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Report Examines Economic Potential of Upzoning to Produce Affordable Housing in New York City

City's low-rent neighborhoods may not have sufficient market strength to justify high-density mixed-income development without other forms of subsidy; In high-rent neighborhoods, additional density is valuable and city can require affordable units without stifling development.

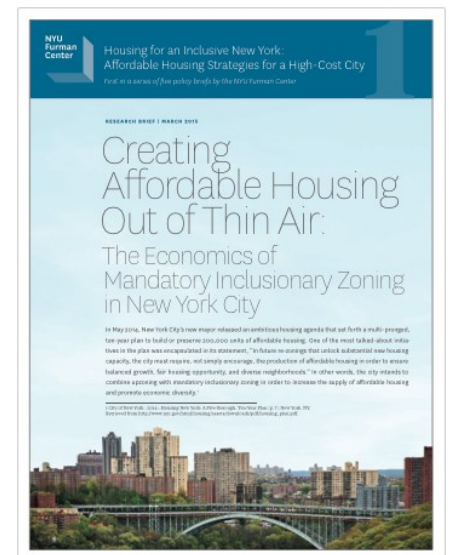
New York, NY: A new report released today by the [NYU Furman Center](#) examines the economic potential of a mandatory inclusionary zoning policy to produce new affordable units tied to upzonings across New York City's neighborhoods.

The report, [Creating Affordable Housing Out of Thin Air: The Economics of Mandatory Inclusionary Zoning in New York City](#), finds that a mandatory inclusionary zoning policy in New York City has the potential to produce affordable units in neighborhoods that already command relatively high rents, such as Downtown Brooklyn. But the city's low-rent neighborhoods—such as East New York in Brooklyn and the Jerome Avenue corridor in the Bronx—may not have sufficient market strength to justify high-density mixed-income development without other forms of subsidy.

“The mayor has indicated that his housing plan will combine upzoning with mandatory inclusionary zoning in order to increase the city's supply of affordable housing and promote neighborhood income diversity,” said [Mark Willis](#) executive director of the NYU Furman Center.

“Given the high cost of construction of high- and mid-rise buildings in New York City, we found that in many neighborhoods, rezoning on its own cannot spur new residential development, let alone result in new affordable housing without subsidy. In high-rent neighborhoods, there is real potential to require affordable units where the city adds zoning density,” said Willis.

The study used financial modeling to replicate how a typical developer might determine the feasibility of developing in various NYC neighborhoods considering different scenarios of market rents, building types, and affordability requirements. The model also considers the impact of property tax exemption, like 421-a, a program set to expire in June.



In many of the city’s neighborhoods, rents are likely insufficient to justify new mid- and high-rise construction, let alone cross-subsidize the creation of new affordable housing through upzoning. In high-rent markets, however, the analysis shows that additional density is valuable; and much more so when combined with the 421-a property tax exemption.

For example, for a high-rise building in a very high-rent neighborhood, the city could require that about 28 percent of any additional zoning density be affordable if the building is subject to full property taxes. This share increases to 61 percent with full property tax exemption. The amount of affordable housing that can be required where the city upzones will also vary widely based on building type, local market rents, and how much additional density the upzoning adds.

The [report](#) highlights many of the crucial policy choices and tradeoffs that designing a new mandatory program will require. It also points out that the economics of a mandatory inclusionary zoning policy will shift over time.

“Looming over all of this is the future of 421-a, which is set to expire in June,” said Willis. “Property tax relief greatly affects the ability of additional density to support the development of affordable housing.”

“While inclusionary zoning is only a piece of the mayor’s housing plan, it could be an important tool for preserving the diversity of New York City’s neighborhoods,” said Willis.

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WEBINAR BRIEFING Researchers from the NYU Furman Center will hold a webinar briefing on Thursday, April 2, 2015 to review findings from *Creating Affordable Housing Out of Thin Air: The Economics of Mandatory Inclusionary Zoning in New York City*. [Register now>>](#)

[Visit the report URL](#) or view printable documents, including:

- **POLICY BRIEF** *Creating Affordable Housing Out of Thin Air: The Economics of Mandatory Inclusionary Zoning in New York City* ([PDE](#))
- **WHITE PAPER** *Inclusionary Housing Policy in New York City: Assessing New Opportunities, Constraints, and Tradeoffs* ([PDE](#))

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About the NYU Furman Center

The NYU Furman Center advances research and debate on housing, neighborhoods, and urban policy. Established in 1995, it is a joint center of the New York University School of Law and the Wagner Graduate School of Public Service. More information can be found at furmancenter.org and [@FurmanCenterNYU](https://twitter.com/FurmanCenterNYU).