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NEW AFFORDABLE HOMEOWNERSHIP OPTION UNDER INCLUSIONARY HOUSING BEGINS PUBLIC REVIEW

*Improvements to Inclusionary Housing Program Would Also Produce More Permanently Affordable Housing;
Proposal Fulfills Promise Made During Adoption of 125th Street Rezoning*

February 17, 2009 - City Planning Commissioner Amanda M. Burden announced the beginning of public review for an expansion of the City's acclaimed Inclusionary Housing Program. The new provisions would, for the first time, include a permanently affordable homeownership option for low moderate and middle income households. Inclusionary Housing provides an incentive for creation or preservation of affordable housing in exchange for the right to build additional housing within the height and bulk limits for each zoning district. The program was significantly expanded by the Bloomberg administration in 2005 to apply in areas outside the highest density neighborhoods and to produce additional affordable units by leveraging the private market and utilizing public financing and tax incentives. It is a key component of the Mayor's New Housing Marketplace Plan.

Until now, Inclusionary Housing had permitted only affordable rental units. The addition of the permanently affordable homeownership option fulfills a promise the City made during the adoption of the 125th Street Plan. The zoning text change would also increase the number of permanently affordable units that can be created through the original program, which applies in the highest-density R10 residential districts, by extending provisions of the new, expanded program, including eligibility for public financing. It also includes a number of technical refinements to improve the administration of both the original and expanded programs.

Commissioner Amanda M. Burden said, "Home ownership is an important stabilizing force in a community, and we will be offering new opportunities for New Yorkers who want to invest in their neighborhoods to earn a safe and significant return at an affordable price. Not only will these changes provide a significant route to stable, affordable home ownership at a critical time but it will encourage broader participation in the Inclusionary Housing program, assuring that we meet the Mayor's goal to house 500,000 New Yorkers by 2014. This innovative proposal will help develop new and affordable housing with home ownership that will help anchor economically integrated communities."

Acting Department of Housing Preservation and Development Commissioner Marc Jahr said, "The Inclusionary Housing Program is a unique marriage of City Planning's zoning and HPD's expertise in financing and administering affordable housing programs. The changes that begin the public review process today build on HPD's and DCP's experience with implementing the Inclusionary Housing program and its expansion within a number of rezonings since 2005. This expands our toolbox for housing New Yorkers, and improves our ability to use subsidies efficiently in combination with zoning incentives. We have a proven track record of success with families who have participated in other City programs that foster home ownership and build stronger communities and we expect to extend that success through this initiative."

The two branches of the program – the R10 program, in place since 1987, and the expanded program, applied in certain rezonings since 2005 – have spurred the creation and preservation of affordable housing, producing a total of over 3,200 permanently affordable units to date. The modifications introduced today are intended to build on that success. The changes would also further strengthen and expand the program to produce more permanently affordable units in areas where the earlier R10 version of the program applies.

While different ratios apply in the old "R10" inclusionary program mapped in the city's highest density areas and the expanded program developed in 2005 for medium and high density areas, common to both is the concept of permitting -- in exchange for provision of affordable housing units -- the construction of additional floor area for housing through a zoning bonus. The affordable units may be located on-site or off-site, and may be provided through new construction, rehabilitation, or preservation of existing affordable housing. Units provided off-site are required to be located within the same Community District as the bonused development, or within a half-mile. Unlike units produced through many other affordable housing programs, the rent restrictions for the affordable housing in the Inclusionary Housing Program are permanent.

Homeownership

The proposed modifications would allow affordable units created through the Inclusionary Housing program to be either for-sale or rental units. Previously, only affordable rentals were created through this program. This would apply in all areas where Inclusionary Housing applies regardless of whether the area is governed by the old or new regulations. In keeping with the Inclusionary Housing Program's guiding principle of permanent affordability, the resale price of homeownership units would be restricted for the life of the bonused development.

Inclusionary homeownership units would initially be affordable to households earning up to 80 percent of the HUD Area Median Income. The restricted sale price of the unit would be allowed to increase annually by a fixed appreciation rate, enabling the homeowner to realize a modest return. However to preserve affordability over the long term, such increases would be capped so that the unit would always remain affordable to households earning no more than 125 percent of HUD Area Median Income.

Not only does this option offer the benefits of affordable homeownership, but it also offers another means of facilitating the permanent preservation of existing buildings in need of assistance, and provides an opportunity to increase the participation of condo and co-op developers in the Inclusionary Housing Program. In addition, homeownership contributes to healthy communities and has been demonstrated to spur positive community involvement.

The new homeownership option would be available in both the high density R10 neighborhoods as well as in rezoning areas where Inclusionary Housing applies, including 125th Street, the Upper West Side, Jamaica, Woodside-Maspeth, Bedford-Stuyvesant, Fort Greene-Clinton Hill and Greenpoint-Williamsburg. Going forward, it would also be available when mapped where the City is encouraging new development, such as the Lower Concourse in the South Bronx among others.

Improvements to the R10 program

The proposed text would extend certain provisions of the expanded (2005) Inclusionary Housing program to the R10 (1987) program. Currently, the R10 Inclusionary Housing program does not allow affordable units to utilize most subsidies. The proposed changes would allow the use of subsidies provided the development produces a larger number of affordable units. This new government-subsidized option is also expected to broaden participation in the Inclusionary Housing program and promote a greater number of permanently affordable units in R10 districts.

The proposal would also extend the modified income verification requirements that currently apply in the expanded program to the R10 program, enabling more existing affordable buildings to qualify for preservation – an important tool in maintaining the City's stock of affordable housing and preventing displacement of lower income households.

Other Improvements

Several modifications to technical and administrative provisions, based on the experiences and input of HPD, DCP, and affordable housing providers, would help improve the functioning of the program in all areas. Among these are provisions that would:

- Promote family-sized units by requiring a bedroom mix for affordable units that either matches the market-rate component of a building or includes at least half two-bedroom or larger units;
- Broaden the marketing income bands that will be served by Inclusionary Housing units, in keeping with HPD guidelines in other programs; and
- Improve and streamline provisions requiring completion of affordable units before market-rate units may be occupied.

Public Review

The City Planning Commission today referred the proposed [text amendment](#) to 24 affected community boards and the four affected borough boards and borough presidents for review and comment. Comments are to be submitted by April 27, 2009. The City Planning Commission will then hold a public hearing on the proposal. Following the Commission's vote, the City Council will have up to 50 days to review the proposed text amendment.

For more details on the proposed changes to the Inclusionary Zoning text, or information on the land use review process, please visit www.nyc.gov/planning.

Department of City Planning

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