



**A TALE OF ONE HOUSING PLAN:
HOW BILL DE BLASIO'S NEW YORK IS ABANDONING THE SAME
LOW-INCOME NEW YORKERS LEFT BEHIND DURING THE
BLOOMBERG YEARS**

A REPORT FROM THE REAL AFFORDABILITY FOR ALL EXECUTIVE COMMITTEE

INTRODUCTION: THE AFFORDABILITY CRISIS DE BLASIO INHERITED FROM BLOOMBERG

Bill de Blasio framed his mayoral campaign and victory as a major referendum on the income inequality that increased dramatically during the Bloomberg years. De Blasio said he would end the tale of two cities and unite New Yorkers around a new progressive agenda – a new vision of a more equitable and inclusive city.

In recent years, the rising cost and unavailability of affordable housing has been how many New York City residents have most acutely felt the effects of income inequality. In the twelve years that Bloomberg served as mayor, the median monthly gross rent for an apartment skyrocketed from \$788 in 2002,ⁱ the year he took office, to \$1,216 in 2012ⁱⁱ, the year before he left office. This is a staggering 54% increase over the course of a single decade. According to the Furman Center, the median household income in New York City increased only 2% from 2005 to 2012.ⁱⁱⁱ

This growing gap between high housing costs and low wages fuels the affordability crisis, especially among low-income and moderate-income New Yorkers. As rents go up while wages stay the same or decrease, housing becomes less and less affordable. The loss of real affordability exposes more residents and households to greater risks of displacement and homelessness.

Bloomberg did not ignore the need for more affordable housing. In fact, one of his signature policy initiatives and accomplishments was the implementation of his New Housing Marketplace plan. Launched in 2003, the initiative planned to build or preserve 165,000 units of affordable housing. By December 2013, the initiative had financed 160,000 units, and was on pace to complete all 165,000 by July 2014.^{iv}

But Bloomberg failed to build or preserve affordable housing for the lowest-income New Yorkers. That failure has contributed to the growing homelessness epidemic and put more families at risk of displacement.

The greatest need for real affordable housing still exists among low-income New Yorkers who were ignored by Bloomberg's housing plan.

Hundreds of thousands of low-income people, many of whom voted for de Blasio in 2013, were left behind by Bloomberg's housing plan. Indeed, an earlier Real Affordability for All report revealed that at the end of the Bloomberg era, an estimated 700,000 New Yorkers who earn below 50% of Area Median Income (currently about \$38,000 for a family of three) were left in desperate need of housing they could afford.

An estimated 60,000 New Yorkers were living in homeless shelters as of late 2015, with many members of the working poor unable to access any affordable housing.^v For the most vulnerable in our city, the affordability crisis has become a full-blown state of emergency.

If de Blasio fails to create truly affordable housing for low-income New Yorkers, he will repeat Bloomberg's worst mistakes. As of right now, the similarities are painfully stark.

Instead, as this report shows, the city is currently stuck in a Tale of One Housing Plan, and it won't end well for the vast majority of New Yorkers.

But de Blasio has the power to change this dynamic and advance a housing plan that lives up to the progressive vision he championed as a mayoral candidate. Indeed, it is entirely possible to create and preserve housing that meets the needs of the lowest-income New Yorkers, while still enabling new development to thrive in rezoned neighborhoods.

The report concludes with a discussion of how de Blasio can create real affordable communities. His administration can incentivize developers to create new apartments with much deeper affordability and good jobs for low-income residents in exchange for increased density that developers want in order to maximize their profits. This is the best path forward for the city.

FINDINGS: HOW DE BLASIO IS PERPETUATING BLOOMBERG'S HOUSING PLAN

Soon after de Blasio became mayor in 2014, the median rent in Manhattan was \$3,100, and in Brooklyn it was only slightly less, at \$2,890 per month.^{vi} According to the U.S. Census, the median household income in Brooklyn was \$46,085 a year in 2013,^{vii} which means that a household earning the median income would have to spend an astonishing 74% of their income in rent to afford the median apartment price.

As de Blasio assumed the mayoralty with a mandate for progressive change on income inequality, there was great hope that he would reject the housing policies of the Bloomberg era and strive to build real affordable housing where the greatest need exists: at the lowest income levels.

But so far, the results of de Blasio's Housing New York Plan look strikingly similar – in fact, nearly identical – to the final years of Bloomberg's New Housing Marketplace plan (2009-11), according to a close review of the latest available data.

From 2009 to 2011, Bloomberg delivered or preserved about 35,974 units of affordable housing. Of those units, only 4% were affordable to households earning 30% of AMI or below – the income bracket most in need of affordable housing. An additional 17% of the affordable units were for high-need, low-income households at 31-50% of the AMI, and the bulk of the units were set at 51-80% of AMI.^{viii} Building at 60% of AMI allows landlords to collect the highest rents they are allowed to charge while still receiving Low Income Housing Tax Credits.

In January of this year, de Blasio announced that his administration had already built and preserved approximately 40,000 units of housing in 2014 and 2015, calling it “major progress on critical fronts in New York City’s housing crisis.”^{ix}

But when disaggregating the data by income levels, the numbers tell a different, far more disturbing story: so far, for working-poor households, those at the income levels of 31-50% of AMI – where a great need for affordable housing still exists – de Blasio has delivered even less than Bloomberg: 11% as compared to Bloomberg’s 17%. And, in a repeat of Bloomberg, the vast majority of the affordable units have been generated at the 51-80% AMI level.^x

Among the New Yorkers who most desperately need housing at the lowest income levels, de Blasio’s plan has provided almost exactly the same percentage of units below as Bloomberg’s: a strikingly low 5% for low-income and working-poor New Yorkers earning 30% of AMI or less.

AMI	Bloomberg FY2009- FY2011		de Blasio 2014-15	
0-30%	1,389	4%	2,000	5%
31-50%	6,266	17%	4,223	11%
51-80%	21,507	60%	24,537	61%
81-120%	2,211	6%	2,396	6%
121-180%	4,601	13%	6,830	17%
	35,974	100%	39,986	100%

TABLE 1: HOUSING MARKETPLACE VS. HOUSING NEW YORK

A CLOSER LOOK AT THE NUMBERS: HOW DE BLASIO IS IGNORING THE HOUSING NEEDS OF THE SAME LOW-INCOME NEW YORKERS SHUT OUT OF BLOOMBERG’S AGENDA

Mayor de Blasio has gone to great lengths to tout his plan to create and preserve 200,000 units of affordable housing over the next 10 years. But simply focusing on building and preserving an arbitrary number of units will have a minimal effect on the overall availability of affordable housing, unless deeper affordability for low-income New Yorkers is prioritized.

That was true with Bloomberg’s Housing Marketplace Plan, which focused on 165,000 units, and it’s equally true with de Blasio’s Housing New York Plan, which is now focused on 200,000 units.

The charts below reveal two key facts about housing constructed through Bloomberg’s and de Blasio’s plans:

1. Bloomberg’s Housing Marketplace and de Blasio’s Housing New York plans have produced essentially identical results in terms of for whom the affordable housing has been generated.

2. Both plans fail to create affordable housing where there is the greatest need: for very low- and low-income New Yorkers.

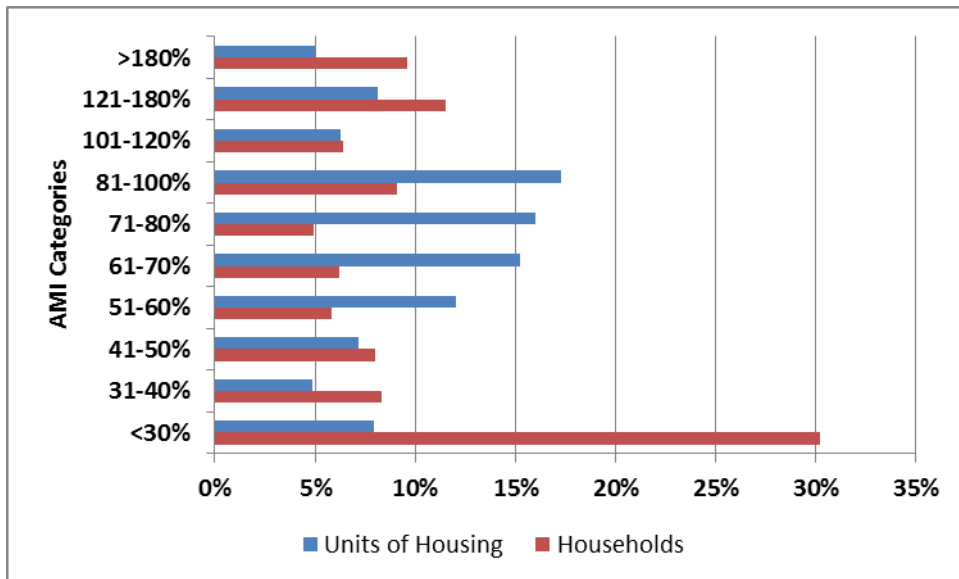


CHART 1: % HOUSEHOLD INCOME VS. % OF UNITS AT APPROPRIATE RENTS^{xi}

Not surprisingly, the income levels where there is the greatest shortage in affordable housing are the same income levels where the greatest percentage of people are rent-burdened – those paying more than 30% of income in rent.

According to an analysis of 2014 New York City Housing and Vacancy Survey microdata provided by the Community Service Society of New York, almost 70% of rent-burdened tenants earn below 50% of the AMI. Meanwhile, households earning between 51-80% of AMI constitute 20% of the rent-burdened tenants.

Federally defined income categories by Area Median Income (AMI)	Approximate income ranges by AMI for a family of 3	Share of rent-burdened private market tenant households (paying more than 30% of income in rent)
Up to 30% of AMI	Up to \$23,000	38 %
30 to 40% of AMI	\$23,000 to \$31,000	17 %
40 to 50% of AMI	\$31,000 to \$39,000	14 %
50 to 60% of AMI	\$39,000 to \$47,000	9 %
60 to 80% of AMI	\$47,000 to \$62,000	11 %
More than 80%	More than \$62,000	12 %

TABLE 2: RENT BURDENED BY AMI LEVEL^{xii}

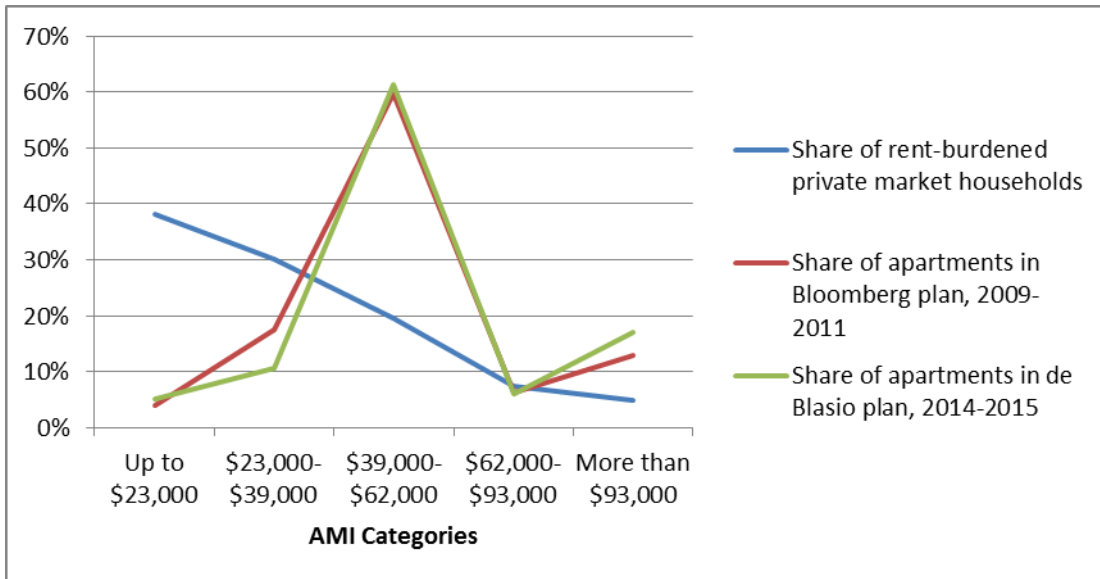


CHART 2: BLOOMBERG AND DE BLASIO'S PLANS VS. RENT BURDENED TENANTS

THE WRONG TOOLS IN THE TOOLBOX: MANDATORY INCLUSIONARY HOUSING AND 421-A DON'T PRODUCE REAL AFFORDABLE HOUSING FOR VERY LOW- AND LOW-INCOME NEW YORKERS

The de Blasio administration has spent a lot of time and energy promoting its supposed improvements to affordable housing production, adding what it calls new tools to the toolbox. It has lobbied hard to get these changes approved both in Albany and now in New York City, engaging what would seem to be unlikely allies in their fights. In particular, the Real Estate Board of New York (REBNY) was a key partner in the 421-a reforms championed by the mayor, and the New York State Association for

Affordable Housing (NYSFAFH), the leading for-profit affordable housing development organization, has been a major ally in both Albany and New York City.

The de Blasio administration’s marquee policy proposal, Mandatory Inclusionary Housing, is meant to ensure that, in neighborhoods rezoned to allow for more residential construction, the rules of the game are changed in response to the massive displacement of New Yorkers in prior re-zonings under Mayor Bloomberg.^{xiii} This proposal guarantees that a certain percentage – either 25% or 30% – of newly built units will be affordable at an average of 60% and 80% of area median income, respectively, and provides for a third option at 120% of AMI for neighborhoods already experiencing an increase in development and an upswing in rents.

	Option 1	Option 2	Option 3
Percent Affordable	25%	30%	30%
Average AMI of Affordable units	60AMI	80AMI	120AMI
Affordable for what income?	\$46,620	\$62,150	\$93,240

TABLE 1: DE BLASIO MANDATORY INCLUDING HOUSING PROPOSAL

But there is a growing concern that the proposal will harm the very people it is intended to help. Indeed, Mandatory Inclusionary Housing will actually exclude the vast majority of low-income residents in neighborhoods like East New York and the South Bronx that are scheduled to be rezoned. The proposed housing isn’t properly aligned with the incomes of current residents in these neighborhoods targeted for up-zoning: most earn far less than 60 percent of AMI. Nor does the de Blasio plan address the lack of affordability for individuals and families with incomes below 50% of AMI throughout the city. Only wealthier newcomers, not current residents, will be able to afford the housing in de Blasio’s plan.

As currently written, de Blasio’s Mandatory Inclusionary Housing plan would very likely accelerate gentrification and displacement: because new affordable housing will be too expensive for most people who live in low-income neighborhoods, and the ripple effect as neighborhoods “improve” will result in current residents’ inability to stay where they are. This plan will create displacement, not prevent it. Current residents will be forced to go elsewhere – and that may mean a homeless shelter, if real affordable housing isn’t created for them.

The reality is that only much deeper levels of affordability can meet the needs of low-income residents who were left behind during the Bloomberg years.

Proposed Re-Zoned Neighborhoods	Neighborhood AMI as a % of NYC AMI	Income Level at Neighborhood AMI
East New York	45% of NYC AMI	\$35,000
South Bronx	32% of NYC AMI	\$25,000
East Harlem	40% of NYC AMI	\$31,000
Staten Island – North Shore	66% of NYC AMI	\$51,000

TABLE 2: AREA MEDIAN INCOME IN NEIGHBORHOOD REZONINGS

The administration’s other signature alteration to affordable housing development is its reform of the 421-a tax subsidy, which was passed in the state legislature during spring 2014, but subsequently expired when labor and the real estate industry could not agree on a deal with wage standards as mandated by the Governor, in January 2015.

The administration has vowed to continue to fight for the same plan it proposed last year.^{xiv} But 421-a has a well-documented track record of failing to produce real affordable housing. A May 2015 report from experts at Community Service Society (CSS) revealed that previous reforms of 421-a in 2006 and 2007 did little to boost the creation of affordable housing for low-income New Yorkers.

According to the CSS report, 421-a tax exemption subsidized more than 150,000 apartments, of which fewer than 12,500 were “affordable” for households with incomes below or near the poverty line, except when combined with other subsidies. A vast majority of the \$1 billion in annual tax revenue lost through 421-a is subsidizing buildings that probably would have been developed without the tax exemption. And, in some instances, the “affordable” housing that is eligible for the subsidy is built for households earning more than \$100,000 a year.^{xv} Compounding the problem is the fact that the 421-a subsidy increased land prices, fueled speculation, harassment, and displacement, according to a report by the Furman Center.^{xvi}

Unless the administration drastically reshapes its proposal, any new program it proposes would most likely fail to deliver real affordable housing.

Bottom line: 421-a endangered affordability, instead of protecting it.

The same low-income households left behind by 421-a developments under Bloomberg will be left behind by 421-a developments under de Blasio if his plan is approved in Albany again.

THE SOLUTION: HOW DE BLASIO CAN CREATE REAL AFFORDABLE COMMUNITIES

The de Blasio administration is relying heavily on the rezoning of low-income neighborhoods to increase the production of affordable housing in the city.

In East New York, the South Bronx, and other neighborhoods scheduled to be rezoned for increased residential construction, real-estate developers are being invited to build taller, denser apartment buildings.

Residential rezoning was done the wrong way under Bloomberg: it yielded little to no real affordability for low-income and moderate-income residents in neighborhoods like Williamsburg. Instead, it increased profits for developers, accelerated gentrification and created housing for wealthier newcomers.

A major reason this happened is because Bloomberg gave density away for free. Developers were under no pressure to include or increase affordability in exchange for the lucrative privilege of building bigger buildings.

The taller, and denser, developers build, the more money they make, especially on land whose value will increase dramatically through the residential rezoning process. That is why developers loved Bloomberg's plan and it is the reason they are embracing de Blasio's plan just as enthusiastically.

Developers know they are once again getting a sweetheart deal from City Hall: In new residential developments planned for East New York, the South Bronx, and other rezoned neighborhoods, their profits will be skyscraper high.

Rezoning must be done differently and better than it was under Bloomberg.

De Blasio can and should incentivize developers to create more apartments with deeper affordability and good jobs for low-income residents in exchange for increased density in new apartment buildings planned for the neighborhoods that will be rezoned.

Density is a valuable tool and bargaining chip: the city can use it to demand that developers increase the number of affordable apartments, and give residents in low-income areas access to jobs and careers building new housing they can afford.

Here is why: each neighborhood rezoning will create a significant economy of scale, spreading the acquisition price of land across a much larger construction project. When creating a larger building on the same plot of land, the costs are distributed over a greater number of square feet, and the additional apartments generate much more income. There is a net increase in profit to the developer.

But it would be a mistake to allow the rezoning process to become a get-even-richer scheme for wealthy developers. That is what Bloomberg did. Instead, the current Mayor and the city should use density in a smarter way to place bigger demands on developers and expect more in return for low-income residents.

Extra density should be offered and allowed **only as a bonus that** developers can earn if they agree to more affordable housing, deeper affordability (including apartments for residents making below 30% of AMI), and career-oriented jobs for residents of neighborhoods who were left behind by Bloomberg's housing plan.

While extracting bigger profits from additional density in each new residential tower, developers can easily afford to increase the depth of affordability and pay local residents fair wages to build the new housing.

It's a fair and reasonable transaction for developers and for city residents.

Here is how de Blasio can get it done: As each neighborhood rezoning goes through the land review process, the city can create a special-purpose district and offer a density bonus if the developer agrees to specific affordability and job requirements for the new housing that will be construction.

Each special purpose district would require any developer who wants to earn the density bonus to build a substantial number of deeply affordable apartments at the neighborhood median income and offer career-oriented union construction jobs through an apprenticeship program for local residents.

Because these apartments will be built in low-income neighborhoods, they will be targeted to residents earning below 50% of Area Media Income (AMI).

Such better-paying employment opportunities will also help make the new housing more affordable for the workers and residents who are most susceptible to the painful pressures of gentrification and displacement. Linking real neighborhood affordability with good jobs and stable careers will close the gap between wages and housing costs, while reducing poverty rates.

Creating these special purpose districts for real affordable housing is the best way to address the unmet affordable housing needs of low-income New Yorkers living on the brink of homelessness and in a state of emergency.

It's a bold but pragmatic plan New Yorkers need and deserve, especially as more corners of our city start to look like the "luxury product" Bloomberg envisioned for the many additional billionaires he summoned to move here.

There is no happy ending for the Tale of One Housing Plan.

It's time for de Blasio to elevate a very different narrative into reality – one of real affordable communities, where every New Yorker, but especially those who are the most vulnerable economically, can live in a decent, truly affordable home.

ENDNOTES

- ⁱ http://www.nytimes.com/2006/02/11/nyregion/11housing.html?_r=0
- ⁱⁱ <http://furmancenter.org/NYCRentalLandscape>
- ⁱⁱⁱ <http://furmancenter.org/NYCRentalLandscape>
- ^{iv} <http://www1.nyc.gov/office-of-the-mayor/news/428-13/mayor-bloomberg-city-will-reach-160-000-units-affordable-housing-financed-under-new/#/0>
- ^v <http://www.nydailynews.com/new-york/record-homelessness-shame-new-york-article-1.2295977>
- ^{vi} http://ny.curbed.com/archives/2014/03/13/manhattan_rents_plateau_as_gap_with_brooklyn_narrows.php
- ^{vii} <http://www.census.gov/censusexplorer/censusexplorer.html>
- ^{viii} <http://www.anhd.org/wp-content/uploads/2011/07/ANHD-Real-Affordability-in-Housing-2-13-131.pdf>
- ^{ix} <http://www1.nyc.gov/office-of-the-mayor/news/040-16/breaking-records-mayor-de-blasio-s-affordable-housing-plan-has-financed-40-000-apartments-so-far>
- ^x <http://www1.nyc.gov/office-of-the-mayor/news/040-16/breaking-records-mayor-de-blasio-s-affordable-housing-plan-has-financed-40-000-apartments-so-far>
- ^{xi} Real Affordability for All Campaign (March 2014). *Real Affordable Housing for Low-Income New Yorkers*.
- ^{xii} CSS Analysis of NYC Housing and Vacancy Report microdata
- ^{xiii} <http://www.nydailynews.com/news/politics/bill-de-blasio-defends-affordable-housing-plan-article-1.2443297>
- ^{xiv} <http://www.gothamgazette.com/index.php/government/6098-de-blasio-calls-for-albany-to-make-right-on-program-at-center-of-rift-with-governor>
- ^{xv} <http://www.ny1.com/nyc/all-boroughs/news/2015/06/3/mayor-s-421-a-proposal-would-overhaul-zoning-model-for-affordable-housing.html>
- ^{xvi} <http://therealdeal.com/blog/2015/11/23/meet-421as-real-beneficiaries-landowners/>

REAL AFFORDABILITY FOR ALL EXECUTIVE COMMITTEE

- ALIGN: The Alliance for a Greater New York
- Community Action for Safe Apartments (CASA)
- Community Voices Heard
- Crown Heights Tenants Movement
- District Council 9 New York IUPAT, Painters, and Allied Trades
- Faith in New York
- Great New York LECET
- IBEW Local 3
- Iron Workers District Council
- Laborers' Local 79
- Make the Road New York
- Metropolitan Council on Housing
- New York Communities for Change
- Tenants & Neighbors
- Urban Homesteading Assistance Board