required to support new development including the required affordable component; in fact, the affordability of housing would continue to be determined by the use of public subsidies, rather than by the Inclusionary Housing requirement. In market conditions that support development without subsidy, however, it would not promote housing production and affordability goals to establish a requirement so onerous as to render new housing production broadly infeasible.

To identify parameters and conditions under which a Mandatory Inclusionary Housing requirement would support the feasibility of housing development, New York City's Housing Development Corporation (HDC) engaged BAE Urban Economics, a national real estate economics consulting firm with expertise in inclusionary housing analysis, to conduct a financial feasibility analysis. The purpose of the NYC MIH Market and Financial Study was to evaluate what effects the application of a Mandatory Inclusionary Housing program, in conjunction with land use actions to promote increased capacity for housing, would have on the financial feasibility of new residential development projects under a range of currently representative market conditions.

The financial feasibility analysis indicates that, unsurprisingly, financial feasibility of new housing development varies by market condition, with development most feasible in the strongest market conditions, and projects generally requiring public subsidy to support feasibility in the weakest markets. The combination of rezoning to increase permitted residential density and establishment of a Mandatory Inclusionary Housing requirement broadly support feasibility of development in strong market conditions. In weak markets, where the financial model indicates that absent zoning changes and Mandatory Inclusionary Housing requirements, development is generally infeasible without subsidy, subsidy remains necessary to produce housing under a Mandatory Inclusionary Housing program. In mid-market conditions, where returns suggest that development may be on the cusp of financial feasibility absent rezoning and Mandatory Inclusionary Housing, additional density adds little to project returns and the imposition of affordable housing requirements may adversely affect the feasibility of development in some circumstances. Project finances support a substantially higher set-aside when Section 421-a tax benefits are available to the project. It should be understood that financial parameters of individual developments can vary, even within a limited geography, and that broad determinations cannot be conclusively drawn about the financial feasibility of all developments. Requirements for a Mandatory Inclusionary Housing program should be set at a level that is understood to be feasible under a range of common circumstances, with public subsidy available as appropriate to support development where it would not otherwise be feasible, and recourse for relief for highly unusual or exceptional circumstances.

4.3 Key Elements of a Mandatory Inclusionary Housing Program

Based on the findings of this report and of the financial feasibility analysis conducted in tandem with it, the following policy priorities are identified for the establishment of a Mandatory Inclusionary Housing program:

- The program should seek to address the affordable housing needs of neighborhoods, based on an understanding of existing income levels and housing needs, as well as address citywide housing

needs and continue to support the feasibility of housing creation.

- To support the feasibility of development, the program should recognize the tradeoff that exists between reaching lower incomes and achieving a larger set-aside of affordable housing – i.e., the lower the incomes reached, the less feasible it is to achieve a larger set-aside. For instance, in neighborhoods where reaching households at the lowest income levels is a priority, a Mandatory Inclusionary Housing requirement may specify a lower set-aside with a greater proportion of affordable units at very low incomes, while in other neighborhoods, a higher set-aside may be applied that allows more units at moderate incomes.
- Housing subsidies should be made available as appropriate to support new affordable housing where it would be necessary to support the feasibility of new development. This is especially true in weaker markets, where these subsidies, rather than Inclusionary Housing requirements, will drive the income levels that can be reached in new housing.
- To address the challenges of feasibility in the mid-market condition, an option that provides permanently affordable housing for moderate-income households should be explored within areas likely to experience such housing conditions, where housing at this income level would promote neighborhood economic diversity.
- To address unusual conditions under which a Mandatory Inclusionary Housing requirement may make development difficult, accommodations should be incorporated in the program, including an exemption for small developments on small existing sites, and a hardship waiver to ensure that property owners can realize a reasonable economic return on investment in their property.
- To support neighborhood economic diversity, geographic location requirements should apply to affordable units (as they are in the existing voluntary IH program), while allowing sufficient options for on-site or off-site location of affordable units to support the feasibility of development in a range of circumstances.

Endnotes

1. Brooklyn and Queens likely experienced an undercount in the 2010 Census, the result of misclassifying housing units as vacant. A conservative estimate is that this problem understated the population of the two boroughs by 65,000 persons. This means that the population of the city in 2010 was easily in excess of 8,240,000 – and not the 8,175,100 base from the 2010 enumeration that is used in the calculations of change. See Salvo, J.J. and A.P. Lobo (2013). “Misclassifying New York’s Hidden Units as Vacant in 2010: Lessons Gleaned for the 2020 Census.” *Population Research and Policy Review*, 32(5), 729-751.
2. Changes of address from year-to-year for tax returns represent flows into and out of the city. Those who have addresses in the city in one year and outside the city in the next are designated as “out-migrants”; those who live outside the city one year and in the city the next are designated as “in-migrants.”
3. According to the 2011 ACS, the number of persons who “came to the U.S. to live” in 2010 was 94,800, down 25 percent from the 126,400 persons in the 2000 census who said they had entered in 1999. Similarly, the 451,800 persons in the 2011 ACS who had arrived in the previous five years (2006-2010) was down 22 percent from the 579,800 in the 2000 census who had entered between 1995-1999.
4. Net international flows were derived by assuming that those emigrating equaled 20 percent of the legal flow.
5. Strictly comparable data on in-migrants and out-migrants are not available; data on out-migrants are incomplete, since the ACS does not provide information on those who have left the U.S. for other countries. This analysis assumes that this effect remains the same over time, thus making comparisons useful.
6. 2011 New York City Housing and Vacancy Survey. U.S. Census. Table 5.21 “Vacant Units Unavailable for Rent or Sale by Reason for Unavailability; 2008 New York City Housing and Vacancy Survey. U.S. Census. Table 5.26 “Vacant Units Unavailable for Rent or Sale by Reason for Unavailability.”
7. The U.S. Census Bureau defines a subfamily as a married couple with or without children, or a single parent that does not maintain their own household, but lives in the home of someone else.
8. Statistics were provided by the Department of Homeless Services in May 2015.
9. The report arrives at an estimate through comparing the total new occupied units counted between the 1990 and 2000 Census and compared it with official records from the Department of Buildings on new units constructed or rehabilitated.
10. Public Use Microdata Areas (PUMAs) are Census-designated areas with a populations of at least 100,000 persons. There are 55 PUMAs in New York City which approximate the boundaries of the City’s community districts.
11. Neighborhood Tabulation Areas or NTAs, are aggregations of census tracts that are subsets of New York City’s 55 Public Use Microdata Areas (PUMAs). Primarily due to these constraints, NTA boundaries and their associated names may not definitively represent neighborhoods.

12. See Final Rule, "Affirmatively Furthering Fair Housing", Department of Housing and Urban Development, 24 CFR Parts 5, 91, 92, 570, 574, 576, and 903, date pending, 2015, p. 19: HUD supports a balanced approach to affirmatively furthering fair housing by revising the "Purpose" section of the rule and the definition of "affirmatively furthering fair housing." Also, HUD has created a new provision listing goals and priorities a program participant may take to affirmatively further fair housing, which may include, but are not limited to, place-based solutions and options to increase mobility for protected classes. (See §§ 5.150, 5.152, and 5.154.)
13. See *Texas Department of Housing and Community Affairs v. Inclusive Communities Project, Inc.* 576 U.S. ____ (2015), at 19 (recognizing that Fair Housing law is consistent with investments in low-income communities and higher opportunity areas).
14. The City of New York received almost \$153 million in CDBG funding in 2014 for programs that support the development and maintenance of affordable housing, improve access to economic opportunity and program administration and planning (New York City Department of City Planning, 2014).
15. U.S. Department of Housing and Urban Development. 2011. "Understanding Neighborhood Effects of Concentrated Poverty." Evidence Matters.
16. An "advantaged school" was defined in the study based on the subsidized meal status as well as a ranking system, based on neighborhood poverty rates, used by the school district to identify disadvantaged schools for targeted resources.
17. A neighborhood is defined in the study as a county or a commuting zone. This very large geography may over-generalize findings for New York City, where the characteristics of neighborhoods within counties are extremely diverse.
18. The researchers acknowledge in the study that although the "causal effect of growing up in New York City—as revealed by analyzing individuals who move into and out of New York—is negative relative to the national average" largely because families who already live in New York—the non-movers—have "unusually high rates of upward mobility."
19. Housing units permitted in multifamily buildings, according to records from the Department of Buildings, as aggregated and analyzed by DCP.
20. U.S. Census 2012
21. Some special districts permit a share of units to be affordable for moderate- or middle-income households, in exchange for a greater amount of affordable housing.

References

Badger, Emily. "The Surprising Cost of Growing Up Poor in the Shadow of Wealth," Washington Post, January 23, 2015.

BAE Urban Economics. "Market and Financial Study: New York City Mandatory Inclusionary Housing." 2014.

BPI. "The Gautreaux Lawsuit. <http://www.bpichicago.org/programs/housing-community-development/public-housing/gautreaux-lawsuit/>

Bricker, Jesse, Lisa J. Dettling, Alice Henriques, Joanne W. Hsu, Kevin B. Moore, John Sabelhaus, Jeffrey Thompson and Richard A. Windle. "Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances." Federal Reserve Bulletin 100, no. 4 (2014): 1-41.

Chetty, Raj, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez. "Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States." National Bureau of Economic Research (2014).

Chetty, Raj, Nathaniel Hendren, and Lawrence Katz. "The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment." Harvard University and National Bureau of Economic Research (2015).

Chetty, Raj and Nathaniel Hendren. "The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates." Harvard University and National Bureau of Economic Research (2015).

City of New York Department of Housing, Preservation and Development. "The New Housing Marketplace." December 10, 2002. City of New York. "Housing New York: A Five-Borough, Ten-Year Plan." 2014.

Civil Rights Act of 1968. Pub. L. 90-284, 82 Stat. 73, 1968. Coalition for the Homeless. "2014 State of the Homeless." 2014.

Comey, Jennifer, Xavier de Souza Briggs and Gretchen Weismann. "Struggling to Stay out of High Poverty Neighborhoods. Metropolitan Housing and Communities Center Brief." Urban Institute. 2008.

Consent Decree, *Gautreaux v. Chicago Housing Authority* (296 F. Supp. 907, N.D. Ill., 1969)

Department of Housing and Urban Development Reform Act of 1989, Pub. L. No. 101-235, 103 Stat. 1987 (1989).

Donovan, Shaun. "From Despair to Hope: Two HUD Secretaries on Urban Revitalization and Opportunity." Speech, National Press Club, Washington, D.C., July 14 2009.

Donovan, Shaun. Written testimony to FY15 Budget. 2014.

Dornbusch, Rudiger, Stanley Fischer and Richard Startz. *Macroeconomics*. New York: Irwin/McGraw Hill, 1998. pgs. 335-339.

Ellen, Ingrid Gould, et al. "State of New York City's Housing and Neighborhoods in 2013." NYU Furman Center. 2014.

Ellen, Ingrid Gould, and Margery Turner. "Does Neighborhood Matter? Assessing Recent Evidence." *Housing Policy Debate* 8, no. 4 (1997): 833-866.

Ganong, Peter and Daniel Shoag. "Why Has Regional Income Convergence in the U.S. Declined." John F. Kennedy School of Government Faculty Research Working Paper Series. 2013.

Gans, Herbert J. "The Human Implications of Current Redevelopment and Relocation Planning." *Journal of the American Institute of Planners* 25, no. 1 (1959): 15-26.

Gaumer, Elizabeth and Sheree West. "Selected Initial Findings of the 2014 New York City Housing and Vacancy Survey." New York City Department of Housing, Preservation and Development. February 9, 2015.

Glaeser, Edward, Jed Kolko and Albert Saiz. "Consumer City." *Journal of Economic Geography* 1, no. 1 (2001): 27-50. doi: 10.1093/jeg/1.1.27

Glaeser, Edward, Joseph Gyourko and Raven E. Saks. "Urban Growth and Housing Supply." Working paper 11097. National Bureau of Economic Research. 2005.

Green, Bill and Vincent Lane. "A Report to Congress and the Secretary of Housing and Urban Development." National Commission on Severely Distressed Housing. 1992.

Guerrieri, Veronica, Daniel Hartley, and Erik Hurst. Working Paper. "Endogenous Gentrification and Housing Price Dynamics" National Bureau of Economic Research, Working Paper 16237. 2010.

Gyourko, Joseph, Christopher Mayer, and Todd Sinai. "Superstar Cities." National Bureau of Economic Research, Working Paper 12355. 2006.

Higgins, Michelle. "Year of the Condo in New York City." *New York Times*, January 2, 2015.

HOPE VI: Hearing before the Committee on Banking, Housing, and Urban Affairs Subcommittee on Housing and Transportation, U.S. Senate. 110th Cong. (2007) (Statement of Orlando Cabrera,

Assistant Secretary for Public & Indian Housing U.S. Department of Housing and Urban Development).

Jackson, Kenneth. *Crabgrass Frontier*. New York: Oxford University Press, 1985.

Jargowsky, Paul A. "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s." *Brookings Metropolitan Policy Program*. 2003.

Jargowsky, Paul A. "Poverty and Place: Ghettos, Barrios, and the American City." Russell Sage Foundation. 1997.

Jargowsky, Paul A. and Todd Swanstrom. "Economic Integration: Why It Matters and How Cities Can Get More of It." Chicago, Illinois: CEOs for Cities, City Vitals Series. 2009.

Khadduri, Jill. "Deconcentration: What Do We Mean? What do We Want?" *Cityscape: A Journal of Policy Development and Research*. Volume 5, Number 2. (2001). U.S. Department of Housing and Urban Development • Office of Policy Development and Research.

Koch, Edward I. "Housing Initiatives." *State of the City Address*. January 30, 1985.

Lobo, Arun P., and Joseph J. Salvo. "Misclassifying New York's Hidden Units as Vacant in 2010: Lessons Gleaned for the 2020 Census." *Population Research and Policy Review* 32, no. 5 (2013): 729-751. doi: 10.1007/s11113-013-9298-1.

Lobo, Arun P., and Joseph J. Salvo. "The Newest New Yorkers: Characteristics of the City's Foreign-Born Population." New York: City of New York. (2013)

Neuwirth, Robert. "New York's Housing Underground: A Refuge and a Resource." Pratt Center for Community Development/Chhaya Community Development Corporation. 2008.

New York City Department of City Planning. "Current Estimates of New York City's Population for July 2013." Accessed October 22, 2014. <http://www.nyc.gov/html/dcp/html/census/popcur.shtml>. New York City Department of City Planning. "New York City Population Projections by Age/Sex & Borough, 2010–2040." New York: City of New York. (2013)

New York City Department of City Planning. "Inclusionary Housing Designated Areas Production, 2005-2013." Accessed on December 22, 2014. http://www.nyc.gov/html/dcp/html/ih_production/index.shtml.

New York City Planning Commission. Report on amendments to New York City Zoning Resolution Sections 23-15, 23-22, 23-90,

23-91, 23-92, 23-93, 23-94, 35-35, 35-42, 74-95, 82-08, 82-10 and 96-21, regarding the Inclusionary Housing Program. Application N850487ZRY(A). April 1, 1987.

New York City Department of City Planning. "Consolidated Plan." 2014.

New York City Rent Guidelines Board. "Changes to the Rent Stabilized Housing Stock in New York City in 2013." 2014.

New York-Connecticut Sustainable Communities Consortium. "Implementation Plan for Sustainable Development." Appendix A: Fair Housing and Equity Assessment. 2014.

New York Metropolitan Transportation Council. "Draft 2050 Socio-Economic and Demographic Forecasts." 2014.

Newman, Sandra and Scott Holupka. "Housing Affordability and Investments in Children." *Journal of Housing Economics* 24 (2014): 89–100. doi:10.1016/j.jhe.2013.11.006

Orr, Larry, Judith D. Feins, Robin Jacob and Erik Beecroft. "Moving to Opportunity for Fair Housing Demonstration: Interim Impacts Evaluation". U.S. Department of Housing and Urban Development. 2003.

Pendall, Rolf and Margery Austin Turner. "Expanding Access to Economic Opportunity in Fast-Growth Metropolitan Areas." Urban Institute. 2014.

Popkin, Susan J., Larry F. Buron, Diane Levy, and Mary Cunningham. "The Gautreaux Legacy: What Might Mixed-Income and Dispersal Strategies Mean for the Poorest Public Housing Tenants." *Housing Policy Debate* 11, no. 4 (2000) 911-942.

Regional Plan Association. "Long Island's Rental Housing Crisis." 2013.

Schwartz, Heather. "Housing Policy is School Policy: Economically Integrative Housing Promotes Academic Success in Montgomery County, Maryland." The Century Foundation. 2010.

Sharkey, Patrick. *Stuck in Place*. Chicago: University of Chicago Press, 2013.

U.S. Census Bureau. "2011 New York City Housing and Vacancy Survey." Table 5.21 "Vacant Units Unavailable for Rent or Sale by Reason for Unavailability; 2008 New York City Housing and Vacancy Survey."

U.S. Census Bureau. "2011 New York City Housing and Vacancy Survey." Table 5.26 "Vacant Units Unavailable for Rent or Sale by Reason for Unavailability."

U.S. Department of Housing and Urban Development. "Understanding Neighborhood Effects of Concentrated Poverty." Evidence Matters. 2011.

Housing and Community Development Act. Pub. L. No. 93-383, 88 Stat. 633 (1974).

U.S. Department of Housing and Urban Development. "CDBG Laws and Regulations. HUD Exchange." Accessed on January 22, 2015. <https://www.hudexchange.info/community-development/cdbg-laws-and-regulations/>.

U.S. Department of Housing and Urban Development. "FY 2010 Budget: Road Map for Transformation." 2010.

U.S. Department of Housing and Urban Development. "HOPE VI Guidance: HOPE VI Appropriations." Accessed on January 22, 2015. http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_9837.pdf.

U.S. Department of Housing and Urban Development. "Promoting Fair Housing." Accessed on January 22, 2015. http://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/promotingfh.

Wagner-Steagall Act. Pub. L. No. 75-412, 50 Stat. 888 (1937). Westchester County Housing Opportunity Commission. "Affordable Housing Allocation Plan, 2000-2015." 2005.

Wilson, William J. *The Truly Disadvantaged*. Chicago: University of Chicago Press, 1987.

Wilson, William J. *When Work Disappears: The World of the New Urban Poor*. New York: Knopf, 1996.

Acknowledgements

NEW YORK CITY DEPARTMENT OF CITY PLANNING

Carl Weisbrod, *Director and Chairman of the City Planning Commission*

Purnima Kapur, *Executive Director*

Anita Laremont, *General Counsel*

Howard Slatkin, *Deputy Executive Director for Strategic Planning*

Eric Kober, *Director of Housing, Economic and Infrastructure Planning*

PROJECT TEAM

Jennifer Gravel, *Project Director*

Eric Kober

John Mangin

Howard Slatkin

CONTRIBUTORS

Joel Alvarez

Danielle Decerbo

Sam Facas

Anita Laremont

Joshua Levitt

Peter Lobo

Erica Maurer

Nicholas Moore

Sivan Naaman

Stacy Passmore

Joseph Salvo

Kristina Schmidt

William Sears

Laura Smith

EXTERNAL CONTRIBUTORS

Department of Housing Preservation and Development

Vicki Been, *Commissioner*

Daniel Hernandez, *Deputy Commissioner for Neighborhood Strategies*

Louise Carroll, *Assistant Commissioner for Inclusionary Housing*

Jeremy Hoffman

Leon Hovsepian

Michael Lostocco

Matthew Murphy

Emilio Veras

