# New York City affordable housing programs designed to benefit developers

**Philip Guelpa**
**22 March 2016**

Last week it was announced that the New York City Council and Democratic Mayor Bill de Blasio have agreed on modifications to the mayor's two major affordable housing proposals currently under consideration. These are the Mandatory Inclusionary Housing and the Zoning for Quality and Affordability programs. These would provide substantial incentives to private developers of residential projects provided that they include a portion of their new housing units at supposedly affordable rates. In addition to the mayor the majority of those sitting on the City Council are Democrats.

De Blasio presents these programs as part of the fulfillment of the promise he made early in his administration to "build or preserve" 200,000 affordable housing units over ten years in order to address the city's critical shortage of affordable apartments. A final vote by the City Council is expected shortly, effectively providing no time for additional public comment.

The mayor's proposals, as originally formulated, had been extensively criticized by affordable housing advocates and widely rejected by the city's 59 neighborhood community boards and five borough boards for setting the definition of what was affordable far too high for large numbers of city residents. After some minor adjustments, including the creation of a new lower income tier, many of these critics have fallen into line.

The revised Mandatory Inclusionary Housing plan, which would loosen certain zoning restrictions and provide other benefits to developers, now includes four options for builders who designate 20 to 30 percent of new apartment rents at levels below-market rates. The quota can be reached by including a mix from a total of four income tiers. The new lowest or fourth tier is reportedly designated for families of three earning approximately $31,000 per year, or 40 percent of the area median income (AMI), which is currently $77,700. The second and third tiers target families making 80 and 60 percent of the AMI, respectively, and the top "affordable" tier is pegged at 115 percent of the AMI.

The AMI is based on data from the city as a whole. There are wide income variations between boroughs and neighborhoods. The areas designated for implementation of the proposed plan are among the city's poorest. Consequently, incomes tend to be significantly below those of the city as a whole. For example, in the East New York neighborhood in Brooklyn, the first area to be targeted by the new plan, the 2014 median income was $32,362. A large segment of the population of this impoverished area will, therefore, be excluded from even the lowest "affordable" housing tier.

The "compromise" was apparently achieved after the application of considerable political pressure against key opponents of the original proposals. In one example, Real Affordability For All (RAFA), an umbrella group including nearly 50 housing advocacy organizations, was subjected to severe criticism for releasing a report that was highly critical of the mayor's housing proposals.

RAFA's report, entitled "Profiting from a Corrupt System: How the Affordable Housing Industry Robs New York City," concluded that developers of below-market-rate housing steal construction worker wages and operate without proper oversight, while failing to provide truly affordable housing. This hit too close to the bone for liberal groups allied with the mayor. Pressure was reportedly exerted by state agencies and private developers. As a result, more than three quarters of the constituent groups withdrew their support for RAFA.

All of the proposals, regardless of the final details, are clear expressions of the fact that the mayor's over-riding concern is to cater to the interests of the real estate industry. According to the *New York Times*, "The business world is unexpectedly happy with the mayor," and as phrased by *Crain's New York Business*, "The de

Blasio administration is looking to satisfy demands for more affordability without scaring away developers."

De Blasio administration representatives have openly stated that unless real estate developers receive sufficiently lucrative "incentives" (i.e. make enough profit to attract them), no affordable housing will be built. The need of the working class for decent and truly affordable housing is entirely secondary and subordinate. Even if de Blasio's 200,000-affordable-unit-goal were achieved, it is woefully inadequate to meet current needs, which have been estimated at more than three times that total, let alone sufficient to meet the demand due to future population growth.

Business groups have already expressed reservations about the revised inclusionary housing plan. The failure to renew the 421-a tax abatement program, which was highly lucrative for developers, has resulted in a substantial reduction in applications for new residential housing construction permits. According to a story in the *New York Times*, the Mandatory Inclusionary Housing (MIH) program was designed under the assumption that 421-a would continue. The loss of 421-a, according to the *Times*, will severely impact the effectiveness of MIH.

As a sweetener for the real estate industry, the proposed Zoning for Quality and Affordability program includes loosening of height restrictions in portions of Manhattan, where builders of already grotesquely tall luxury buildings would then be able to make even greater profits. If developers are not satisfied with the profit potential under MIH, they will simply shift their activities to the construction of market rate units. A proposal has already been floated in the state legislature to replace 421-a with outright payments, effectively bribes, to developers who build affordable housing.

There are even more reasons to doubt that the proposed new programs will substantially ameliorate the affordable housing crisis in New York. The lax enforcement of existing regulations makes it doubtful that things will change when developers and landlords are given new opportunities to cheat the system and gouge tenants.

According to a recent study by ProPublica, the city has done an abysmal job of policing the tax breaks already given to developers who included a small proportion of affordable units in newly constructed buildings under the 421-a program. This now expired give away to developers resulted in windfall profits while making virtually no appreciable improvement in the deficit in affordable housing. ProPublica's research concludes that, "… as many as 50,000 apartments benefitting from the 421-a and similar tax breaks are missing from the rent registration rolls. Owners of these buildings are receiving more than $100 million a year in property tax reductions."

In another example of the city's lenient attitude toward the real estate industry, while the Mayor has made much ado about this year's rent freeze on apartments falling under city regulations, there is a significant discrepancy between the number cited by de Blasio—1 million—and the actual total registered with the city - 840,000, as of 2014. The difference represents 160,000 housing units which have not been reported by landlords, who can therefore raise rents at will. Tenants are reluctant to complain for fear of being kicked out and not being able to find another place to live under conditions of extremely limited affordable apartments.

From the period of the Great Depression until the 1960s, New York had undertaken large scale construction of affordable housing under the New York City Housing Authority (NYCHA). Since then, however, under both Democratic and Republican administrations, the city has not only abandoned the construction of new public housing, but allowed the existing facilities to fall into disrepair, leaving roughly four hundred thousand tenants living in squalid conditions. In the city described in a recent book as having had "Public Housing That Worked," the ruling elite has openly reverted to the prime directive of capitalism—private profit above all else.

The development of public housing in New York was not undertaken due to the beneficence of the city's ruling strata, but as an effort to forestall workers' struggles. In recent decades, with globalization and the financialization of the economy, union bureaucrats and liberal politicians, who once saw advantages to promoting public housing, have moved increasingly to the right, and workers' struggles for housing and other social needs have been suppressed. The very idea that the city should take responsibility to ensure decent and truly affordable housing for its citizens has become anathema. Instead, the naked domination of the private real estate industry over city policies has been re-established with full force.