

## NYC Campaign for Inclusionary Zoning: Guaranteeing Affordable Housing Frequently Asked Questions

### Q: What is the difference between mandatory and voluntary Inclusionary Zoning?

Mandatory programs require developers to build affordable units in exchange for development rights (e.g. additional density). Voluntary programs rely on incentives to encourage developments to “opt-in.” The NYC Campaign for Inclusionary Zoning calls for guaranteeing affordability – through a mandatory program – in areas being rezoned for greater residential density. In other areas (i.e. those that are not being rezoned by the Bloomberg Administration), it could be possible to use a voluntary program, to allow developers who choose to create affordable units to build slightly larger buildings.

### Q: Which works better, mandatory or voluntary?

An analysis of existing Inclusionary Zoning programs nationally reveals that **mandatory Inclusionary Zoning programs generally work better** – they produce more units, for a wider range of people, with greater predictability.

- *Mandatory programs produce more units:* In the states where both mandatory and voluntary programs exist, mandatory programs have produced far more units. In California, 107 jurisdictions have Inclusionary Zoning programs. Only 6 of these are voluntary, and they have produced little affordable housing. In contrast, the top 15 programs with mandatory programs have produced over 16,000 units.
- *Municipalities are switching from voluntary to mandatory:* Numerous jurisdictions that initially adopted voluntary programs are now switching to mandatory ones. Cambridge, Mass. operated a voluntary program from 1988 – 1998, and no affordable units were produced. They adopted a mandatory program in 1999, and over 200 units have been produced. In Boulder, Co. over 300 units have been produced since conversion in 2000.
- *Voluntary programs rely heavily on public subsidies:* Voluntary programs generally rely on public subsidies, especially if they produce any units for low-income families.
- *The 5 largest cities to adopt Inclusionary Zoning have chosen mandatory programs:* Boston, Denver, Sacramento, San Diego, and San Francisco have all chosen mandatory programs. Chicago and Los Angeles are currently considering mandatory programs.

### Q: Does mandatory Inclusionary Zoning slow development?

Existing studies and data show that **Inclusionary Zoning is unlikely to slow private, market-rate residential development**. In some cases, it actually helps to accelerate development.

- *A review of existing programs indicates that development did not decrease after programs were adopted.* Studies of housing production before and after the adoption of mandatory Inclusionary Zoning programs show no decrease. In some places, overall production (market and affordable) increased significantly.
- *Mandatory Inclusionary Zoning programs do not generally reduce developer profits; instead, developers incorporate the costs into their calculations, and negotiate for lower land prices.* A comprehensive economic model conducted for the City of Los Angeles (commissioned by the LA City Council) thoroughly documented how the requirements of a mandatory program are imputed into land costs.

Of course, Inclusionary Zoning programs must be well-designed to be economically feasible and to fit the conditions of the local market. The City of New York can utilize several studies (existing and underway) to design a smart, feasible program.

**Q: How is NYC different? Doesn't it cost more to build here? Will it work here?**

It does cost more to build housing in New York City. A study by the Furman Center at NYU revealed that its costs between 4 – 11% more to produce housing in NYC than in Los Angeles or Chicago, two other cities that are now considering adopting Inclusionary Zoning. However, there are other **factors that will make Inclusionary Zoning work well for New York City**:

- *Rents and sales prices are significantly higher than in other places:* These higher sales and rental prices (on the market rate units, which are still the vast majority of units in a development with inclusionary units) more than offset the increased cost of production.
- *NYC is giving density bonuses that are far, far greater than those in other cities:* In most places with Inclusionary Zoning, developers receive a 10 – 20% density bonus. In the re-zonings currently proposed by the NYC Department of City Planning, developers receive bonuses of 50% - 500%. These far greater bonuses offer plenty of room for a workable program.
- *The re-zonings currently proposed by City Planning will increase privately-owned land values by tens of billions of dollars:* Mandatory Inclusionary Zoning will utilize a small percentage of this increase to create affordable housing.

**Q: Who makes sure that the developers build the affordable units? Who makes sure that they are rented or sold at affordable rates?**

Effective implementation and monitoring are critical to making Inclusionary Zoning work. The **Department of Housing Preservation and Development (HPD)** would most likely have primary responsibility for implementation.

When a developer sought to build housing in an area with an Inclusionary Zoning provision, the NYC Department of Building (DOB) approval of their plans would require that they comply with the program (just as DOB currently does, to insure that buildings comply with general zoning provisions). To comply, developers would file paperwork with HPD, identifying the affordable units. HPD would then monitor the project – just as it currently does with many other market-oriented tax-incentive programs (e.g. J-51, 421-a) – to insure that the units are rented or sold at affordable rates, both initially and over time.

**Q: Who is the typical family that will be helped by Inclusionary Zoning? How will they be helped?**

The Campaign for Inclusionary Zoning proposes a sliding scale, so that units will be created for families at a range of incomes who need affordable housing. Programs around the country offer the affordable units at a range of 50% - 120% of area median income. In NYC, this would translate to families earning \$20,000 - \$70,000 per year. The program would set their rent or sales price at an affordable level, so that they would pay approximately 30% of their income for rent. As a result, they would pay rents ranging from \$500 - \$1,500 per month. These are families who are currently being priced out of the neighborhoods that are being re-zoning, and in many cases priced out of the city altogether. It is also possible to utilize Section 8 Housing Choice Vouchers to enable even lower income units to access affordable housing efficiently.

**Q: What is the timetable for developers that would be building these affordable units?**

Inclusionary Zoning in New York City will need to be adopted in specific areas, as part of a re-zoning process under the City's Unified Land Use Review Procedures (ULURP). Re-zoning processes are underway in many communities currently – Greenpoint-Williamsburg, Long Island City, West Chelsea, and Hudson Yards – where Inclusionary Zoning could be adopted by early 2005. Other neighborhoods follow shortly behind. Once the area is rezoned, all new Department of Buildings permits for construction would require developers to comply with the provisions.