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New York City's Affordable Housing Plans and the Limits of Local Initiative

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Abstract

New York City invested more than $18.9 billion, after inflation, from its capital budget for the development and preservation of more than 490,000 affordable housing units from 1987 to 2018. This article assesses New York City's various affordable housing programs during this period in light of the city's longstanding affordability problems, focusing in particular on Mayor Bill de Blasio's housing plan and the results of this plan from its inception in 2014 through the first quarter of 2019. This article discusses those results while considering criticisms that the plan does not provide sufficient housing for households with the lowest incomes and that its use of inclusionary zoning may exacerbate housing affordability pressures. The article concludes that, while New York's programs have produced affordable homes for thousands of residents, the amount of expenditure that would be required to resolve New York's affordability crisis is far too large for New York to afford without federal support.

Introduction

New York City invested more than $18.9 billion, after inflation, from its capital budget for the development and preservation of more than 490,000 affordable housing units from 1987 to 2018. The city has spent billions more on housing through private activity bonds, block grants, and other sources. Despite this investment, New York City has confronted a severe housing crisis for many years. As of 2017, nearly one-third of all renters paid 50 percent of their income on rent, and more than 60,000 people were homeless. The persistence of New York's housing crisis in the face of its massive investments and other measures to provide affordable housing have prompted some to suggest that these efforts are not only ineffective but may exacerbate the very problem they are intended to solve.

My aim in this paper is to assess New York's various affordable housing programs in light of the city's longstanding affordability problems. I argue that, while the city's programs have provided affordable homes for thousands of residents, and in some cases revitalized entire communities, the amount of expenditure that would be required to resolve New York's affordability crisis is far too large for a city to afford without federal support. While a growing number of cities and states have recently established affordable housing programs or increased the size of existing programs, the New York City experience suggests that local initiatives are highly unlikely to be sufficient.

This article is organized as follows. First, I provide a brief overview of New York's housing market, focusing on the severity of the city's affordability problem and some of its key causes. The second section provides an overview of the city's affordable housing initiatives, starting with Mayor Ed Koch's Capital Budget Plan of 1987 and continuing through Mayor de Blasio's current Housing New York Plan. The third and longest section examines the de Blasio plan in more detail. That section describes the plan's major elements, reviews its accomplishments over its first 4 years of implementation, and discusses the primary criticisms that have been leveled against it. The concluding section discusses how the New York City experience shows both the potential for local governments to produce affordable housing and also their limited ability to fundamentally address the housing affordability crisis.

Housing Market Overview

New York City has been in a housing crisis for nearly 100 years. As documented by Jacob Riis (1997) and many others, the city has long struggled to provide decent and affordable housing for its low-income residents. The city's rent regulations, in place almost continuously since the 1940s, are premised on the existence of a housing emergency, currently defined as having a rental vacancy rate of no more than 5 percent (Collins, 2018: 32). As of 2017, the average renter[1] paid 32 percent of his or her income on rent and utilities, and more than 29 percent of all renters—totaling 511,736—confronted severe housing cost burdens, paying at least one-half of their income on housing costs. Among extremely low-income renters,[2] defined as earning no more than 30 percent

[1] All data on housing affordability (income, rents) come from the Housing Vacancy Survey (HVS), a study conducted every 2 or 3 years by the U.S. Census Bureau for New York City. It is a representative random sample of about 19,000 households. The most recent survey was conducted in 2017. The figures reported in this paragraph do not include renters receiving federal Housing Choice Vouchers and other forms of tenant-based rental assistance. The HVS does not report the rents paid directly by these households; it indicates the total rents charged to the households, most of which is covered by the subsidy. As a result, the rent burdens for these households as reported by the HVS is inaccurately high (for example, 79 percent are indicated as spending 50 percent or more of their income on rent).

[2] This definition of the Extremely Low-Income category, which New York City employs for its housing programs, differs from the official definition adopted by the federal government. The latter (amended by the 2014 appropriations act) defines an extremely low-Income family as a very low income family whose incomes do not exceed the higher of (i) the poverty guidelines or (ii) 30 percent of median family income for the area (adapted from 42 USC 1437a (b)(2)(C) - https://www.law.cornell.edu/uscode/text/42/1437a). For the New York, NY HUD Metro FMR Area, the poverty guidelines control the extremely low-income limits for larger family sizes. Thus, NYC income limits for larger households may be lower than the corresponding Federal limits.

of the area median family income (AMI), the incidence of severe housing cost burden exceeded 78 percent. As of October 2018, more than 63,000 people were part of the city's homeless shelter system, and that does not include several thousand more homeless people sleeping on the streets and in other public spaces (Coalition for the Homeless, 2019).

There are numerous reasons for New York's chronic housing affordability crisis. It reflects, among other factors, the intensity of demand for housing among households of all incomes, the high cost of land and construction, the weakening of rent regulation, the loss of lower-cost housing, the low incomes of many renters, and the paucity of federal rent subsidies. It is not the goal of this article to parse the influence of each of these elements, but it is important to frame the city's efforts to provide affordable housing within this broader context.

New York is one of the nation's most expensive housing markets. At $1,789, the federally designated fair market rent for New York City in 2018 was the 14th highest in the nation. Rents would surely be higher were it not for the fact that about 1 million of the city's 2.1 million rental units are subject to rent regulation, and more than 250,000 are subsidized by federal, state, and local programs, including 180,000 units of public housing. The average rent for a non-regulated unit in 2017 was $1,700. Rents for vacant, non-regulated units are generally much higher, with the average two-bedroom apartment costing $3,721 as of November 2018 (Rent Jungle, 2018).

Purchase prices of houses and apartments are also very high. According to the real estate service Zillow Group, Inc., in June 2019, the median list price for a co-op or condominium apartment was $850,000, and the median list price for a single-family house was $719,000 (Zillow, 2019). Almost every week, *The New York* Times reports on apartments selling for tens of millions of dollars (Marino, 2019).

Fueling the demand for housing is the city's population growth over the past several decades. As of July 2017, New York's estimated population stood at 8.6 million. This figure represented a 5.5-percent increase of more than 447,000 people since 2010 and a 22-percent increase of more than 1.5 million since 1980. Much of this growth has been driven by foreign immigration, but it also reflects the city's enduring attraction as a mecca for the arts, finance, and other fields. In addition, wealthy families frequently purchase apartments in New York for part-time residences. Hundreds, if not thousands, of apartments have been acquired by foreign investors, often using shell companies to cloak their identities and obscure the source of the funding (Story and Saul, 2015). The appetite for residential real estate investment is by no means limited to the high end of the market. Investors have acquired hundreds of rental buildings in low- and moderate-income neighborhoods, with the purchase prices frequently far higher than what the rent rolls would justify. What motivates most of these investors is the prospect of removing the property from rental regulation, enabling them to charge much higher rents (Association for Housing and Neighborhood Development, 2011; Savitch-Lew and Spittal, 2017). The entry of Airbnb, Inc., an online, short-term housing rental service, has further added to rent pressures by effectively converting thousands of units from permanent housing to temporary accommodation (Ferré-Sadurní, 2019).

The cost of producing housing in New York City is extremely high. Construction costs are among the highest in the nation, and land costs are very high as well. As a result, most new construction, unless it is subsidized or subject to inclusionary zoning (discussed later), is only affordable to affluent households. Without subsidy, newly built housing is unaffordable to most New York City residents. Moreover, many households lack the income necessary to afford the basic costs of operating a housing unit—that is, upkeep, insurance, utilities—much less the costs associated with the acquisition or development of the housing.

For example, the New York University Furman Center estimates that the minimum monthly rent necessary to support the construction and operation of a 400-square-foot studio apartment amounts to $1,480, assuming the developer acquired the land at no cost. If the land costs $200 per square foot, the minimum rent rises to $1,820. Under the free-land scenario, the rent is affordable to a household earning at least $59,000, or 89 percent of New York's Area Median Family Income (AMI) for single-person households.[3] With land costing $200 per square foot, the same apartment becomes affordable only when incomes exceed $72,800 (110 percent of AMI). The same study estimates the minimum rents for even smaller units, including ones with shared kitchens and bathrooms: assuming no land costs, the minimum rent for a 160-square-foot "efficiency" apartment with shared kitchen and bath amounts to $841 a month, which is affordable to households earning at least $33,600 (51 percent of AMI). If the unit has its own kitchen and bath, the minimum rent rises to $1,170, affordable to households with incomes of at least $46,800 (71 percent of AMI). Rents for the same unit become more expensive when the underlying land must be purchased (exhibit 2). In other words, even the smallest newly built apartments with shared facilities are out of financial reach for hundreds of thousands of low-income New Yorkers.[4] Larger units, of course, are even more costly.

Exhibit 1

Maximum Incomes in 2016 for Each Income Category in the New York Metropolitan Area

Income Group	1-Person	2-Person	3-Person	4-Person	5-Person
Extremely Low Income (<30% of AMI)	$19,050	$21,800	$24,500	$27,200	$29,400
Very Low Income (30-50% of AMI)	$31,750	$36,250	$40,800	$45,300	$48,900
Low Income (50-80% of AMI)	$50,750	$58,000	$65,250	$72,500	$78,300

Source: HVS, 2017

[3] It is customary in the United States to classify household incomes in terms of the metropolitan area's median family income (AMI) as adjusted by the U.S. Department of Housing and Urban Development. Eligibility for housing subsidy programs is almost always defined by a maximum percentage of AMI. In exhibit 1 are the maximum incomes in 2016 for each income category in the New York metropolitan area, which, besides the five boroughs of New York City, also includes Putnam, Rockland, and Westchester counties. Note that the federal department of Housing and Urban Development (HUD) uses slightly different terminology (and acronyms) to define income categories—Area Median Family Income (Area MFI).

[4] According to the HVS, there were nearly 342,000 one-person households in 2017 with incomes below 50 percent of AMI, including more than 233,000 with incomes below 30 percent of AMI—far too low to afford even very small apartments with shared bathrooms and kitchens.

Exhibit 2

Minimum Rents, and Associated Income Requirements for Small Apartments, Alternative Scenarios

	Small Studio	Micro Unit	Efficiency Shared Kitchen	Efficiency Shared Kitchen & Bath
Square Feet	400	300	225	160
Land Costs = $0				
Min. Rent	$1,480	$1,240	$1,170	$840
Min. Income	$59,200	$49,600	$46,800	$33,600
Corresponding AMI	89%	75%	71%	51%
Land Costs = $200/sq. ft.				
Min. Rent	$1,820	$1,500	$1,410	$1,040
Min. Income	$72,800	$60,000	$56,400	$41,600
Corresponding AMI	110%	90%	85%	63%
Land Costs = $450/sq. ft.				
Min. Rent	$2,360	$1,920	$1,780	$1,340
Min. Income	$94,400	$76,800	$71,200	$53,600
Corresponding AMI	142%	115%	107%	81%

Source: Stem and Yager 2018

The supply of housing affordable to lower income households has steadily dwindled over time. In just 3 years, from 2014 to 2017, the number of units renting for less than $1,500 a month fell by nearly 166,000 (12.3 percent). The stock of units renting for less than $1,000 a month dropped by more than 87,000 (14.5 percent; exhibit 3). Not surprisingly, vacancy rates for these lower cost units are very low. As of 2017, the vacancy rate for units renting below $800 a month stood at just 1.2 percent and, for units renting between $800 and $1,100 a month, it amounted to 2.1 percent. The only rental housing with vacancy rates above 5 percent goes for $2,000 a month or more.

Exhibit 3

Change in Total Units from 2014 to 2017 by Monthly Contact Rent (Constant 2017 Dollars)

	2014	2017	2017 Percent Share	Change 2014 - 2017	
				Total	Percent
Less than $500	161,776	143,488	7%	-18,288	-11.3%
$500-799	188,006	160,238	8%	-27,768	-14.8%
$800-999	253,337	211,673	10%	-41,664	-16.4%
$1000-$1,499	740,732	662,466	31%	-78,266	-10.6%
$1,500-$1,999	351,847	401,444	19%	49,597	14.1%
$2000-$2,499	130,871	176,370	8%	45,499	34.8%
$2,500 +	228,877	282,972	13%	54,095	23.6%
No Rent	53,391	65,223	3%	11,832	22.2%
Total	2,108,837	2,103,874	100%	-4,963	-0.2%

Note: Numbers may not add to 100 percent due to rounding.
Source: Housing Vacancy Survey

One reason for the loss of lower cost rental housing is the deregulation of rent-stabilized housing. Over a quarter century, from 1994 to July 2019, New York State law allowed housing to be removed from the rent regulation if the regulated rent exceeded a specific level ($2,700 per month in 2018) after a vacancy or if the tenant's annual income exceeded $200,000 in each of the previous 2 years and the rent exceeds a specified amount ($2,734 in 2018). Under rent stabilization, the Rent Guidelines Board sets the maximum allowable rate of increase landlords may charge for lease renewals. Landlords could increase rents by up to 20 percent, however, during a turnover in occupancy, and they could increase rents to cover a portion of building-wide capital improvements (for example, a new roof) and apartment-specific investments (for example, new appliances or bathroom or kitchen renovations). As a result of these and other provisions, nearly 291,000 units were deregulated from 1994 through 2017 (New York City Rent Guidelines Board, 2018a). This loss has been counterbalanced by the addition of more than 143,000 units into the rent-stabilization program. These latter units, however, usually part of luxury buildings that received property tax abatements, charge much higher rents than that of housing lost to the rent-stabilized housing stock (the luxury decontrol provisions do not apply to this housing). As noted previously, the prospect of deregulating housing has tempted investors to acquire thousands of rent-stabilized buildings, sometimes resulting in tenant harassment and other illegal measures to increase rents and force tenants to move out of the building (Savitch-Lew and Spittal, 2017).

In June 2019, the state passed new legislation that, among other things, eliminated high-rent and high-income deregulation, and additional rental increases allowed for new tenancies (vacancy bonuses). It also reduced the rent increases allowed for major capital improvements and individual apartment improvements (Murphy, 2019; Otterman and Haag, 2019).

Another fundamental aspect of New York's housing affordability crisis is that hundreds of thousands of households have very low incomes and far fewer apartments are available at rents those households can afford. In 2017, 20 percent of all renters, 409,000 in total, earned less than $18,000 annually, sufficient to afford no more than $450 in monthly rent. Ten percent of all renters earned less than $11,000, which can support no more than $270 in rent. Another 10 percent earned between $18,000 and $27,000, sufficient for rent of up to $675. Very few units are available at these rents. Only 15 percent (300,000) of all rental units cost less than $800 a month in 2017, and only 7 percent (143,500) cost less than $500 (exhibit 3).

Finally, the supply of federal rental subsidies has increased little over the past decade. From 2010 to 2017, the number of households in New York City with federal Housing Choice Vouchers (HCV) went from about 130,000 to 136,000, an increase of less than 5 percent.

New York City's Affordable Housing Initiatives from 1986 to 2019

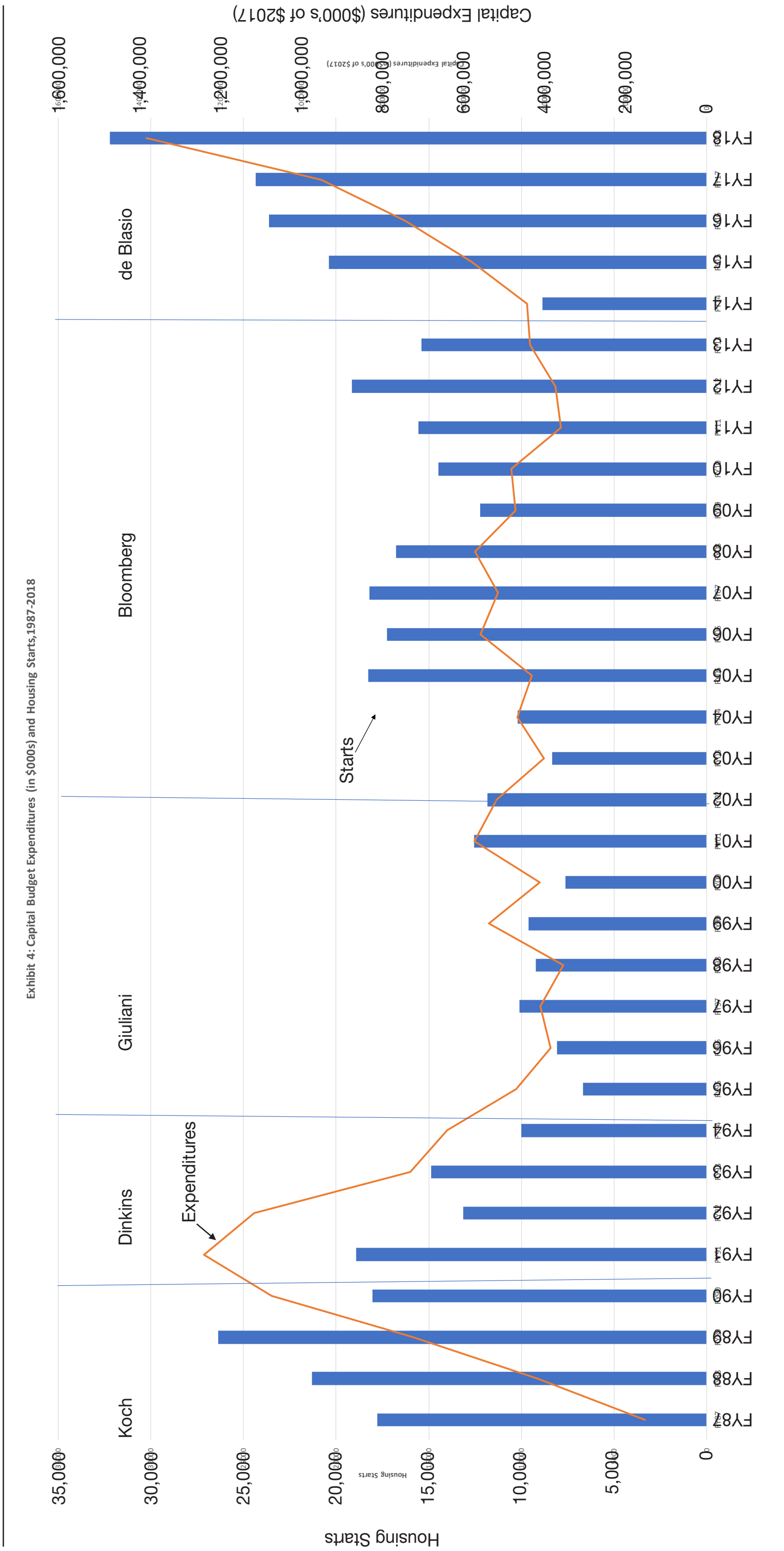
New York City has a long history of promoting affordable housing, advocating for federal and state support, and drawing from its own resources when necessary. The city accounts for a disproportionately large share of the nation's public housing. This is especially true today because New York is one of the very few large cities that has not demolished its public housing, but it was also true in the heyday of the public housing program. The city successfully advocated for public housing, and it and the state financed the construction of additional public housing from the 1950s to the 1970s (Bloom, 2008). New York also secured a large amount of other federally subsidized housing under the federal Section 236 and Section 8 programs (Bach, 1999). The Mitchell-Lama Housing Program, a city-state partnership created in 1955, provided low-cost financing and tax abatements for moderate-income rental and cooperative housing. More than 105,000 units were built under the Mitchell-Lama program before the fiscal crisis of 1975 led to the program's demise (Bach, 1999).

In 1986, Mayor Ed Koch launched what was then called the Capital Budget Housing Plan or "The Ten-Year Plan." Faced with growing homelessness, widespread disinvestment and abandonment of residential buildings, and declining federal housing subsidies, Mayor Koch decided to allocate $4 billion ($8.9 billion in 2017 dollars) from the city's capital budget for the construction and preservation of housing targeted primarily to low- and moderate-income households (Schwartz, 1999). Every subsequent mayor, regardless of major party affiliation, also used the capital budget to finance affordable housing. In total, the city invested more than $18.9 billion in inflation-adjusted (2017) dollars on housing construction and preservation through 2018. These figures pertain only to the city's capital budget, expenditures funded largely through property tax, and other general revenue. They do not include the billions of dollars more in tax-exempt and taxable private activity bonds issued by New York's Housing Development Corporation to underwrite permanent mortgages and construction loans for hundreds of affordable housing developments, nor do they include federal tax expenditures through the Low-Income Housing Tax Credit (LIHTC) program.

Exhibit 4 shows the annual amount of capital-budget expenditures on housing and the city-funded housing starts from 1987 to 2018. Exhibit 5 shows average annual expenditures and housing starts under each of the five mayors over this 31-year period. The data show that the city has consistently spent hundreds of millions from its capital budget on housing. New York City spent less than $400 million (in 2017 dollars) on housing in only 5 of the years in the time period. In 8 of the years, expenditures exceeded $700 million. Exhibit 5 shows that average annual expenditures were highest under Mayor Dinkins (1991–1994) at more than $932 million, followed by $914 million under the current mayor, Bill de Blasio. Expenditures were lowest under Mayor Giuliani at $458 million, slightly less than the annual average of $459 million under Mayor Bloomberg.

Exhibit 4

Capital Budget Expenditures ($000s) and Housing Starts, 1987-2018



Source: Mayor's Management Report and Comptroller's Budget Report

From the perspective of total city-funded housing starts, average annual production is highest under Mayor de Blasio, at more than 25,000 units per year, followed by almost 21,000 units under Mayor Koch. Mayor de Blasio's administration has funded the most new construction, averaging more than 7,900 units per year, compared with 4,600 units under Mayor Bloomberg and about 2,500 units or less under the preceding mayors. At more than 17,000 average annual starts, Mayor de Blasio's housing preservation activity is far higher than that of Mayors Bloomberg, Giuliani, and Dinkins. It is eclipsed only by the 18,500 units preserved annually under Mayor Koch.

Exhibit 5

Average Annual Housing Starts and Capital Expenditures Under City Housing Plans

Mayor	New Construction Starts	Preservation Starts	Total Starts	Capital Expenditures (thousands of $2017)
Koch (FY 87-90)	2,337	18,531	20,869	$591,561
Dinkins (FY 91-94)	2,454	11,785	14,239	$932,059
Giuliani (FY 95-02)	2,554	6,909	9,463	$457,515
Bloomberg (FY 03-14)	4,619	9,937	14,556	$459,124
de Blasio (FY 15-18)	7,958	17,179	25,137	$914,020

Source: Mayor's Management Report and Comptroller's Budget Report

New York City classifies its affordable housing investments as either "New Construction" or "Preservation." These categories are not monolithic, however, and involve various forms of investment. New construction can refer to housing that exclusively serves low- and/or moderate-income households or to properties that combine market-rate and subsidized units. Some provide housing for families; others serve populations with special needs. New construction projects vary in terms of their size, the mix of income groups that are targeted, and the types of organizations involved in their development and management.

Preservation refers to various levels and types of physical improvement to existing housing and also to the extension or replacement of subsidies that would otherwise expire. Preservation programs provide grants and low-cost loans to private landlords to replace roofs, windows, and upgrade plumbing, electrical, and heating systems. They can involve "gut" rehabilitation of vacant, severely dilapidated buildings or, more frequently, "moderate" rehabilitation of mostly occupied buildings, in which the work is limited in scope. Preservation programs can involve for-profit landlords as well as community development corporations and other nonprofit organizations.

Over the past decade or so, New York's preservation efforts have also sought to prevent housing from losing its existing subsidies. For example, the city has provided various financial and tax incentives to encourage the owners of Mitchell-Lama developments to remain in the program and not convert them to market-rate occupancy. The city also provides incentives for owners of housing financed with federal LIHTC to keep the housing affordable to low-income households after the 30-year income-restriction period for the credits expires. In 2015, the city committed $220 million to preserve the affordability of 5,000 units in Stuyvesant Town-Peter Cooper Village, a storied development of more than 11,000 apartments that a real estate developer and a financial firm purchased in 2006 from Metropolitan Life Insurance Company, its original owner. The new entity subsequently declared bankruptcy (the largest multifamily real estate bankruptcy in U.S. history), reflecting the owner's overly aggressive assumptions regarding its ability to take units out of rent regulation (Stefanski, 2018; Bagli, 2013).

Originally, much of the city's housing efforts centered on its extensive inventory of occupied and vacant tax-foreclosed property (Braconi, 1999; Schwartz, 1999). Starting in 1977, in an effort to discourage landlords from falling behind on their property taxes, the city decided to foreclose on properties after 12 months of arrears instead of the 36 months that were previously allowed. The policy did not succeed. Occurring at a time of population loss and disinvestment, landlords in low-income, predominantly minority neighborhoods of the Bronx, Harlem, and Central Brooklyn abandoned hundreds of apartment buildings, sometimes burning them down in the process. As a result of the city's tax-foreclosure policy change, it soon became the owner of thousands of vacant and occupied units. These tax-foreclosed ("*in rem*") properties were often in terrible physical condition, with high levels of vacancy. Tenants had very low incomes, and rents, if collected, were seldom sufficient to cover basic operating expenses.

By 1987, and the start of Mayor Koch's Capital Budget Program, the city owned 53,000 units of occupied *in rem* housing and 49,000 units in vacant buildings (Schwartz, 1999). Much of the city's investments involved this housing. It paid for the physical upgrading of *in rem* occupied buildings, often transferring them to new ownership in the process—including community development corporations, for-profit developers, and tenant cooperatives. The city funded the gut rehabilitation of vacant buildings,[5] creating new communities in the process (Lamberg, 2018). It also provided financing for one-to-three family houses built on city-owned land—much of which was targeted to moderate- and middle-income families. Not all of the city's housing expenditures involved *in rem* housing. It also spent millions of dollars each year to help private landlords improve and preserve their buildings.

The amount of *in rem* property gradually diminished as the city rehabilitated it and transferred ownership to private and nonprofit organizations. In the mid-1990s, the city changed its foreclosure policy and stopped taking possession of most properties in arrears (Schwartz, 1999). Instead, it auctioned tax liens of properties in arrears. The tax-lien buyers would then collect back taxes from the owners and take possession of the property if they failed to pay. For property in arrears that housed low-income and other "at-risk" tenants, the city created a new program, Third Party Transfer, through which it conveyed control of the property to a qualified nonprofit or for-profit entity that would rehabilitate the property if needed and provide improved management (New York City Rent Guidelines Board, 2018b).

As a result of the city's investments in the rehabilitation of *in rem* property, its cessation of most foreclosures, and perhaps most importantly, improvements in the city's economy and real estate market that greatly reduced incentives to lose property to foreclosure, the supply of *in rem* housing declined from 102,000 units in 1987, 30,000 in 1997, less than 1,000 in 2007, and only 323 in 2018 (Schwartz and Vidal, 1999; City of New York, 2007; New York City Rent Guidelines Board, 2018b).

[5] Gut rehabilitation accounted for 29 percent of all housing units renovated or constructed with city assistance from FY1987 to FY1996 and for 61 percent of the city's capital budget expenditures (Schwartz and Vidal, 1999: 239).

Over time, reflecting the diminishment of *in rem* property, more of New York affordable housing development has taken place on privately owned land. Some new construction has taken place on land owned by various city agencies, but an increasing proportion is owned by nonprofit organizations or for-profit entities. From the second half of fiscal year (FY) 2014 through 2018, less than 10 percent of all city-funded housing starts took place on city-owned land (City of New York 2018b: 15). Developers have used city funds to build housing on sites owned by churches and other nonprofit organizations. Some buildings have been constructed on open spaces (for example, parking lots) on some of the city's public housing campuses (not without controversy). Most sites, however, have been obtained on the private market. Frequently, as will be discussed in the following paragraphs, housing developments on privately owned land is mixed-income, combining market-rate units with housing allocated for moderate- and low-income households.

Mayor Bill de Blasio's *Housing New York*

In May 2014, 4 months after his inauguration, Mayor Bill de Blasio launched "Housing New York," his plan for developing and preserving affordable housing. The plan followed that of his predecessor, Michael Bloomberg. Under Mayor Bloomberg's "New Housing Marketplace" plan, the city supported the development and preservation of 165,000 housing units (53,000 new construction, 112,00 preservation) from FY2004 through FY2013 (NYC HPD, 2013). Expanding on Mayor Bloomberg's plan, Mayor de Blasio called for the development and preservation of 200,000 units (80,000 new construction, 120,000 preservation) over 10 years (City of New York, 2014). In 2018, just after his reelection to a second term, Mayor de Blasio announced that the plan's original goals would be achieved in 2022, 2 years ahead of schedule, and added 100,000 units to the plan. In total, the revised plan aimed to build or preserve 300,000 units by 2026 (120,000 new construction, 180,000 preservation; City of New York, 2018a).

In addition to its higher numerical goals, the de Blasio plan also differed from the Bloomberg plan in giving greater priority to low-income households. Whereas 68 percent of the housing developed or preserved during the Bloomberg Administration was designated for low-income households earning up to 80 percent of AMI, the de Blasio plan designated 79.5 percent for this population. Moreover, unlike the Bloomberg plan, the de Blasio plan specifies goals for different subsets of the low-income category, distinguishing between households with "extremely low income" (0 to 30 percent of AMI), "very low income" (30 to 50 percent), and "low-income" (50 to 80 percent). The Bloomberg plan, in contrast, set goals for the overall low-income category and did not indicate the mix of incomes within this category that would be assisted. Nevertheless, as will be discussed below, a major criticism of the de Blasio plan is that it does not provide sufficient housing for households with the lowest incomes.

As with the housing plans of the previous mayors, de Blasio's Housing New York is a compendium of various programs and initiatives (Schwartz, 1999). As noted above, the de Blasio plan, like its predecessors, calls for both the construction of new affordable housing and for the preservation of existing affordable housing. To reach its goal of producing 120,000 new units by 2026, the plan relies on a combination of inclusionary zoning, tax incentives, and direct subsidy. The preservation goals are to be realized by replacing or extending subsidies that are currently in place and by providing financial assistance to owners of affordable housing to help them pay for major renovations and replace building systems (for example, boilers, plumbing, windows, roofs).

New Construction Programs

The aspect of Housing New York that has received the most attention (and criticism) is its embrace of mandatory inclusionary zoning. Most of the new construction undertaken during the first 5 years of the plan, however, has involved direct subsidy and has not involved inclusionary zoning. New York City has had a voluntary inclusionary zoning program since the 1980s, which had yielded little new affordable housing. The program enabled developers to build at higher densities than would be otherwise allowed, provided they reserve a portion of the additional space for low-income households—and with “low income” defined at 80 percent of AMI. Few developers chose to participate in this program, in part because there were other, less costly ways by which they could build at densities greater than what would be normally allowed (Stein, 2018).

Mayor de Blasio’s Housing New York plan augmented this voluntary inclusionary zoning program with a mandatory inclusionary housing (MIH) program that applied to neighborhoods that are rezoned for higher densities and for individual sites for which developers obtain zoning variances to build at higher densities. The City Planning Commission and the City Council approved the MIH program in 2016 after months of negotiation. The program offers several options for developers, all of which specify minimum percentages of units that must be provided to households earning various percentages of AMI.

One option requires developers to allocate 25 percent of total floor area to households earning an average of 60 percent of AMI, including 10 percent for households with incomes of no more than 30 percent of AMI. A second option requires developers to allocate 40 percent of all units for lower-income households, but the income limit is higher, at an average of 80 percent of AMI.[6] The program allows developers to satisfy their affordable housing requirements by providing the units off-site, but the amount of affordable housing that must be provided is increased under the two options to 30 and 35 percent, respectively. Unlike most inclusionary zoning programs in the United States (Thaden and Wang, 2017), the affordability period for New York’s program is indefinite. All affordable units produced under the city’s Mandatory Inclusionary Housing program must remain affordable in perpetuity. As of July 2019, six neighborhoods, starting with East New York, have been rezoned at higher densities, thereby effectuating mandatory inclusionary housing. Rezoning proposals were in process or anticipated for at least three additional neighborhoods (Ali Kully, 2019a; Ali Kully, 2019b).

In addition to mandatory inclusionary housing, the de Blasio Administration plan also calls for the city to invest directly in the development of new affordable housing. The administration launched several programs that provide funds from the capital budget and other sources for new housing.

[6] The City Council and City Planning Commission can also decide to apply two other options. The “Deep Affordability” option requires developers to allocate 30 percent of total residential floor area for households earning an average of 40 percent of AMI. The “Workforce” option, which cannot be applied in most of Manhattan, requires 30 percent of all residential floor space to be reserved for households earning an average of 115 percent of AMI and no higher than 130 percent of AMI (New York City Department of City Planning, 2019).

These programs include mixed-income developments that accommodate households from several income groups and developments that focus on seniors and populations with special needs.

Exhibit 6 provides a summary of several of the mixed-income programs that include various kinds of subsidies. For example, the Extremely Low- and Low-Income Affordability program (ELLA) includes several income tiers. In one option, 10 percent of all units must go to formerly homeless households, 10 percent to households with incomes up to 30 percent of AMI, 10 percent to households with incomes up to 40 percent of AMI, 10 percent with incomes of up to 50 percent of AMI, and 30 percent of the households must have incomes up to 60 percent of AMI. Developers have the option of designating some or all the remaining 30 percent of the units to households earning 70 to 100 percent of AMI; otherwise, they must be slated for households earning up to 60 percent of AMI. The city provides $130,000 to $150,000 in subsidy per unit, depending on the overall income mix in the development. All units designated for households earning up to 60 percent of AMI are also eligible for federal LIHTC.

Exhibit 6

Income Mixes and Subsidies for Selected Mixed-Income Programs in New York City (1 of 2)

1. **Mandatory Inclusionary Zoning**

   Income Mix:
   Option 1: 25 percent of total floor area to households earning an average of 60 percent of Area Median Income (AMI), including 10 percent for households with incomes of no more than 30 percent of AMI.
   Option 2: 40 percent of total floor area to households earning an average of 80 percent of AMI.
   Deep Affordability Option: 20 percent of total floor area to households earning an average of 40 percent of AMI.
   Workforce Option (inapplicable in Manhattan Community Districts 1 through 8): 30 percent of total floor area to households earning an average of 115 percent of AMI, with a minimum of 5 percent at 70 AMI and 5 percent at 90 percent AMI.
   Off-Site Option: additional 5 percent of the floor area must be designated for households earning up to 60 percent to 80 percent of AMI.

   Subsidies:
   None required

2. **50/30/20 Mixed-Income Program**

   Income Mix:
   20 percent of units affordable to households earning up to 50 percent of AMI, including 15 percent that are affordable to households earning no more than 40 percent of AMI;
   Minimum of 30 percent of units affordable to households earning up to 130 percent of AMI;
   Maximum of 50 percent of units can be set at market rents without regard to income.

   Subsidies:
   Tax-Exempt bond financing for first mortgage; 4 percent Low-Income Housing Tax Credits (LIHTC); Subordinate loan of up to $65,000 to $85,000 per affordable unit, capped at $15 million per project; property-tax exemption.

3. **Mixed-Income Program: Mixed Middle (M^2)**

   Income Mix:
   20 percent of the units affordable to households earning up to 50 percent AMI, or 25 percent of the units affordable to households earning up to 60 percent AMI.
   Minimum of 30 percent of the units affordable to households earning between 80 percent and 100 percent of AMI.
   Maximum of 50 percent of units affordable to households earning between 130 percent and 165 percent of AMI.

   Subsidies:
   Tax-Exempt bond financing for first mortgage; 4 percent LIHTC; Subordinate loan of up $85,000 to $95,000 per affordable unit, capped at $15 million per project; property-tax exemption.

Exhibit 6

Income Mixes and Subsidies for Selected Mixed-Income Programs in New York City (2 of 2)

4. **Extremely Low & Low-Income Affordability (ELLA) Program**

   Income Mix:
   Option 1:
   10 percent of the units serving formerly homeless households,
   10 percent of the units affordable to households up to 30 percent of AMI,
   10 percent of the units affordable to households up to 40 percent of AMI,
   10 percent of the units affordable to households up to 50 percent of AMI,
   (Optional): up to 30 percent of the units with rents affordable to households earning 70–100 percent of AMI, and
   Remaining units affordable to households up to 60 percent of AMI.
   Option 2:
   30 percent of the units serving formerly homeless households,
   5 percent of the units affordable to households up to 40 percent of AMI,
   5 percent of the units affordable to households up to 50 percent of AMI,
   (Optional): up to 30 percent of the units affordable to households earning 70–100 percent of AMI, and
   Remaining units serving households up to 60 percent of AMI.

   Subsidies:
   $130,000 to $150,000 in capital funds per unit, depending on option and percent of units affordable to households earning 70–100 percent of AMI; Federal LIHTC; tax-exempt financing; property-tax exemption.

5. **Mixed-Income Program: Mix & Match**

   Income Mix:
   40–60 percent of the units affordable to households earning up to 60 percent of AMI, including at least 10 percent of units serving formerly homeless households.
   A minimum of 10 percent of units must be affordable to households earning 30–50 percent of AMI.
   Remaining 40–60 percent of units affordable to households earning up to 130 percent of AMI.
   Projects must have at least four affordability tiers.

   Subsidies:
   $10,000 to $225,000 in capital funds per unit depending on the income designation.
   Federal LIHTC; tax-exempt financing; property-tax exemption.

In the Senior Affordable Rental Apartments (SARA) program and the Supportive Housing Loan Program (SHLP), the city provides low-interest loans as gap financing to support the development of special-needs housing. The maximum loan amounts range from $75,000 to $120,000 per unit, depending on additional subsidies (tax-exempt financing with 4-percent LIHTC or 9-percent LIHTC). Tenants in properties supported by these programs must spend no more than 30 percent of their income on rent. In most cases, they receive project- or tenant-based rent subsidies.

A key element of Mayor de Blasio's affordable housing programs, and of those created by his predecessors, are property tax exemptions. Because property taxes for rental housing in New York City are high, especially by comparison with most owner-occupied housing (New York University Furman Center, 2016), it is very difficult for rents to be affordable to low-income households if they must cover property taxes in full. In recognition of this problem, the city has frequently provided long-term property tax exemptions for new and preserved housing for low-, moderate-, and sometimes middle-income households. In addition, the city has also provided tax exemptions as an incentive to build market-rate housing. In the early 1970s, when the city was experiencing population loss[7] and disinvestment, the city, with state approval, created the "421-a tax exemption" for property as an incentive to build rental and condominium buildings anywhere in New York City. Over the years, the city revised the program so that properties built in the most affluent sections of the city (for example, Manhattan south of 96th street) would only be eligible for property tax exemptions if developers designated 20 percent of the units for low-, moderate-, and, in some cases, middle-income households. The program expired in 2016 and was replaced in 2017 with a similar program, Affordable Housing New York, which further limited the availability of tax exemptions for properties that do not offer affordable units (Nixon Peabody LLP, 2017).

More than 160,000 rental and condominium units received the 421-a property tax exemption in 2014, costing the city more than $1.07 billion in forgone property tax revenue (Bach and Waters, 2015). The program has been controversial, especially since many buildings that received the subsidy included no affordable housing at all, and some of the buildings that received the tax exemptions are composed of multi-million-dollar condominiums. The program took on more notoriety in 2015 when it became known that developers had structured properties that received the tax exemption so that the residents of the affordable units were required to enter through a separate door—soon coined as a "poor door"—and were prohibited from using the gym and other amenities available to the market-rate residents. The program has also been criticized because units designated as "affordable" can be keyed to incomes as high as 130 percent of AMI, or $122,000 for a family of three in 2018.

The city subsequently prohibited the use of "poor doors" in buildings that receive tax exemptions. Affordable Housing New York, the tax exemption program that replaced 421-a focuses mostly on rental buildings, nearly all of which must include some amount of affordable housing—although the targeted incomes range from 40 to 130 percent of AMI. Luxury condominiums are no longer eligible for tax exemptions. As with 421-a, the new program can be used alone or in combination with other city subsidies.

Preservation Programs

As noted earlier, preservation refers both to the renewal or replacement of existing housing subsidies and to loans, grants, and tax abatements to help owners of low-income housing rehabilitate or otherwise upgrade their property. New York currently operates 30 preservation programs (Murphy, 2017), some of which were established decades ago. Of the 300,000 units in the expanded de Blasio plan, 60 percent involve preservation. Preservation also accounted for 60 percent of the housing funded under Mayor Bloomberg's administration, as opposed to the 44 percent envisioned in the mayor's original New Housing Marketplace Plan (NYC HPD, 2013). The housing market crash and subsequent recession caused the city to pivot from an emphasis on new construction to preservation.

In addition to the $220 million subsidy (mostly in the form of property tax exemptions) to preserve the affordability of 5,000 units in Stuyvesant Town-Peter Cooper Village, the city has also provided funds and technical assistance to help preserve housing financed with federal LIHTC so

[7] From 1970 to 1980, New York's population fell by more than 800,000, from 7.9 to 7.1 million (NYC OpenData, 2019).

that the housing can remain affordable and physically sound when it approaches the end of its initial compliance period (NYC HPD, 2016). The city also offers low-interest loans and/or property tax exemptions for private landlords to rehabilitate housing for low-income tenants. For example, the Participation Loan Program began in 1977 and has supported moderate and substantial rehabilitation of thousands of housing units. Another preservation program, Neighborhood Pillars, was initiated in 2017 to provide funds and property-tax exemptions for nonprofit organizations to acquire and rehabilitate privately owned residential buildings that house low- and moderate-income renters.

Related Housing Initiatives under Mayor de Blasio

Closely aligned with Housing New York are several related initiatives that complement the plan's goals. Of particular note is the city's decision to provide free legal assistance in housing court for low-income renters, a city-state task force to combat tenant harassment, and the expansion of two "rent-freeze" programs.

In August 2017, the city launched the Universal Access to Counsel (UAC) program to provide free legal counsel for eligible renters. It is the first program of its kind in the United States and has attracted the interest of many other cities (Been et al., 2018). As Desmond (2016) and other researchers have documented, tenants seldom can afford to hire an attorney to represent them when faced with eviction. Tenants are substantially more likely to avoid eviction when legal counsel has been provided, and, if they are evicted, are given more time to move. Legal representation is especially important when the grounds for eviction are spurious or if they constitute outright harassment. UAC began operation in 15 ZIP Codes and is being phased in over 5 years (Been et al., 2018). When fully implemented, the program will serve 400,000 tenants at an estimated annual cost of $155 million. In its first year of operation, 56 percent of tenants in the designated ZIP Codes had legal counsel in housing court compared with 1 percent of tenants citywide in 2013. During this period, evictions in New York declined by 27 percent (Fertig, 2018; New York City Human Resource Administration, Office of Civil Justice, 2018).

In addition to providing free legal counsel in housing court, the city, in collaboration with New York State, established a Tenant Harassment Prevention Task Force (THPT). Involving the New York State Attorney General; the New York State Department of Homes and Community Renewal; and the city's departments of Housing Preservation and Development, Buildings, Health and Mental Hygiene, and Law, THPT aims "to coordinate City and State agencies for joint inspections, enforcement actions, and litigation strategies to intervene in buildings where harassment may be occurring in order to prevent tenants from being forced out" (NYC HPD, 2019a).

In 2014, New York expanded two "rent freeze" programs for seniors and people with disabilities by increasing the maximum eligible income level from $29,000 to $50,000. These programs protect eligible low-income residents of rent-regulated housing who spend more than one-third of their income on rent from additional rent increases. Instead, the city reduces the landlord's property taxes by the amount of rent increase that would otherwise be allowed under the city's rent stabilization and rent control programs (City of New York, 2019).

Finally, it is important to note that New York spends billions of dollars annually on other housing-related initiatives that are separate from Housing New York. These initiatives include about $200 million on rental assistance for homeless individuals and families and funding to help pay for renovations and other capital improvements for New York's public housing. In addition, the city's Housing Development Corporation (HDC) issued more than $8 billion in bonds from 2014 through 2018 for construction and permanent financing of affordable housing. HDC has also invested millions of dollars from its corporate reserves to build and preserve affordable housing.

Housing New York's Performance through the First Quarter of 2019

From the plan's onset in 2014 through March 31, 2019, the city had started work on more than 123,000 units, surpassing the halfway point of the original plan (exhibit 7). Of the 123,456 starts, 38,793 (32 percent) involved new construction and 83,126 (68 percent) involved preservation. The city posted 34,160 starts in 2018, an increase of nearly 10,000 from the previous year and the most since 1989 (NYC HPD, 2019a).

Exhibit 7

Housing Starts by Construction Type and Income Group, 2014-2019 (Q1)

	2014	2015	2016	2017	2018	2019 (Q1)	Total	Percent of Total
Construction Type								
New Construction (NC)	2,777	8,732	6,330	7,765	9,268	5,077	39,949	32.4
Preservation (P)	6,569	11,839	17,313	16,588	22,976	8,212	83,497	67.6
Total	9,346	20,571	23,643	24,353	32,244	13,289	123,446	100.0
Income Group								
Extremely Low (<30% AMI)	922	2,869	3,835	4,014	6,126	2,713	20,479	16.6
Very Low (31-50% AMI)	1,394	2,588	3,054	6,453	12,240	4,442	30,171	24.4
Low (51-80% AMI)	5,727	12,234	9,508	9,964	11,481	4,099	53,013	42.9
Moderate (81 - 120% AMI)	352	1,394	1,890	1,533	1,552	512	7,233	5.9
Middle (121-165% AMI)	890	1,368	5,269	2,270	691	1,465	11,953	9.7
Other	61	118	87	119	154	58	597	0.5
Total	9,346	20,571	23,643	24,353	32,244	13,289	123,446	100.0

AMI - Area Median Family Income
Source: NYC Dept. of Housing Preservation and Development

The de Blasio administration has invested $5.05 billion through 2018 on affordable housing construction and preservation. This amount does not include $8.1 billion in tax-exempt and taxable bonds issued by the New York City HDC, nor does it include HDC's use of corporate reserves to support the city's housing programs. Total development costs exceed $25 billion. Much of the funding not covered by the city's capital budget and HDC derives from equity payments from LIHTC investors.

Of the new construction and preservation units started through the end of March 2019, 41 percent were designated for households earning up to 50 percent of AMI, including 17 percent for extremely low-income households with incomes up to 30 percent of AMI and 24 percent for very low-income households earning 30 to 50 percent of AMI. Of the 32,214 starts in 2018, 57 percent served these two income groups (NYC HPD, 2019a). The original plan, in contrast, designated 26 percent of all units for these two groups.

Of all the city-funded starts, 17,938 units (15 percent of the total) were constructed or preserved for formerly homeless households (9 percent) or for low-income seniors (6 percent; NYC HPD, 2019c).

Exhibit 8 organizes the total housing starts (through March 31, 2019) by basic category. The largest single category, accounting for 27 percent of total starts, involved the extension of affordability for existing housing, including properties facing the expiration of LIHTCs, Mitchell-Lama properties eligible for conversion to market-rate occupancy, as well as the previously mentioned deal to keep 5,000 units in Stuyvesant Town-Peter Cooper Village affordable to low-income households. The second largest category, accounting for more than 21 percent of all starts, involves the moderate rehabilitation of existing housing. The next three largest categories refer to new construction and together account for 34 percent of total starts. Of these, the two largest elements involve developments subsidized by the city, New Construction Finance Multifamily and Housing Development Corporation Projects. They account for more than 32,000 units, 26 percent of total starts.

Exhibit 8

Total Housing Starts by Category

Program Types	Units	Percent of Total
Extended Affordability Only (Includes HDC and State Extended Affordability Deals)	33,409	27.1
Moderate Rehab	26,402	21.4
New Construction Finance Multifamily	20,903	16.9
Housing Development Corporation Projects	11,177	9.1
Housing Incentives Programs (Inclusionary Housing, 421-a Standalones, etc.; Does Not Include IH or 421-a Units that are Part of Projects with HPD Financing)	9,714	7.9
Special Needs Housing	7,691	6.2
State Projects	5,337	4.3
Major Rehab	7,419	6.0
Homeowner Assistance Programs	1,030	0.8
New Construction Finance Small Homes	364	0.3
Grand Total	123,446	100.0

IH = Inclusionary Housing
Source: New York City Department of Housing Preservation and Development

The third new-construction category encompasses all "housing incentives programs" and constitutes less than 10,000 starts, 8 percent of the total. Housing incentives refer to affordable housing constructed through inclusionary housing and tax-exemption programs that do not receive other subsidies or financing through the city. Mandatory inclusionary zoning accounts for 1,431 of the starts in this group. Even though it comprises a relatively small share of total housing starts, inclusionary zoning has received far more attention and criticism than the larger elements of Mayor de Blasio's housing plan.

Critiques and Challenges

Mayor de Blasio's housing plan, its quantitative achievements notwithstanding, has been roundly criticized. Its critics include the City Comptroller (New York City Comptroller, 2018) and other government officials, academics (Angotti and Morse, 2017; Busa, 2017; Stein, 2018), journalists (Feuer, 2017; Greenberg, 2017; Murphy, 2017), and community-based organizations and activists (Dulchin, 2019; Real Affordability for All, 2017). They argue that while the plan claims to promote affordable housing, most of the housing produced under the plan is not affordable enough. There are two dimensions to this argument. First, many critics claim that most of the housing that is preserved and constructed under the plan is not affordable to residents with the lowest incomes who confront the most severe housing affordability problems. Secondly, critics argue that the rezonings that are integral to the city's mandatory inclusionary housing program have the perverse effect of exacerbating housing affordability problems, even if the new housing built in rezoned neighborhoods includes affordable units.

Although 17 percent of the 123,446 housing starts through the end of March 2019 (20,479 in total) were slated for Extremely Low-Income (ELI) households earning up to 30 percent of AMI, and an additional 24 percent went to Very Low-Income (VLI) households earning between 30 and 50 percent of AMI, critics argue that these income groups account for much larger shares of households with housing cost burdens. As of 2017, these two income groups accounted for 65 percent of all households spending more than 30 percent of their income on rent. Focusing just on renters with the most severe housing needs, spending 50 percent or more of their income on housing, ELI households comprise 62 percent of the total and VLI households comprise 25 percent. In contrast, households earning more than 50 percent of AMI account for 35 percent of all renters spending more than 30 percent of their income on housing, but they constitute 59 percent of the plan's beneficiaries to date.

Some critics state that the affordability gap between the rents of housing produced and preserved through the city's plan and the incomes of renters with the greatest needs is even larger than indicated by citywide statistics. The demarcations for the various income categories are based on the median income for the eight-county region of New York City and Putnam, Rockland, and Westchester counties. The average incomes in many of the neighborhoods that are seeing substantial amounts of construction under the plan, however, are much lower than the regional median. For example, the median income in East New York in 2017 was $38,620 (NYU Furman Center, 2018), compared with $66,200 for the eight-county region. What is classified as affordable for an ELI household as defined by the regional median income, is out of reach for many residents of low-income communities.

In light of these discrepancies, critics as diverse as the City Comptroller Scott Stringer and the advocacy group Real Affordability for All have argued that the plan should allocate a higher percentage of its housing for households with lower incomes. Comptroller Stringer, for example, proposed that the housing construction yet to be started under the plan (85,706 units as of June 30, 2018) mostly benefit ELI households. Whereas the plan calls for 8 percent of the remaining units to be built for ELI households, the Comptroller would allocate 77 percent to this group. The Comptroller would also increase the share going to VLI households from 16 to 21 percent. To cover the additional costs for providing more housing to lower income renters, the Comptroller would increase the city's annual capital commitments for new construction programs by about 60 percent, an annual increase of $370 million in capital funding (New York City Comptroller, 2018).

The second criticism of the plan contends that it not only fails to provide sufficient amounts of housing affordable to low-income residents, it also exacerbates the city's affordability crisis. More specifically, these critics argue that by rezoning low-income neighborhoods to promote the development of large mixed-income buildings, the plan puts increased market pressure on vulnerable communities. The influx of higher income households, combined with the tangible changes in neighborhood fabric as low-rise and vacant properties—residential and otherwise—are replaced by much larger, glitzier residential and mixed-use buildings, will tempt owners of existing residential buildings to raise their rents and, if that is not possible under the city's rent regulations, attempt to push current tenants out of the unit. While the buildings put in place under inclusionary zoning will include a number of units of affordable housing (notwithstanding arguments about their actual affordability), the rezoning process may ultimately result in a net loss of affordable housing. Here is how journalist Abigail Savitch-Lew summarizes the argument:

> Say you live in an upzoned neighborhood . . . the 20 or 30 percent of new development that's rent-restricted might not actually be affordable to you. The other 70 or 80 percent is so expensive that it's unaffordable to everyone in the neighborhood. Wealthier newcomers move in, with the disposable income to support new expensive amenities. As the neighborhood becomes increasingly popular, landlords begin harassing rent-stabilized tenants and real-estate brokers hound longtime homeowners with all-cash offers. Soon your landlord is giving you the ultimatum: agree to a whopping rent increase, or move out (Savitch-Lew, 2017).

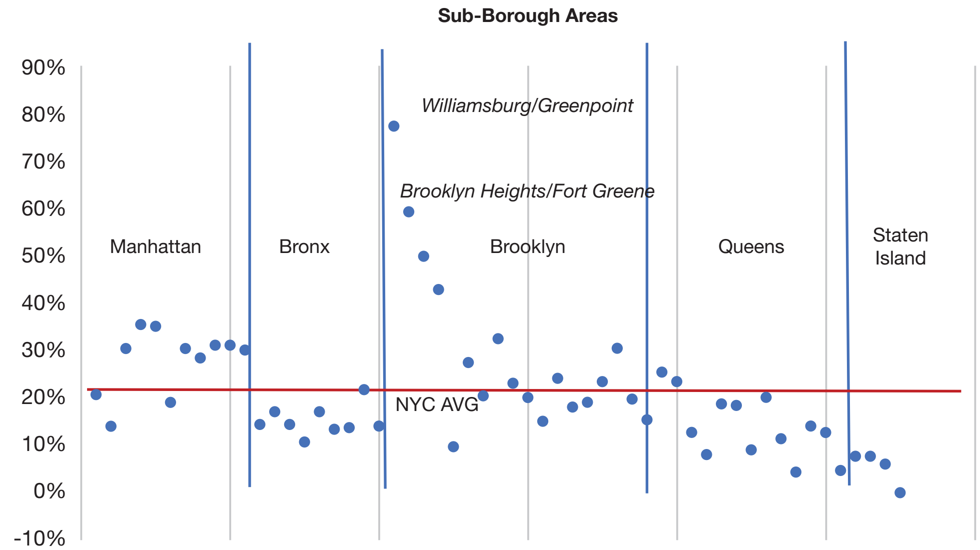
Mayor de Blasio and other city officials have responded to this argument in two ways. First, they point out that the city has strengthened its protections for tenants who might face illegal rent increases, harassment, and eviction. As noted previously, the city is rolling out free legal counsel in housing court for low-income renters. Secondly, the city and state created a task force to combat landlord harassment. Through these and other means, the city believes that it can shield existing residents in rezoned neighborhoods from unlawful rent hikes and various forms of harassment.

The city's second response to the claim that rezoning and inclusionary zoning aggravates rather than improves housing affordability is to point out that gentrification is occurring throughout the city, whether or not the neighborhood has been rezoned. Although there are few if any studies that show the effect of rezonings in New York City during the de Blasio era on rents and home prices,[8] it is true that rents have increased sharply in numerous neighborhoods throughout the city. Adjusting for inflation, the median rent in the city as a whole increased by 20 percent from 2006 through 2016. In Manhattan, rents rose by 29 percent; Brooklyn, 25 percent. Of the city's 55 sub-borough areas (roughly similar to its community districts), 26 saw rents rise by 20 percent or more, including 13 where they increased by at least 30 percent (exhibit 8). There seems to be ample justification for the claim that preserving the existing zoning of a neighborhood will not keep gentrification at bay.

[8] Yonah Freemark's research (2019) on zoning changes in Chicago found that increases in density, controlling for other factors, was associated with increases in housing costs. These rezonings, however, unlike the case in New York, did not require developers to designate a portion of the new housing for lower income households. It is also uncertain if the experience in Chicago is directly applicable to New York.

Exhibit 9

Change in Median Rent 2006-2016 (2017$): Sub-Borough Areas



Source: NYU Furman Center

While critics of the de Blasio plan have focused mostly on neighborhood rezoning and inclusionary housing, this component accounts for a relatively small share of the affordable housing produced to date. Inclusionary housing and other incentive programs account for 8 percent of all new construction and preservation housing starts through March 2019. Mandatory Inclusionary Zoning, the subject of so much controversy and debate, accounts for only 1,431 starts as of March 31, 2019, less than 4 percent of all city-funded new construction starts. Moreover, most if not all of the new housing subject to inclusionary zoning in East New York—the first neighborhood to be rezoned—has been targeted to low- and moderate-income households. Most of the new construction started under the plan has received direct subsidies from the city and other sources.

The fact that the residents of most of the neighborhoods slated for rezoning tend to have low incomes and to be predominantly non-White has no doubt contributed to the plan's hostile reception. Some observers have suggested that the plan might have received more support if the city had also included more affluent and more White neighborhoods among those to be rezoned (Savitch-Lew, 2017).

There is no disputing that the de Blasio plan does not come close to meeting the need for affordable housing in New York City. Compared with the previous mayoral housing plans, de Blasio's initiative targets a larger number, and larger share, of its housing for extremely low-income households. As we have already discussed, however, the plan has been widely criticized for not making more housing affordable for the lowest income residents, including the homeless. Critics argue that the income eligibility standards for the affordable units are set too high, and that a larger share of the units being produced should go to households with very low incomes. In total, the plan's goal is to construct 12,600 units affordable to ELI households and 17,400 units affordable to VLI households by 2028. This goal amounts to less than 7 percent of all ELI and VLI renters who paid 50 percent or more of their income on housing in 2017, and that does not include the more than 63,000 people who were in the city's homeless shelters. Comptroller Stringer's previously mentioned recommendation to build 66,000 units for ELI renters and 18,000 for VLI renters still pales by comparison with the 441,000 ELI and VLI renters with severe cost burdens.

The gap between the amount of housing targeted by the plan to the lowest income New Yorkers and the number of such households in need of affordable housing underscores a fundamental limitation in the ability of cities and states to adequately address their housing needs. As with nearly all other state and local housing programs, the de Blasio plan aims to expand and preserve the existing stock of affordable housing. They enable existing housing to remain affordable for years into the future and create new units of affordable housing. In other words, each year, the city's expenditures increase either the number of affordable units that are preserved or that are created. For the city to primarily assist households with the lowest incomes, it would need to provide rent subsidies to cover the difference between what these households can afford to pay and the total cost of operating the housing and covering the debt-service expenses connected to the housing's acquisition and/or development or rehabilitation. As rental subsidies are expensive, the city would need to spend hundreds of millions or billions of dollars to support the same number of renters every year. Rather than spend money to expand the stock of affordable housing, the city would need to spend even more year after year to keep the same number of units affordable.

On average, depending on unit size and other factors, it costs between $500 and $700 every month to cover the basic operations of a housing unit eligible for city subsidy—that is, upkeep (labor and supplies), insurance, utilities, and taxes (if any). It can cost several hundred dollars more to cover the debt-service expenses on the unit's pro rata share of the building's mortgage (that is, on the debt associated with the cost of acquiring, renovating, or constructing the property). For example, as shown in exhibit 2, the monthly costs of operating and paying the debt on a newly built efficiency apartment with shared bathroom and shared kitchen amounts to $840 a month, and that assumes that the development cost of the property did not include any expenses for land acquisition. Even under this bare-bones scenario, the minimum monthly rent is only affordable to households earning at least $2,800 a month ($33,600 annually), equivalent to 51 percent of New York's AMI for single-person households. All other households would require rent subsidies to afford this apartment. Excluding the portion of the rent that would cover debt service, even the unit's basic operating costs of $332 per month would be unaffordable to households earning less than $13,267 a year, or 25 percent of all single-person households. The operating costs of a 400-square-foot studio apartment with private kitchen and bath amount to $418 per month, affordable only to people earning at least $16,700 (Stern and Yager, 2018).

Inclusionary housing and other forms of mixed-income housing can enable a small percentage of ELI families and individuals to be included, with the rents paid by higher income residents "cross-subsidizing" the low-income tenants. However, only a small number of ELI and VLI tenants can be subsidized in this way; otherwise, the models are not financially viable. As discussed earlier, the city's mixed-income housing programs designate up to 20 percent of all units to households earning up to 30 percent of AMI, and the bottom income group for some programs is set at 40 percent of AMI or higher (exhibit 6).

How much would it cost to provide rent subsidies so that all low-income New Yorkers do not confront housing cost burdens? In 2017, there were 286,000 unsubsidized ELI renters and 250,000 VLI renters. Of these renters, 87 percent spent more than 30 percent of their income on rent, and 62 percent spent more than 50 percent of their income on rent.

If New York were to subsidize all VLI households who are currently rent burdened so that they paid 30 percent of their income on rent, it would cost $5.3 billion annually. The cost would rise to $6.6 billion if the subsidy applied to all households earning up to 80 percent of AMI that spend more than 30 percent of their income on rent. Conversely, if the subsidy were limited to ELI households spending 50 percent or more of their income on housing, the annual cost would be $3.2 billion (exhibit 10).[9]

Exhibit 10

Total Annual Subsidy Needed to Ensure Affordability for Rent-Burdened Households

Income Group and Current Rent Burden	Total Subsidy ($ Billions)
ELI, VLI, LI (<80% AMI)	
Cost Burden >30%	6.6
Cost Burden >50%	5.3
ELI, VLI (<50% AMI)	
Cost Burden >30%	5.3
Cost Burden >50%	4.5
ELI (<30% AMI)	
Cost Burden >30%	3.6
Cost Burden >50%	3.2

ELI = Extremely Low Income. LI = Low Income. VLI = Very Low Income.
Source: Mayor's Management Report and Comptroller's Budget Report

To put these amounts in perspective, New York City spent $5.4 billion in FY2019 on police, $2.1 billion on fire protection, $1.7 billion on sanitation, and $461 million on parks (Citizens Budget Commission, 2019). In other words, the costs of providing rental subsidies to eliminate housing cost burdens for most low-income renters would equal or exceed the annual budget for numerous city services. Moreover, the city's public housing currently needs $31.8 billion in renovations and other essential capital improvements (New York City Housing Authority, 2018) and the subway system requires an estimated $8 billion (Metropolitan Transit Authority, 2018).

[9] These estimates are based on the amount of money that would be required to augment the gross rent payments of rent-burdened households so that they pay 30 percent of their income on rent. The estimates do not consider any potential behavioral responses that such rent subsidies might elicit—such as renters reducing their incomes to qualify for rental assistance or moving into a more expensive home or landlords increasing their rents. Nevertheless, the estimates provide an order-of-magnitude sense of the overall cost of providing rental assistance to all eligible renters.

It is, of course, a political decision whether to use city funds to subsidize rents. Given New York City's operating budget of $90.2 billion, the $3–7 billion cost of providing rent subsidies for tens of thousands of low-income New Yorkers would be substantial but not necessarily prohibitive. In fact, the city already provides about $200 million annually in rent subsidies to help homeless families, and families at risk of becoming homeless, secure permanent housing. Given the city's many other critical needs, however, it is unlikely that rent subsidies of this magnitude would be politically palatable.

Rental cost burdens are a national problem, afflicting low-income renters throughout the country, no matter how expensive local housing markets may be (Joint Center for Housing Studies, 2018). In numerous European countries, most low-income households are automatically entitled to rent subsidies from the national government (Scanlon, Whitehead, and Arrigoitia, 2014). In the United States, federal rent subsidies are not an entitlement, and only about one in four eligible low-income households receive them, whether in the form of Housing Choice Vouchers, public housing, or project-based Section 8. New York City's housing affordability challenges, and those of all other cities and states, would be far less severe if the federal government provided rental assistance to all eligible low-income families (Desmond, 2016; Mallach, 2018). Alan Mallach (2018) estimated that the annual cost of making rental assistance an entitlement would total about $90 to $100 billion, which is in the same ballpark as the estimated $85 billion cost in 2018 of tax expenditures associated with homeownership—and this estimate is after the federal "Tax Cuts and Jobs Act" of 2017 decreased the value of these tax expenditures by 38 percent (Joint Committee on Taxation, 2018).[10] If federal housing subsidies, whether in the form of vouchers, income-tax credits, or other means, were more readily available, there would be less pressure to build housing affordable to ELI households. Instead, New York City could invest its resources in building and preserving housing that would be eligible for federal rent subsidies, as well as for households with somewhat higher incomes but who still confront severe shortages of affordable housing.

Conclusions

More than three decades have passed since Mayor Koch launched New York City's Capital Budget program in 1987. Since then, the city has invested more than $17.5 billion (adjusted for inflation) of its own capital resources on the construction and preservation of more than 490,000 housing units. No other city has drawn on its own tax base to anywhere near this extent to help finance affordable housing, and no other city has sustained an analogous level of commitment for so many years under both Democrat and Republican mayoral administrations. New York City's experience in subsidizing affordable housing shows what is possible, but it also highlights fundamental limitations in the ability of cities and other subnational jurisdictions to address their affordable housing needs.

[10] In 2018, estimated tax expenditures for the mortgage interest deduction, property taxes, and exclusion of capital gains on sale of primary residences totaled $85.8 billion, down from $130.1 billion in 2017. The estimation of property tax deductions in 2018 was based on the property tax share of total combined tax expenditures in 2017 for property taxes, state and local income taxes, and sales taxes. The Joint Committee on Taxation stopped publishing estimates of tax expenditures for property taxes after passage of the Tax Cuts and Jobs Act of 2017, which capped total deductions in these areas at $10,000. The Joint Committee does provide estimated tax expenditures in 2018 for these three deductions combined (Joint Committee on Taxation, 2018).

Many of the city's housing investments from 1987 until the early 2000s programs involved *in rem* property—occupied and vacant buildings as well as vacant land that the city had acquired through tax foreclosure. Tapping the capital budget, the city has rehabilitated thousands of *in rem* buildings and constructed thousands of new housing units on city-owned land. In so doing, the city's housing programs were essential in restoring the urban fabric of numerous neighborhoods in the Bronx, upper Manhattan, Central Brooklyn, and elsewhere that had been devastated by disinvestment, abandonment, and arson. Today, there is barely a trace of the physical decay that was so prevalent in the 1970s, 80s, and 90s. Poverty remains high in many of these neighborhoods, especially in the Bronx, but physical conditions are vastly improved (Schwartz, 1999; Lamberg, 2018).

Over the past 15 or so years, with *in rem* property largely depleted, the city's housing investments have become less concentrated in particular neighborhoods. As before, the city continued to provide low-cost loans and tax exemptions to help preserve privately owned housing. The city also developed programs to renew or replace housing subsidies facing expiration. The city continued to invest in the development of housing for very-low-income people with special needs—usually providing HCVs and other rent subsidies to ensure the housing was deeply affordable. Most of the new housing produced with city subsidies, however, targeted people with higher incomes. These include buildings that receive federal Low-Income Housing Tax Credits, which generally accommodate households earning between 40 and 60 percent of Area Median Income, as well as various forms of mixed-income housing. While some new housing subsidized with city funds is situated on city-owned sites, it increasingly involves the acquisition of expensive privately owned land.

The administration of Mayor de Blasio has sharply increased the scale of New York's investments in affordable housing. During the Mayor's first 4 years in office, annual city-supported housing starts for new construction and preservation averaged 25,000 units—far more than what previous mayors achieved. Compared with the administration of the previous mayor, Michael Bloomberg, the de Blasio Administration has produced and preserved 72 percent more affordable housing units per year and invested nearly twice as much from the capital budget for affordable housing. In addition, the de Blasio Administration's housing programs have generated and preserved far more housing for the lowest income households. While the Bloomberg Administration grouped all housing targeted for households earning less than 80 of AMI into a single category and did not report on the housing produced or preserved for households earning less than 30 or 50 percent of AMI, the de Blasio Administration designed several of its mixed-income programs so that at least some of the units would be affordable to, and reserved for, households in these income groups. In addition, the de Blasio Administration launched the nation's first municipal initiative to provide free legal counsel to low-income renters at risk of eviction.

Despite the larger scale and deeper subsidies of the de Blasio Administration's housing programs, New York's affordable housing crisis remains as acute as ever. More than 29 percent of all renters spend at least one-half of their income on housing, including 78 percent of all renters earning less than 30 percent of AMI. More than 60,000 people sleep in the city's homeless shelters. Some critics argue that the persistence of the city's affordability problems highlights both the city's failure to provide housing that is sufficiently affordable to low-income New Yorkers and the perverse tendency of inclusionary zoning and other mixed-income programs to exacerbate market pressures in low-income neighborhoods.

I argue that there is insufficient evidence to show that the inclusionary zoning program—which accounts for less than 1,500 of the nearly 40,000 new housing units started through March 2019—has worsened the affordability situation. Rents are rising and displacement pressures mounting throughout New York City, including in many neighborhoods that have not seen changes in zoning. I also argue that although the de Blasio Administration has done more than its predecessors and more than other U.S. cities to make units affordable to extremely low-income renters, the tens of thousands of deeply affordable units produced so far pale by comparison with the overall need. To fully address the city's affordable housing needs would cost $3–7 billion annually—a price that is politically if not fiscally prohibitive. While New York City demonstrates that it is possible for cities and other subnational units of government to produce and preserve some housing that is affordable to the lowest income residents, the New York City story also illuminates the limits of local initiative. Only the federal government commands the financial resources necessary to solve the affordable housing crisis—in New York City and in the rest of the nation.

Acknowledgments

The author thanks Marc Jahr and David Reiss for their insightful comments on previous drafts of this article. The author is also grateful for the questions and suggestions he received at presentations of this work at the University of Pittsburgh, Cambridge University, University College London, the University of Calgary, the New School, and the U.S. Department of Housing and Urban Development.

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