

POLICY BRIEF | JANUARY 2018

# 21st Century SROs: Can Small Housing Units Help Meet the Need for Affordable Housing in New York City?

## Introduction

Throughout much of the last century, single-room occupancy (SRO) housing was a commonly available type of low-rent housing in New York City, providing housing to people newly arrived in the city, low-income single New Yorkers, and people needing somewhere to live during life transitions. SRO units typically consisted of a private room with access to full bathroom and kitchen facilities that a renter shared with other building occupants. As the city fell onto hard times, so did SRO housing. During the second half of the last century, many SROs came to serve as housing of last resort, and policymakers enacted laws limiting their construction and discouraging the operation of SRO units. Many SROs were converted to other forms of housing, resulting in the loss of thousands of low-rent units in the city.

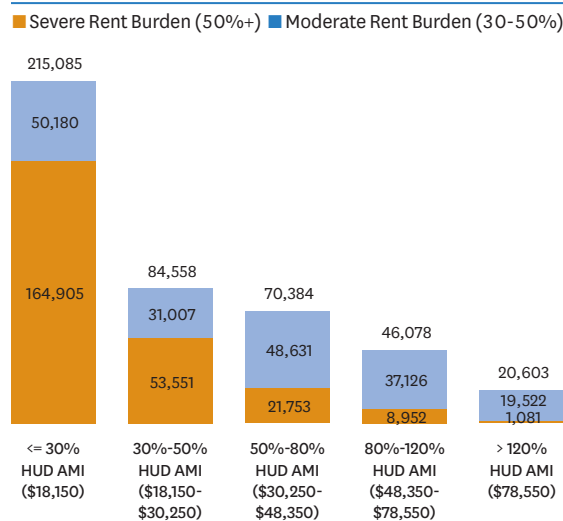
New research and analysis from the NYU Furman Center addresses the question of whether small housing units (self-contained micro units and efficiency units with shared facilities) can and should help meet the housing need previously served by SROs. In this policy brief, we present a summary of the paper, *21st Century SROs: Can Small Housing Units Help Meet the Need for Affordable Housing in New York City?* We provide an overview of the potential demand for smaller, cheaper units, discuss the economics of building small units, analyze the main barriers to the creation of small units that exist in New York City, and suggest possible reforms that New York City can make to address these barriers.

## Part I: The Case for Smaller Units

The large number of New Yorkers living alone or with roommates and struggling to pay rent suggests that there would be a market for small, lower-rent units.

In 2015,<sup>1</sup> more than 436,000 single adults who lived alone in the city were rent-burdened, meaning that they spent more than 30 percent of their income on rent (see Figure 1). Of those, more than 250,000 were severely rent-burdened, meaning that they spent more than half of their income on rent. Approximately 85 percent of these rent-burdened households had either low or moderate incomes.

**Figure 1. Number of Single-Person, Rent-Burdened Households by Income, 2011-2015**



Source: IPUMS-USA, NYU Furman Center

In addition, in 2015, more than 437,000 New Yorkers lived with unrelated roommates in a rental unit. Most of these individuals (approximately 310,000) had low or moderate incomes.

Today, there is a limited supply of small units to meet the needs of the city's single adults. As of

2014, there were approximately 30,000 SRO units and just over 177,000 studio units in the city—a total of only 210,000 small units, in comparison to the nearly 1.2 million renters living alone or with unrelated roommates in the city. There are also 19,000 adults without children living in homeless shelters, and another 100,000 are estimated to live in illegal housing such as “three-quarters houses,” illegal basements, and illegal SROs. These statistics suggest that smaller, cheaper housing would be in demand, if it were more readily built.

## Part II: Can Small Units Result in Significantly Lower Rents?

To determine whether new construction of small units can result in lower rents than those needed for larger units, we used financial modeling to compare the costs of building and operating small units to the costs associated with a traditional apartment. We looked at three different types of small housing, illustrated in Figure 2: a 300 square foot micro unit that contains a bathroom and kitchen, a 225 square foot efficiency unit with a shared kitchen and bath, and a 160 square foot efficiency unit with shared kitchen and bath. We used a 400 square foot studio apartment as a point of comparison.

**Figure 2. Unit Types Used for Comparison**

Unit Type	Unit Size
Studio Apartment	400sf
Micro Unit	300sf
Efficiency with shared kitchen	225sf
Efficiency with shared kitchen and bath	160sf

<sup>1</sup> In this section, all references to ACS/IPUMs 2015 data are derived from five-year estimates (2011-2015).



## The Difference between Apartment Shares and Efficiency Units

Roommates share apartments all the time in New York City. And, in many cases those apartment shares might look a lot like the SROs of the past: roommates who did not previously know each other living in private bedrooms but sharing a common kitchen and bath. Although rental apartment shares and efficiency units may, in some cases, look similar, there is an important legal distinction between them. This distinction is not based on how a space is designed, but rather based on how a space is used.

Occupancy rules in the Housing Maintenance Code regulate how many unrelated adults may live together. Up to three unrelated adults (which the law calls a “family”) may live together if they are part of a common household.<sup>2</sup> According to the law, “[a] common household is deemed to exist if every member of the family has access to all parts of the dwelling unit. Lack of access to all parts of the dwelling unit establishes a rebuttable presumption that no common household exists.”<sup>3</sup> Thus, adult roommates living together as a household in an apartment where there are no locks on bedroom doors and there is a single lease for the unit are likely to meet the definition of a “family” under the Housing Maintenance Code. However, in a situation where the occupants of the same apartment are living independently from one another (where they have locks on

their bedroom doors and independent leases with the landlord), they would likely qualify as single room occupancy (SRO) tenants. It is this latter scenario that we contemplate for our efficiency unit types. When the units being occupied for single room occupancy have a shared kitchen and/or bath—again, the model we contemplate—they are defined as “rooming units;” and those rooming units can be located in an apartment.<sup>4</sup>

The legal distinction between family occupancy and single room occupancy is important because of the regulation of these housing types. Most relevant for our discussion, the Housing Maintenance Code limits the creation of new rooming units and has several provisions that regulate conditions and design of rooming units and units used for single room occupancy. The Multiple Dwelling Law (the state law that regulates buildings with 3 or more families living independently of one another<sup>5</sup>) also regulates single room occupancy units, but contains no prohibition on their creation. As a policy matter, the reason we focus on efficiency units, distinct from apartment shares, is that they are a far more realistic answer to the needs of hundreds of thousands of single New Yorkers than apartment shares, which require tenants to find and negotiate the share with roommates. The difference between shares and SROs, and how they are regulated, are discussed further in Section II, Section III, and Appendix C of the full paper.

<sup>2</sup> The definition of “family” under the Housing Maintenance Code includes “[n]ot more than three unrelated persons occupying a dwelling unit and maintaining a common household;” and “[n]ot more than three unrelated persons occupying a dwelling unit in a congregate housing or shared living arrangement and maintaining a common household.” Admin. Code of the City of New York, tit. 27, ch.2, §§ 27-2004(a)(4)(b) & (c) (hereinafter Housing Maintenance Code).

<sup>3</sup> Housing Maintenance Code § 27-2004(a)(4).

<sup>4</sup> Housing Maintenance Code § 27-2004(a)(15).

<sup>5</sup> N.Y. Mult. Dwell. Law § 4(7) (McKinney).

**Table 1: Potential to House More Individuals with Smaller Units**

	Small Studio	Micro Unit	Efficiency w/ Shared Kitchen	Efficiency w/ Shared Kitchen/Bath
Unit Size (sq ft)	400	300	225	160
#Units	126	163	199	251
% Increase in Units vs. Small Studio		29%	58%	99%
Manager's Unit			800	800
Shared kitchen area (@ 80 sq ft/ kitchen)/building*	N/A	N/A	2,653	3,347
Shared bath area (@ 65 sq ft/bath)/building*	N/A	N/A	N/A	2,719
Total square feet	50,400	48,900	48,228	47,026

\*We assume one kitchen for every six people, and one bathroom for every six people.

In our financial analysis, we made a series of assumptions about construction, maintenance, operations, land costs, and required financial return. A full explanation of our assumptions is located in Appendix A of the full report. For each housing type, we modeled a mid-rise building consisting only of that unit type, from which we derived a per-unit cost. We assumed that each building received a full property tax exemption and was not subject to parking requirements. We also assumed that the density factor did not apply to our micro unit building (see discussion in Part III below). We assumed that buildings with efficiency units have a superintendent's unit, as required by law.<sup>6</sup>

### **A. Small units result in more units in a given space, but they don't scale up perfectly.**

As units get smaller, a developer can fit more of them into a given space. However, smaller units are harder to lay out efficiently (the "loss factor" increases as unit-size falls) and small units with shared facilities also require more of the building to be set aside for common space. Reflecting both of these consequences of small units, Table 1 shows how the number of units in a building can increase as the size of the units falls.

In our hypothetical mid-rise building, a developer could fit 126 traditional 400 square foot studio units. She could fit 37 more units in the same space if those units were micro units; 73 more units if the units were efficiencies with shared kitchens; and 125 more units if the units were efficiencies with shared baths and kitchens.

Notably, in our modeling, we did not include any additional common space in our hypothetical buildings as units get smaller, other than what is needed for the shared facilities. If a developer wanted to include more common space for lounges, computer labs, or similar communal amenities as unit sizes drop, that would result in fewer units and require higher rents. For example, if a developer wanted to add 1,000 square feet of additional common space in our building with efficiency units with shared kitchens, the building would house four fewer residential units. With fewer residential units generating rent, all rents in the building would go up between approximately \$19/month (for the building with no land costs) and \$33/month (for the building with the highest land costs) compared to what we show for this building type in Table 2 below.

<sup>6</sup> See N.Y. Mult. Dwell. Law § 248(15) (McKinney).

**Table 2: Estimated Monthly Rent Needed to Support New Construction of Smaller Units, Given Different Land Costs**

	Small Studio	Micro Unit	Efficiency w/ Shared Kitchen	Efficiency w/ Shared Kitchen/Bath
Land Costs = \$0/sq ft	\$1,480	\$1,240	\$1,170	\$840
Corresponding AMI Level	89%	75%	71%	51%
Land Costs = \$50/sq ft	\$1,590	\$1,330	\$1,250	\$910
Corresponding AMI Level	96%	80%	75%	55%
Land Costs = \$200/sq ft	\$1,820	\$1,500	\$1,410	\$1,040
Corresponding AMI Level	110%	90%	85%	63%
Land Costs = \$450/sq ft	\$2,360	\$1,920	\$1,780	\$1,340
Corresponding AMI Level	142%	115%	107%	81%

**Table 3: Estimated Hard + Soft Costs of New Construction by Unit Type (Excluding Land Cost)**

	Small Studio	Micro Unit	Efficiency w/ Shared Kitchen	Efficiency w/ Shared Kitchen/Bath
Total Hard + Soft Costs/Building	\$27,117,900	\$28,800,450	\$30,437,530	\$23,290,470
Cost Compared to Small Studio	100%	106%	112%	86%
#Units	126	163	199	251
Total Hard + Soft Costs/Unit	\$215,220	\$176,690	\$152,960	\$92,800
Cost Compared to Small Studio	100%	82%	71%	43%

**B. Rents needed to support the development of new small units are substantially lower than rents needed to develop traditional studios.**

Our modeling revealed that, as unit size decreases, units become cheaper to build, and therefore require less income from rent to cover the cost of development (see Table 2). For example, a small studio unit requires rent of approximately \$1,480 per month to support construction. This rent was affordable to a one-person household earning 89 percent of area median income (AMI) in 2017, or \$59,452 per year. However, an efficiency unit with shared kitchen and bath would require a rent of approximately \$840 per month, which was affordable to a single-person household earning 51 percent of AMI in 2017, or \$34,068 per year. To reach even lower rents, of course, the government could provide subsidy in addition to the property tax exemption we assume. In Appendix B of the full report, we estimate the amount of subsidy needed

to make rents affordable to a person earning 30 percent of AMI, which would be \$501 per month.

This increase in affordability corresponding with smaller unit sizes is due, in part, to the lower development costs per unit for small units (see Table 3). The costs *per building* are higher for micro units and efficiency units with shared kitchens compared to standard small studios because of the additional piping and fixtures needed. But the costs *per unit* of construction is lower for all of the small-unit types because the cost of construction is divided among more units. Both building-level and unit-level costs are cheaper for efficiency units with shared bathrooms and kitchens than for small studios.

The greater affordability of small units can also be attributed to the fact that operating costs per unit are lower for small units, as shown in Table 4, though total building operating costs increase.

**Table 4: Estimated Annual Operating Costs by Unit Type**

	Small Studio	Micro Unit	Efficiency w/ Shared Kitchen	Efficiency w/ Shared Kitchen/Bath
Total Annual Operating Costs/Building	\$631,200	\$727,400	\$842,530	\$999,690
Cost Compared to Small Studio	100%	115%	133%	158%
#Units	126	163	199	251
Total Annual Operating Costs/Unit	\$5,010	\$4,460	\$4,230	\$3,980
Cost Compared to Small Studio	100%	89%	84%	79%

It is important to note that the costs of operations and management are hard to estimate for buildings with shared space. Maintenance and staffing requirements the law mandates for units with shared facilities, but not for self-contained units, do drive up the cost of operating our efficiency units; but we estimate the increase is less than the effect of spreading other operating costs across more units. In addition to the cleaning and janitorial staffing requirements that apply to the typical apartment building,<sup>7</sup> operators of efficiency units must clean each room thoroughly prior to occupancy and ensure sleeping rooms are cleaned weekly thereafter.<sup>8</sup> Buildings with efficiency units also must have a manager who lives on site.<sup>9</sup>

### Part III: Barriers & Recommendations

While small units may be cheaper to build, and the data suggests that demand for smaller, cheaper units is likely to exist in New York City, a number of barriers to construction of small units impede their creation. New York City’s Housing Maintenance Code, Zoning Resolution, and several existing housing subsidy programs contain provisions that prohibit or discourage the creation of small units. Here, we identify key barriers and provide recommendations of what the city might do to encourage production of small units.

<sup>7</sup> See N.Y. Mult. Dwell. Law §§ 80, 83 (McKinney); Housing Maintenance Code §§ 27-2012, 27-2053, 27-2054.

<sup>8</sup> N.Y. Mult. Dwell. Law § 248(13) (McKinney); Housing Maintenance Code § 27-2012.

<sup>9</sup> N.Y. Mult. Dwell. Law §§ 248(15), (17) (McKinney); Housing Maintenance Code §§ 27-2051, 27-2080.

#### **Barrier #1: The Zoning Resolution’s Density Factor Regulation Caps the Number of Dwelling Units Permitted on a Zoning Lot.**

The Zoning Resolution rule that limits the number of dwelling units permitted on a zoning lot (referred to as the “density factor”) is the most significant regulatory impediment to creation of new micro units in New York City. The density factor is calculated by dividing the maximum permitted residential floor area by a predetermined dwelling unit factor for each residential zoning district (R1 through R10).<sup>10</sup> This limitation on the number of dwelling units per lot discourages the inclusion of micro units in new buildings because it makes it impossible to include micro units as a large share of the units in the building and still use most or all of the available residential floor area. Notably, efficiency units (because they are “rooming units” not “dwelling units”) are not subject to this cap.

#### **Recommendation #1: Eliminate the Density Factor Regulation in the Zoning Resolution in Higher-Density Areas near Transit Hubs.**

If the city is interested in encouraging the development of more micro units, it should consider removing the density factor in locations that are appropriate for these units, especially higher-density areas near good transit options. Moreover, more small units will not necessarily bring more people, as many existing larger units are home to multiple people and these small units

<sup>10</sup> NYC Zoning Resolution § 23-22.





would likely serve single-person or two-person households. Also, room-size regulations in the Building Code, Housing Maintenance Code, and Multiple Dwelling Law ensure that residents will not be subject to inhumanely small living spaces.<sup>11</sup>

**Barrier #2: The Housing Maintenance Code Limits the Creation of New Efficiency Units.**

The Housing Maintenance Code prohibits the creation of rooming units (units without a bathroom and/or kitchen, like our efficiency units) unless the unit is operated by a hospital or non-profit educational, religious, or charitable institution for specific uses, or the project is approved by the Housing Preservation and Development (HPD) Commissioner and built using substantial assistance from the government, or owned, used, or operated by a nonprofit or government entity.<sup>12</sup> There is no publicly available definition of “substantial assistance” in this context. And, for-profit entities are not permitted to create new, market-rate rooming units.

**Recommendation #2: Consider Amending the Housing Maintenance Code to Permit the Creation of Mixed-Income and Market-Rate Efficiency Units.**

Currently, the law prohibits the construction of market-rate efficiency units by for-profit entities. It is unclear whether mixed-income efficiency units would be permitted under the current law because “substantial assistance” is not defined. The city

should consider whether there are protections that can be put in place, short of this strict prohibition, that would facilitate the creation of well-run units with shared facilities. The law already requires Housing Commissioner approval for the creation of new units of this type. An amended law could add to this existing level of oversight the need to present a detailed plan for management and maintenance of the shared spaces in the building, including the capacity to address disputes that arise between tenants. The city could also devote code enforcement resources to enhanced monitoring of this type of housing, if it is concerned about conditions. The city should, at minimum, clarify what “substantial assistance” under this law entails.

**Barrier #3: The Zoning Resolution Discourages the Construction of New Efficiencies with Shared Facilities in its Regulations of Inclusionary Housing.**

The Zoning Resolution disfavors efficiency units with shared facilities in its inclusionary housing programs and, as a result, discourages their construction. Under the Inclusionary Housing Program, efficiency units with shared bathrooms and/or kitchens intended for use as permanent housing, such as those considered in our analysis, cannot be counted towards the affordable unit requirement. Notably, temporary housing of this sort can be counted as affordable units for inclusionary housing.

**Recommendation #3: Amend the Zoning Resolution Definitions Applicable to Inclusionary Housing to Facilitate Construction of Affordable Efficiency Units with Shared Facilities.**

To ensure that the Zoning Resolution does not unnecessarily impede the construction of affordable efficiency units, the city should amend it to address this provision that disfavors them. The city should expand the definition of “affordable

<sup>11</sup> Pursuant to rules that apply to all apartments, every habitable room must be at least 80 square feet, except for bathrooms and kitchens. N.Y.C. Building Code § 1208(3)(1) (2014); N.Y. Mult. Dwell. Law § 31(2)(b) (McKinney). In addition, each person occupying an apartment must have a livable area of not less than 80 square feet. Housing Maintenance Code § 27-2075(1). In class A apartments, which would encompass our micro units, one living room (not including kitchen, bath, or hall) must contain at least 150 square feet, if constructed after 1955. Housing Maintenance Code § 27-2074. The Multiple Dwelling Law has a less restrictive minimum of 132 square feet for all buildings constructed after 1929. N.Y. Mult. Dwell. Law § 31(2)(a) (McKinney). Rooms must also be at least 8 feet high from floor to ceiling and living rooms must have a width of at least 8 feet. N.Y.C. Building Code § 1208(1) (2014); N.Y. Mult. Dwell. Law §§ 31(2)(c), 31(2)(d) (McKinney).

<sup>12</sup> Housing Maintenance Code § 27-2077.



housing unit” to include permanent rooming units, not just temporary ones.<sup>13</sup> This fix will permit permanent rooming units (or the efficiency units we describe here) to count toward the affordable housing set aside in the inclusionary housing program.

**Barrier #4: Traditional Financing Sources are Wary of Supporting Small Units.**

While micro units have become a more accepted housing model in recent years, some lenders are still wary of financing small housing units. Some have particular concerns about financing units with shared facilities because of unknown demand for this housing type, and because of the risks associated with having more people occupying a given amount of space. The demand for such housing is not as well tested as that for micro units, and the operational challenges and costs are hard to estimate. Lenders also tend to favor projects with a mix of unit types, which helps spread the risk, and it is not clear if these housing types can be easily marketed alongside larger units in the same building.

**Recommendation #4: Support Demonstration Projects of Small Units to Test Demand, Costs, and Operations.**

To help resolve some of the uncertainty around new construction of small units, the city should develop two, small-unit demonstration projects. Both projects would serve a range of incomes. One project would be entirely comprised of efficiency units with shared baths and kitchens; the other would contain a mix of small unit types. These projects would serve a variety of purposes, including determining demand for small units at different rent levels, determining demand for efficiency units with shared kitchens and/or bathrooms, developing and testing best practices for property management, and testing construction and operating costs.

<sup>13</sup> To remedy this problem, subsection (b) of the definition of “affordable housing unit” in Section 23-911 of the Zoning Resolution must be amended to reference “class A or class B occupancy” instead of the existing “class B occupancy.”

**Barrier #5: Many Commonly Used Subsidy Programs Discourage Creation of Small Units.**

Some of the commonly used subsidy programs in the city are available for small units but have rules that either explicitly or implicitly encourage the development of larger units. For example, the 421-a tax exemption program (now the Affordable New York Housing Program) requires that at least half of the affordable units created must have two or more bedrooms and no more than one quarter of the affordable units can be less than one bedroom, or that there must be a comparable bedroom mix between market-rate and affordable units.<sup>14</sup> The city’s inclusionary housing programs contain a similar bedroom-size requirement.<sup>15</sup> In addition, the voluntary Inclusionary Housing Program prohibits the development of any unit less than 400 square feet; the mandatory program permits smaller units as long as their average size is comparable to that of market rate units in the same building.<sup>16</sup> If developers are unsure of the demand for small units from market-rate tenants, these requirements could discourage the creation of affordable small units.

The Design Guidelines that govern affordable units in projects built with HPD or Housing Development Corporation (HDC) subsidies require that studios be 350 to 400 square feet in size.<sup>17</sup> The Design Guidelines do not currently contemplate units with shared facilities. Moreover, many of HPD’s new construction programs require

<sup>14</sup> 28 RCNY § 6-08(g).

<sup>15</sup> NYC Zoning Resolution § 23-96(c).

<sup>16</sup> NYC Zoning Resolution § 23-96(d)(1). These unit-size requirements, along with others in both programs requiring bedroom composition parity between market rate and affordable units (NYC Zoning Resolution § 23-96(c)) and that affordable units be distributed on 65 percent or as many floors as possible (NYC Zoning Resolution § 23-96(b); 28 RCNY § 41-21), do not apply for senior housing and can be waived by HPD under certain circumstances.

<sup>17</sup> NYC Department of Housing Preservation and Development. (2 May 2016). HPD Design Guidelines for Multifamily New Construction and Senior Housing. Retrieved from <https://www1.nyc.gov/assets/hpd/downloads/pdf/HPD-Design-Guidelines.pdf>.





that a minimum of 30 percent of new units in a development must be two-bedroom units or larger.<sup>18</sup>

**Recommendation #5: Create a Small Unit New Construction Program at HPD.**

If the demonstration projects are successful, the city should plan and implement a housing program to support construction of buildings with small units of various sorts, including some with shared facilities. The program should provide capital subsidy to qualified developers and work in tandem with existing tax exemption programs. Such a program would allow the agency to evaluate different building management and operations protocols in order to facilitate the development of best practices. It would also allow for the design of new systems for oversight and support for these housing typologies. Finally, for the program, the city could create a new set of requirements about required unit size and parity requirements, appropriate for this housing type. The existence of a new housing program would also provide an opportunity for HPD to explore whether and how to make the program work with 421-a and the inclusionary housing programs, both of which contain provisions that suggest that the unit-size rules may be able to be modified based on a conflicting local housing program.<sup>19</sup>

**Conclusion**

Given the significant housing affordability crisis today, it is important to consider whether New York City needs an updated housing model that helps meet the needs SROs filled in the last century. We have modeled the financial feasibility of small units and believe that micro units and efficiencies with shared facilities may represent one way to provide affordable housing for some single-person, low-income households. Though some current housing laws and land use regulations impede the creation of small units, the city has the power to reduce these barriers, allow further study of demand, and encourage the development of small units.

<sup>18</sup> NYC Department of Housing Preservation and Development. (2017). Extremely Low & Low-Income Affordability (ELLA) Program Term Sheet. Retrieved from <https://www1.nyc.gov/assets/hpd/downloads/pdf/developers/term-sheets/ELLA-Term-Sheet.pdf>; NYC Department of Housing Preservation and Development. (2017). Mixed Income Program: Mix & Match Term Sheet. Retrieved from <http://www1.nyc.gov/assets/hpd/downloads/pdf/developers/term-sheets/mixed-income-mix-match-term-sheet.pdf>.

<sup>19</sup> See NYC Zoning Resolution § 23-96(c), (d). (“#HPD# may also waive such... requirements for any #new construction affordable housing# that either is participating in a Federal, State or local program where such #generating site# or #MIH site# cannot comply with both the regulations of such Federal, State or local program and those of this Section[.]”); N.Y. REAL PROP. TAX LAW § 421-a (16) (g)(ii) (2017) (“Unless preempted by the requirements of a federal, state or local housing program, either (A) the affordable housing units in an eligible site shall have a unit mix proportional to the market units, or (B) at least fifty percent of the affordable housing units in an eligible site shall have two or more bedrooms and no more than twenty-five percent of the affordable housing units shall have less than one bedroom.”)

**Table 5. Summary of Small Unit Barriers & Recommendations**

<b>Barrier</b>	<b>Recommendation</b>	<b>Actor and Process</b>
The Zoning Resolution’s <b>density factor</b> regulation limits the number of “dwelling units” (or micro units) that can be housed on a lot. <sup>20</sup>	Reduce or eliminate the density factor requirement in higher density, transit-rich areas by amending the zoning map and text.	Zoning Resolution map and text amendments require ULURP review and approvals, including approval of the City Planning Commission, City Council, and the mayor or 2/3rds of the City Council. <sup>22</sup>
The Housing Maintenance Code (HMC) limits who can build <b>new “rooming units”</b> (or efficiency units). <sup>21</sup>	Amend HMC § 27-2077 to permit market-rate and mixed-income efficiency units with government oversight.	HMC amendments require New York City Council approval <sup>23</sup> and approval by the mayor or 2/3rds of the Council <sup>24</sup>
In the city’s <b>inclusionary housing programs</b> , efficiency units with shared facilities cannot be counted towards the affordable unit requirement, while temporary housing of this sort can be.	Amend subsection (b) of the definition of “affordable housing unit” in Section 23-911 of the Zoning Resolution to reference “class A or class B occupancy” instead of only “class B occupancy.”	A Zoning Resolution text amendment requires approval of the City Planning Commission, City Council, and the mayor or 2/3rds of the City Council. <sup>25</sup>
Some <b>lenders</b> are wary of lending for small units because the model is untested.	Support two demonstration projects to test the viability of the small unit model: one with efficiency units with shared facilities, and one with a mix of small unit types. Both projects would serve a range of incomes.	HPD would facilitate and monitor the demonstration projects.
Many <b>existing subsidy programs</b> (e.g., 421-a and the inclusionary housing programs), <b>HPD design guidelines</b> , and many <b>HPD program rules</b> encourage creation of larger units.	Create a new capital subsidy program that establishes parameters for the creation of new small units, both with and without shared facilities. These units would be subject to a newly created set of guidelines addressing this housing type.	HPD would create and manage the program.

<sup>20</sup> NYC Zoning Resolution § 23-22.

<sup>21</sup> Housing Maintenance Code § 27-2077.

<sup>22</sup> New York City Charter § 197-b.

<sup>23</sup> New York City Charter § 28.

<sup>24</sup> New York City Charter § 37.

<sup>25</sup> *Id.*

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**Muzzy Rosenblatt**  
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**David Walsh**  
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