

How Will City of Yes Help Affordability?

This policy brief evaluates how City of Yes for Housing Opportunity will create affordability for NYC renters and homeowners. Given the scale of the crisis, NYHC acknowledges the importance of additional affordable housing investments, processing improvements and policy changes to further aid affordability.

KEY FINDINGS

City of Yes is a powerful tool for tackling New York City's affordability crisis because:

1. City of Yes will directly create tens of thousands of affordable rental housing units through UAP and by leveraging real estate tax incentive and housing finance programs.
2. City of Yes will also create new affordable homeownership opportunities in outer boroughs.
3. Additionally, by increasing the general housing supply, City of Yes will help:
 - slow down the rate of rent increases
 - increase effectiveness of tools to combat homelessness

Below, we examine how the various City of Yes for Housing Opportunity proposal are expected to work across NYC and with other tax and housing programs.

Summary: City of Yes Zoning Reforms Will Create Affordable Housing and Promote Affordability

A detailed breakdown expanding on these points can be found further below.

	Proposal	Likely to Create Affordable Units	How will it help affordability?
Citywide	Eliminate Parking Minimums		Reduces construction costs –parking can cost \$67,500 to \$150,000 per unit— which is shown to reduce rental costs.
	District Fixes – A variety of reforms to make the zoning match existing buildings.		Increasing housing supply as these changes would legalize existing buildings and allow for more housing of that type to be built in the neighborhood.
	Convert Non-Residential Buildings to Housing	√	Creates 25% permanently affordable units with the Affordable Housing from Commercial Conversions for Tax Incentive requiring 80% AMI average (capped at 100% AMI) -- this alone could create 5,000 affordable units
	Legalize Small and Shared Housing	√	Offers lower-cost housing and helps free up family-sized units rented by roommates.
	Ease Campus Infill	√	<ul style="list-style-type: none"> • Likely to be used with the 485-x tax incentive requiring 20% affordable or 50% rent stabilized depending on the building size • Affordable homeownership may be developed in neighborhoods where property tax assessments are below the 40% percentile. • Creates new siting opportunity for 100% affordable.
Low Density Areas	Transit Oriented Development (TOD)	√	
	Town Center Zoning	√	
	Accessory Dwelling Units (ADUs)		Can provide rental income, more affordable intergenerational living or caregiving situation. New state ADU tax exemption can allow phased in increase for assessed value.
Medium & High Density	Universal Affordability Preference (UAP)	√	Provides a zoning bonus of at least 20% if the additional housing is permanently affordable at 60% AMI on average with a cap at 100% AMI. UAP is likely to be used with the 485-x tax incentive for 20-25% affordable units and with NYC & NYS 100% affordable housing finance programs.

City of Yes Will Add Housing Supply to Help Slow Increasing Rents and Improve the Effectiveness of Tools to Combat Homelessness

Slowing the Rate of Increasing Rents

The City of Yes for Housing Opportunity zoning reforms are anticipated to add 109,000 units of housing over 15 years. This represents a nearly 30% increase to NYC's [current housing production](#), housing more than 275,000 New Yorkers. Increased housing supply has been shown to slow rent growth, even when new housing is market rate. For example, over several years, Minneapolis ended parking mandates, legalized accessory dwelling units (ADUs) and permitted more multifamily near transit and in commercial corridors. From 2017 to 2022, they increased housing stock by [12%](#) and saw rents increase just 1% compared to the rest of the state which added only 4% to its housing stock and saw a 14% rent increase. Nationally, there was only a 3% increase in homes during this time while rents rose over 30%. The City of New Rochelle implemented a master plan for its downtown area leading to a jump [in average annual permits](#) from 37 to 989 new homes per year. Rents decreased in the city by 5% from 2020-2023 as those new units became available in sharp contrast to a 12% increase just 3 years prior.

City of Yes will create new housing for 275K New Yorkers which can help slow rent growth!

The package of zoning reforms for citywide application updates our current zoning to make it easier to build more housing in each neighborhood. Significantly, new housing will be added in neighborhoods that have not added much housing. According to NYHC's [NYC Housing Tracker](#), 10 council districts produced less than 10 units of affordable housing last year, with two districts producing none. **Across the city, most of the new housing is likely to have some affordability included, required by zoning or tax incentives, except for very small buildings and luxury condominiums.**

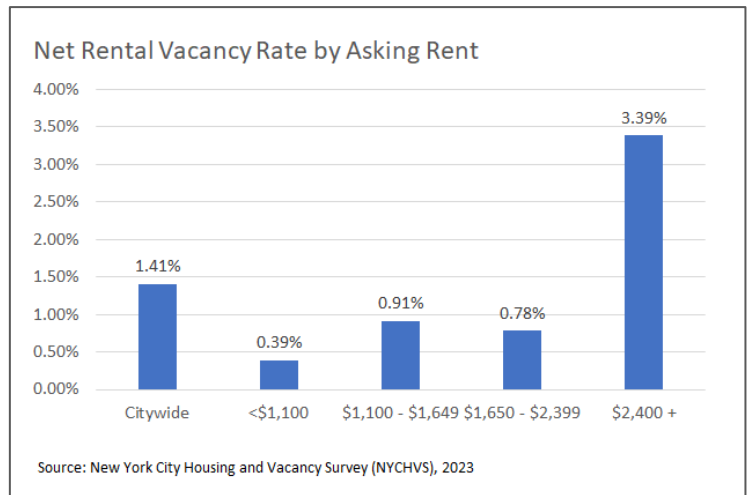
Improving Voucher Access & Reducing Time in Shelter

In a tight housing market, programs to address housing insecurity and homelessness do not work as effectively. For households looking to rent apartments below \$2,400 per month, the vacancy rate is [less than 1%](#), making it nearly impossible.

Section 8 Housing Choice Vouchers are proven to prevent homelessness and increase housing stability. However, [NYU Furman](#) found that only about half of households in NYC with a voucher are successful in renting an apartment and those who do are highly concentrated in a few neighborhoods. A third of voucher households live in just five percent of New York City's census tracts.

In other American cities, rapid rehousing is best practice for combatting homelessness but housing needs to be available for it to work. Rapid rehousing programs connect people with short-term rental assistance and a home quickly so that they can better address their challenges. The average length of stay in NYC's emergency shelter system is about a year for families with children (354 days) and for singles (392 days). For adult families it is nearly a year and a half (498 days).

According to the most recent estimate, [nearly 130,000 people](#) stayed in NYC shelters. When the shelter census increases it is both a factor of how many new people are coming into it each month but also a factor of how many people successful leave into permanent housing. Adding supply is critical to moving people experiencing homelessness into permanent housing more quickly and thereby reducing shelter stays.



Details: How City of Yes Will Leverage Zoning and Tax Incentives to Create Affordable Housing

Affordable Housing Created in Commercial Conversions

The new Affordable Housing from Commercial Conversion (AHCC) Tax Incentive provides a tax exemption for commercial to residential conversions that produce at least six rental units. It would require at least 25% of units be affordable in perpetuity, averaging at or below 80% AMI. At least 5% must be affordable at or below 40% AMI with none exceeding 100% AMI. **The City estimates as many as 20,000 homes can be expected from office to residential conversions. This could house 51,000 New Yorkers in total and generate 5,000 affordable units.**

Affordable Rental Housing & Homeownership in Low Density Areas

While City of Yes does not require affordable housing in Transit Oriented Development and Town Center proposals, it is likely that most new housing built as a result of the zoning changes in City of Yes takes advantage of a tax abatement. There are several options for smaller buildings using the Affordable Neighborhoods for New Yorkers Program (ANNYP) referred to as 485-x.

- ***New 6-10 unit buildings (outside of Manhattan)*** can get a “skinny” 10 year real estate tax abatement under 485-x if half the units are rent stabilized in perpetuity. There are no affordability requirements given the size of the buildings as it would be a significant financial deterrent.
- ***New 6-99 unit buildings*** can get a 35-year 485-x exemption if 20% of units are affordable to households earning an average of 80% AMI with a maximum income of 100% AMI.
- ***485-x New Homeownership Tax Exemption*** applies to condominiums and cooperatives outside of Manhattan that are owner-occupied for at least 5 years with an average assessed tax value of \$89 or less per square foot for all units. This covers the 40th percentile of assessed values for homes outside of Manhattan, according to a City analysis, incentivizing the market to create more modest homeownership opportunities.

Assessed tax values of \$89 per square foot correlate to a range of home sales prices. NYU Furman Center estimates that, given the variation in the property tax system, Tax Class 2 properties in this range could include a 600 sq ft apartment with a sales price between \$355,000 – \$595,000 and a 1,000 sq ft apartment with a sales price of \$590,000 - \$990,000. While not income restricted, we expect buyers with incomes of \$110,000 to \$168,000 (~90-135% AMI for 2-person household) to be able to afford the 600 sq ft apartment and buyers earning \$168,000 - \$264,000 (~110-170% AMI for 4-person household) to be able to afford the larger apartments. It is expected that 1-3 story condominium Tax Class I buildings can also create new homeownership opportunities, but further analysis is required to understand pricing, given the different valuation methods between the different classes. This new tax incentive option has not yet been used in the market

- ***Downpayment assistance programs*** can make these purchase opportunities even more attainable for qualifying households earning up to 80% AMI. HPD’s [HomeFirst Program](#) requires 3% downpayment and offers assistance up to \$100,000 for maximum purchase prices of \$636,000 in the Bronx and Staten Island, \$684,000 in Queens and \$712,000 in Brooklyn for a single unit home. These purchase price limits align well with the sales prices expected by 485-x’s \$89 per square foot assessed value.
- ***NYC HPD or NYS HCR 100%*** affordable housing finance programs may also be an option depending on the size of the project. TOD and Town Center zoning will likely create some new siting possibilities.

Why not require affordability in low-density neighborhoods?

It would prevent some small buildings from getting built at all. Plus, zoning can last decades while tax abatements expire and can be changed by Albany.

TOD & Town Center Can Help Create New Homes for HPD Home Buyers!

HomeFirst offers up to \$100K in downpayment help and aligns with 485-x assessed value limits by limiting max purchase prices to \$636k in the BX and SI, \$684k in QN and \$712k in BK.

Medium & High-Density Districts Build More Affordable Homes with UAP

The Universal Affordability Preference allows at least 20% more floor area for affordable housing in medium and high-density neighborhoods. To give a sense of impact, [between 2014 and 2023](#) 94,000 units of new construction affordable housing was created through city affordable housing finance programs, mandatory inclusionary housing and the 421a real estate tax abatement (this does not include projects solely financed by NYS HCR). **If UAP was in place during the previous 10 years, at least 20,000 more affordable housing units would have been created, housing 50,000 more New Yorkers. This boost to affordable housing production will make a big difference over time.**

UAP will also work with the new 485-x program to increase affordability. While UAP increases the floor area for affordable housing, 485-x requires a percentage of total units to be affordable depending on the buildings size and location. **With more floor area, more units will be required to be affordable.**

485-x makes an *enormous* improvement to affordability compared to 421a which allowed for 30% of affordable units to set rents at 130% AMI (\$4,543 for a family of 3). In the high-rent areas defined by Albany (Manhattan south of 96th Street and Brooklyn and Queens waterfronts) in very large buildings (150+ units), 485-x requires 25% of units to be affordable averaging at 60% AMI with max incomes at 100% AMI. These buildings also have prevailing wage construction labor requirements. UAP will allow more affordable units to be produced in these large developments.

Outside of the highest rent zones, prevailing wages are not required and affordable rents are set at higher incomes due to financial limitations of these developments because market rents are lower. 485-x in large buildings (100+ units) requires 25% of units affordable and modest buildings (6-99 units) requires 20% affordable averaging at 80% AMI with max incomes at 100% AMI.

For a 3-person household seeking affordable housing, the rents are 38% lower in a building using the new 485-x abatement compared to the old 421a option "C" program but they are 54% lower when UAP is used with 485-x. **UAP's extra floor area adds more units and it brings deeper affordability to those units, taking the average income down from 80% to 60% AMI.**

485-x + UAP slashes the old 421A rents by 54%

UAP creates more affordable housing where it is already being built and outside of labor wage requirement areas, deepens affordability!

	OLD 421A Option C	NEW 485-x Modest & Large Bldg Options 6-99 units	UAP Paired with 485-x Modest & Large Bldg Options 6-99 units
Area Median Income (AMI)	130% AMI	80% AMI Average	60% AMI Average
Income for Household of 3	\$181,740	\$111,840	\$83,880
Monthly Rent	\$4,543	\$2,796	\$2,097