# Inclusionary Housing And City Subsidies

# A Review of Strategies For Creating New Affordable Housing From Bloomberg to Adams


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# Executive Summary

Under Mayor Adams, the administration's 2022 housing plan, Housing Our Neighbors, continues the central goal of past mayoral housing plans to create and preserve affordable housing. The Adams administration's signature policies for achieving this goal, however, mainly focus on increasing the total supply of housing, with less focus specifically on government financing of affordable housing than in past mayoral plans.

The Adams administration's signature housing initiative, City of Yes for Housing Opportunity, features Citywide changes to the zoning code that aim to "build a little more housing in every neighborhood." The primary proposal aimed at creating new affordable housing is the "universal affordability preference" (UAP). UAP shares similarities with existing inclusionary housing programs, which incentivize affordable housing by allowing developers to construct larger buildings and more total units than zoning would otherwise allow. The Adams administration's rezoning proposals, including UAP, are expected to be brought to a City Council vote later this year, and are not yet in effect.

Past City-level initiatives to promote the construction of affordable housing and their outcomes can provide important context as UAP progresses through public review and the City's need for affordable housing grows in urgency. In this report, IBO explores the use of different City-level tools for new affordable housing construction from 2010 through 2023, representing approaches taken by the last three mayoral administrations: Bloomberg, de Blasio, and Adams.

Key findings include:

- Housing plans frequently focus on two categories of City programs: (1) direct city subsidies, which provide City funds and financing to developers in exchange for affordable units, and (2) inclusionary housing programs, which leverage zoning density bonuses to encourage housing development.
- Though they are two separate tools, HPD views inclusionary housing programs and City financing programs as working in tandem to maximize the number of affordable units built and to allow for deeper levels of affordability.
- The number of newly constructed affordable units financed under the de Blasio administration rose relative to the end of the Bloomberg administration, which faced setbacks due to the Great Recession. New affordable housing production has remained elevated under the Adams administration, while City subsidy amounts have fallen slightly since peaking in 2018. (Years refer to City fiscal years unless otherwise noted.)
- The role of inclusionary housing programs has expanded in creating new units in recent years. Since the introduction of Mandatory Inclusionary Housing in 2017, over half of new units from City-level housing programs have received inclusionary housing benefits.
- Inclusionary housing programs are zoning-based, but inclusionary housing developments often require City subsidies in their financing. In 2022, 79% of City housing subsidy dollars went to developments that also participated in inclusionary housing.
- The most deeply affordable housing in recent years has only received City subsidies and not inclusionary housing benefits; inclusionary housing produces more deeply affordable units when paired with direct City subsidy. In 2023, two-thirds of directly subsidized units financed without inclusionary housing were

reserved for extremely low-income and very low-income households, compared to approximately half of units with both inclusionary housing benefits and City subsidies, and about 30% of those that received inclusionary housing benefits and no subsidies.

IBO conducted this independent analysis to provide policymakers and housing advocates with information on the main housing policy interventions developed by the City—direct financing and inclusionary housing—and how they interact. If UAP is passed, some UAP projects will likely require City subsidies to be financially feasible, particularly to develop in weaker rental markets and to reach deeper affordability levels. For other projects, the density bonus provided by UAP may be sufficient to generate development without direct City subsidy. However, since 2010, density bonuses alone have not driven deep affordability. IBO's research illustrates the intentional relationship between inclusionary housing and City subsidy programs as tools intended to foster the Adams administration's stated goals of creating more housing overall, increasing the supply of affordable housing, and reaching deeper levels of affordability.

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## Introduction

Since the Koch administration's Ten Year Plan for Housing in 1985, it has become standard for New York City mayors to create a housing plan, which sets goals and outlines strategies their administrations will use to remedy the City's persistent housing crisis. Two categories of City programs have consistently been proposed, revised, or expanded as part of recent mayors' housing plans to promote new construction of affordable housing: direct City subsidies and inclusionary housing programs.

**Affordable housing** in this paper refers to housing under a government regulatory agreement requiring some or all units to be income-restricted. Generally, these units rent at below-market rates, and rents are set as a percentage of household income. This paper does not discuss the affordability of market-rate units in comparison with household incomes.

In this report, IBO explores how the three most recent mayoral administrations—Bloomberg, de Blasio, and Adams—used these tools to promote the new construction of income-restricted affordable housing. Analyzing the scale and affordability levels of affordable housing development since 2010, and how much the City spent to subsidize new development, IBO also assesses the housing produced that received these different benefits. (All years in this report refer to City fiscal years unless otherwise noted.)

***Affordable Housing Financed with Direct City Investment.*** Direct City subsidy programs use City dollars to provide low-interest loans or grants to finance affordable housing developments, and are generally awarded on a competitive basis, given the limited availability of City resources. For example, low-interest loan programs are administered by the Department of Housing Preservation and Development (HPD) and often the Housing Development Corporation (HDC), the City's housing finance authority.[1] HPD loan programs come with specific guidelines and affordability requirements, outlined in their term sheets. These programs are typically funded through the City's capital budget.[2] The capital budget is a document containing the City's financing plans for capital projects and investments, including construction and repair projects, as well as purchases of land, buildings, or equipment. Capital projects must have a value of at least $50,000 and a useful lifetime of over five years—for example, a new affordable housing development—and are funded through bond financing rather than the City's annual expense budget. The availability of City subsidies for affordable housing depends on the City's overall economic outlook and borrowing capacity.

***Affordable Housing Receiving Density Bonuses***. Inclusionary housing programs are administered by the City through the zoning code and are a type of density bonus. These programs offer increased residential development capacity (i.e., larger buildings) than otherwise allowed by the zoning code, in return for a required percentage of income-restricted units at specified levels of affordability in the development. The inclusionary housing programs currently active in New York City are Voluntary Inclusionary Housing (VIH) and Mandatory Inclusionary Housing (MIH). VIH was introduced in 1987 under Mayor Koch as an opt-in program which mainly applied to the highest-density residential areas of the City. MIH was introduced in 2017 under Mayor de Blasio and requires any residential development in certain areas to include affordable housing. Because these programs tie affordable housing development to market rate development, they are sensitive to market conditions and private sector decisions.

Affordable housing in New York City is the result of a mix of Federal, State, and City policies, and both public and private dollars. However, this report focuses on the policies, programs, and funds most directly at the discretion of a mayoral administration: direct City subsidy programs, City-level inclusionary housing programs, and how these tools interact. This report looks at new construction programs—the main focus of the Adams administration's stated housing goals—rather than preservation programs. (Affordable housing preservation refers to extending the affordability requirements of existing affordable housing before they expire, or entering into new agreements to ensure continuing affordability, in exchange for financing benefits and tax breaks.) Preservation is a key component in keeping affordable housing financially viable over time but does not add new units to the overall housing stock in the City.[3]

## Housing Plans Under the Bloomberg, de Blasio, and Adams Administrations

Both the Bloomberg and de Blasio administrations had housing plans which incorporated direct City subsidy programs through the City's capital budget, as well as private sector incentives and public-private partnerships to stimulate the creation of affordable housing by private developers.

***New Housing Marketplace (2002).*** The Bloomberg administration's New Housing Marketplace Plan was announced in 2002 and substantially expanded in 2005 to a $7.5 billion plan—including $5.8 billion from the City—which aimed to produce or preserve 165,000 affordable units (92,000 new construction, 73,000 preservation) over ten years. At the time, this was the largest municipal housing effort in the nation.[4] The Bloomberg administration further revised the plan in 2008 in reaction to the Great Recession and weakening of the local housing market, extending the plan's deadline from 2013 to 2014 and focusing more on preservation of existing affordable units rather than new construction (with a final goal of 59,400 new construction units and 105,600 preservation units). The plan made use of City financing programs, such as the Low-Income Affordable Marketplace Program (LAMP) and New Housing Opportunities Program, to achieve targets for new construction. In addition to direct government financing, the Bloomberg administration used neighborhood rezonings and text amendments to expand the VIH program to more areas of the City and allow VIH developments to use City subsidies which they previously could not.[5]

***Housing New York (2014)***. The de Blasio administration's Housing New York: A Five-Borough, Ten-Year Plan was announced in 2014 and expanded through Housing New York 2.0 in 2017. The plan, which ultimately covered calendar years 2014 through 2026, incorporated similar goals and strategies to the Bloomberg administration but with larger unit production goals and an emphasis on units affordable to lower income households, referred to as deeper affordability. Housing New York set an initial goal of 200,000 affordable units (80,000 new construction, 120,000 preservation), which would require an estimated $41.4 billion in total spending, including $8.2 billion from the City. The plan's revision expanded the unit goal to 300,000 affordable units (120,000 new construction, 180,000 preservation) by 2026; the plan's revision did not provide a new estimate of the total cost to the City. Like the New Housing Marketplace Plan, Housing New York also introduced or revamped direct City subsidy programs to finance deeply affordable and senior housing, including the Extremely Low- and Low-Income Affordability program (ELLA, a revised version of LAMP and other HPD programs) and the Senior Affordability Rental Apartments program (SARA). The de Blasio administration's signature housing achievement, however, was the establishment of the MIH program. The de Blasio administration rezoned eight areas of the City to increase the permitted residential capacity (known as upzoning) and implement MIH, which requires any new housing development in that area to include a percentage of affordable units. In addition to rezoned neighborhoods, MIH also applied for residential housing built on property lots that petitioned the City for a zoning variance that permits more density.

***Housing Our Neighbors (2022).*** The Adams administration introduced its housing plan, Housing Our Neighbors: A Blueprint for Housing and Homelessness, in June 2022. The plan does not specify a target for affordable unit production, but Mayor Adams later announced a "moonshot" goal of 500,000 total new units built over ten years, inclusive of all types of housing.[6] There is not a stated goal for the preservation of affordable units. Like past mayoral plans, one goal of Housing Our Neighbors is to "create and preserve affordable housing." However, the administration's signature policies—City of Yes for Housing Opportunity and Get Stuff Built—diverge from the past two housing plans. These policies focus on citywide zoning and regulatory reform and aim to promote affordability through an increase in the supply of market rate housing by reducing the barriers to market rate development. The plan gives less explicit attention to the role the City plays in financing affordable housing development.

Figure 1
**Comparison of Different Inclusionary Housing Programs in New York City**

| Program | Benefit | Requirements | Where It Applies |
|---|---|---|---|
| Voluntary Inclusionary Housing (VIH) | 1.25-3.5 square feet of bonus floor area for each square foot of affordable housing. (Up to 20% increase in R10 districts, up to 33% increase in IHDAs) | Affordable units must be permanently affordable to residents at or below 80% AMI | R10 Zones and IHDAs |
| Mandatory Inclusionary Housing (MIH) | Area must be upzoned to increase permitted residential density or an individual lot is granted a zoning variance allowing for increased density | Varying options, ranging from 20% of floor area affordable at 40% AMI on average, through 30% of floor area affordable at 115% AMI on average | Areas zoned for MIH |
| Universal Affordability Preference (UAP)-proposed | 20% more FAR allowed | All additional FAR allowed must be used for affordable units, must average to 60% AMI | All areas zoned R6-R10, except MIH zones |

SOURCES: Department of Housing Preservation and Development VIH and MIH Fact Sheets, City of Yes for Housing Opportunity Draft Scope of Work
NOTES: Some exceptions to the VIH 80% AMI requirement apply in special districts: See Department of City Planning's Rules for Special Areas: Inclusionary Housing Program. For details on the MIH options available, see HPD's Mandatory Inclusionary Housing Fact Sheet.
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Planning for affordable housing can help to promote stability and availability of housing for New York City's low-income households. The Adams administration has proposed one major program to increase the supply of affordable housing: the Universal Affordability Preference (UAP). Similar to existing inclusionary housing programs, UAP is a private sector incentive that offers developers a density bonus in return for some affordable housing within the development. UAP is similar to VIH in that it is optional for developers but would apply more broadly across the City and require deeper affordability of the income-restricted units than VIH currently does. UAP is also intended to replace VIH.[7] Figure 1 contains a breakdown of the City's existing and proposed inclusionary housing programs. Figure 2 presents a map of where the three inclusionary housing programs apply, or are proposed to apply; UAP as proposed would apply to most areas VIH currently applies but is not intended to be available in areas mapped with MIH.

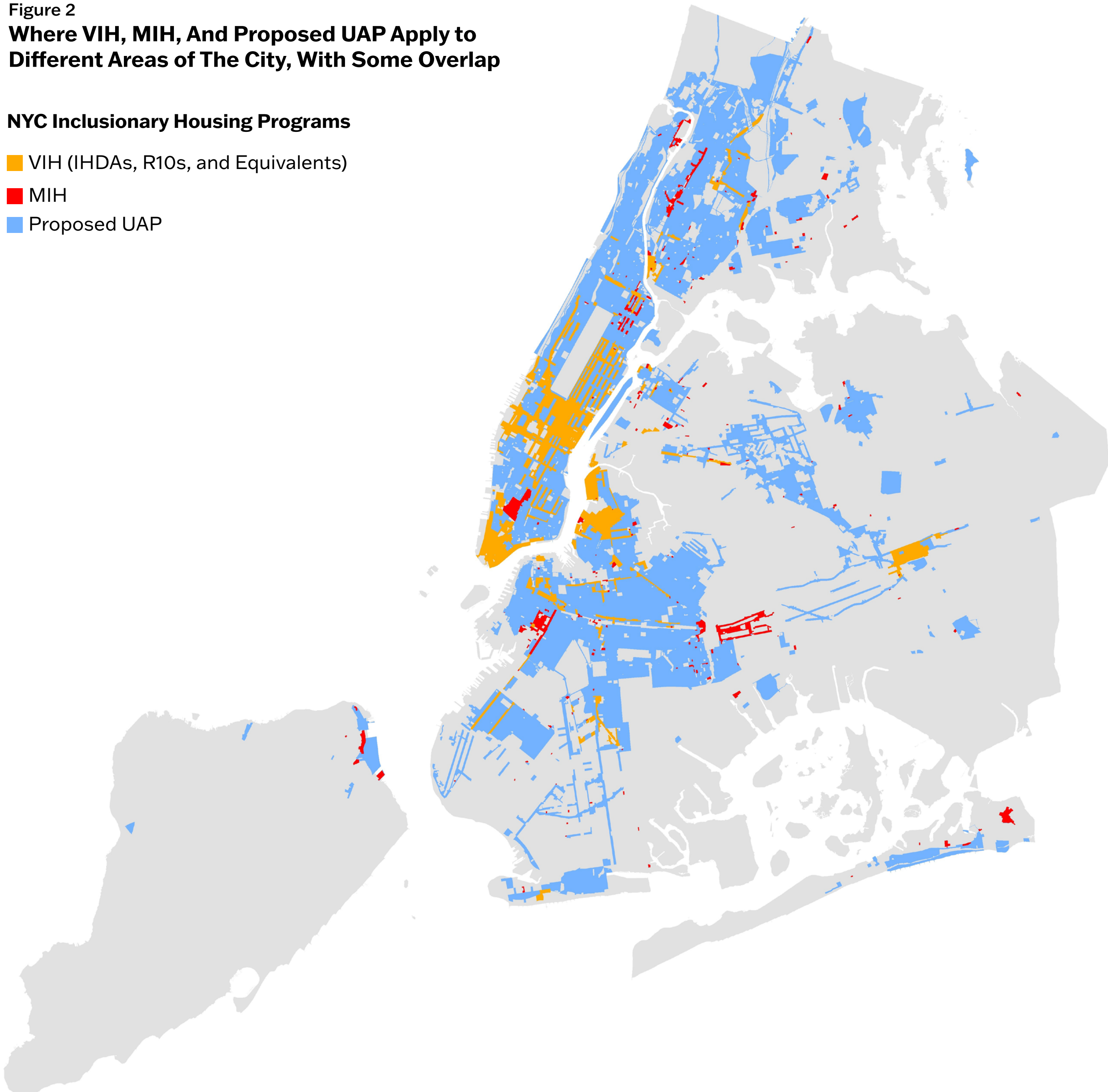
## Definitions

**Area Median Income (AMI):** a federally calculated metric for metropolitan areas which the City uses to establish affordability levels scaled by household size. Affordability levels are often presented as a percent of AMI. Though generally intended to represent the median income of a household in a locality, the way the federal government calculates AMI for high-cost areas like New York causes the figure to be significantly higher than the true median household income. This causes affordable housing to serve higher incomes than would otherwise qualify.

**Inclusionary Housing Designated Area (IHDA)**: an area of the City which has been zoned to allow voluntary inclusionary housing. Initially, VIH only applied in the highest density residential areas of the City (R10 districts), but changes to the zoning code under the Bloomberg administration in 2005 created the IHDA program and allowed VIH to be applied in additional mid- to high-density residential areas through rezoning.

**Floor Area Ratio (FAR)**: a zoning regulation that controls the size of buildings. FAR is equal to the floor area of a building divided by the zoning lot size.

Figure 2
**Where VIH, MIH, And Proposed UAP Apply to Different Areas of The City, With Some Overlap**




SOURCES: Department of City Planning MapPLUTO 24v2, Department of Housing Preservation and Development: Inclusionary Housing Program, Department of City Planning Zoning: Districts Guide – Commercial Districts, City of Yes for Housing Opportunity Final Scope of Work.
NOTES: Map areas reflect IBO's best approximations of the eligible areas for the three inclusionary housing programs. Note that in areas of overlap, MIH and VIH are layered on top of Proposed UAP areas; UAP as proposed would apply to most areas where VIH currently applies, but would not apply to current MIH areas. Equivalents refer to commercial districts that allow the same residential density as the relevant residential districts.

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The proposed zoning changes in the City of Yes for Housing Opportunity, which include UAP, are still undergoing the City's extensive Uniform Land Use Review Procedure (ULURP) process. The City Planning Commission voted to approve the zoning changes in September 2024, which will next be brought to City Council for a vote. With UAP not yet in place, the administration's primary approach to creating new affordable housing, through direct City subsidies, inclusionary incentives, or other methods, has so far been unclear. Previously devised programs, such as ELLA and SARA, remain in place and continue to be utilized by HPD. Unlike the two prior plans, Housing Our Neighbors does not outline how much City capital and other funds are needed to accomplish the administration's housing goals. However, the Adams administration committed over $3 billion total in HPD's capital budget for 2024 and budgeted $26 billion in HPD's ten-year capital plan starting in 2025.

## Inclusionary Housing Details

VIH and MIH have been important programs for affordable housing production over the last three mayoral administrations (and prior, since VIH was introduced in 1987). Because of their similarities to UAP, assessing the outcomes of VIH and MIH can provide important context as UAP goes through public review as part of the City of Yes for Housing Opportunity. Also, because these programs depend on the private market, it is valuable to understand how they factor into private developers' decisions, which can give an idea of how UAP's incentives might affect its implementation.

Inclusionary housing programs are based on the idea of an internal cross-subsidy. This means that when a developer receives a density bonus, the extra space generates more value for the project, offsetting the losses associated with the required affordable units. Simply put, additional revenue from the market rate units, in theory, helps to pay for the affordable units which then rent at below-market rates. For this reason, VIH and MIH are not directly tied to City funding; they exist only as zoning benefits.

In practice, developers rarely consider a density bonus alone as sufficient financial benefit to proceed with a project. The decision to develop intersects with other factors, such as availability of subsidies or tax breaks, market rents where they are developing, the price of land, and other local market conditions. It also makes a difference which program applies—VIH is opt-in while MIH is required in applicable areas.

The first of these other factors—tax breaks and City subsidies—plays a vital role in the decision to develop an inclusionary housing project. The State's 421-a tax exemption for new rental construction was important for the financial feasibility of many MIH projects, per a 2015 study of MIH prepared for HDC. According to the Department of City Planning, UAP would also require a tax exemption to succeed, and the 2024 State Enacted Budget replaced the expired 421-a program with a new version known as 485-x. The 485-x program has different benefits and affordability requirements than 421-a, and it will be after the conclusion of the City's fiscal year 2025, ending in June 2025, that the first full year of 485-x tax exemption information will be available.

Not only is there uncertainty around the use of 485-x in general, but it remains to be seen how this tax incentive will interact with existing and proposed inclusionary housing programs. There appears to be some alignment between UAP and 485-x—one 485-x option for developments with 150 or more units requires affordable units to rent at 60% of AMI on average, matching UAP's AMI requirements. However, other 485-x options are more lenient, requiring affordable units to rent at 80% of AMI on average. HPD considers the incentives of 485-x and UAP to be in "strategic misalignment," meaning that for a developer to qualify for both programs they would need to provide deeper affordability than one program alone. Although UAP in some cases requires deeper affordability than 485-x, there is still an incentive to opt-in to both programs because the affordable units within the development can count toward both programs, allowing the developer to receive both the tax exemption and the density bonus.

Direct City subsidies can also be used in tandem with density bonuses, and according to HPD, this is the intent of the City's existing inclusionary housing programs. City subsidies tend to require deeper affordability levels than inclusionary housing policies alone. In these cases, affordability levels are typically determined by the requirements of the City subsidy programs, not of the inclusionary housing program.

Thus, both tools together can in some cases create more housing (from the density bonus) and deeper affordability (from the City subsidy). Density bonuses, tax breaks, and direct City subsidies each present unique incentives to developers and must be strategically aligned in order for each policy to succeed.

The market rents in an area also affect an inclusionary housing project's financial feasibility. The higher the rents and stronger the residential demand in an area, the more likely an inclusionary project will have a high enough return for the developer to proceed, since the market rate units in a project can better make up for below-market rent affordable units. For a development in a weaker rental market with lower rents, past analysis has shown that additional tax breaks and City subsidies are likely necessary for any inclusionary project to succeed, a main finding in the MIH financial feasibility study. Despite these findings, the de Blasio administration mostly implemented MIH by upzoning low-income, relatively low-rent neighborhoods that were disproportionately Black and Hispanic communities.[8] Additional City subsidy was likely needed for any MIH project to proceed in these neighborhoods, and many residents' incomes were not high enough to qualify for even the lowest-income option (40% AMI) within the MIH program.[9]

Finally, because inclusionary housing programs depend on developers' willingness to build housing in general, these policies are more sensitive to market conditions. Thus, they are generally less predictable than direct City subsidy programs. For example, affordable units produced through VIH development dropped off steeply during the 2008 financial crisis, according to past IBO research on the New Housing Marketplace Plan.

## City Subsidy Details

HPD offers a variety of financing programs to directly subsidize affordable housing developments. These programs generally require higher shares of affordable units for projects than inclusionary housing programs do; many even require 100% income-restricted affordable units for projects receiving direct City subsidy. One example of direct subsidy from the City is a low-cost loan from HPD, which is awarded on a competitive basis and finances affordable housing projects at low interest rates. Examples of direct City subsidy programs are the ELLA and SARA programs created as part of the de Blasio administration's Housing New York plan. HDC capital reserves, which include the interest collected on HDC loans, fees, and investment earnings, can be used to fund loans. Another set of funds, called Resolution A, are allocated to projects by City Council members and Borough Presidents. City subsidies are often paired with other non-City funding sources, such as the federal Low Income Housing Tax Credit (LIHTC) and equity from the developer, to complete the financing required for a project. City-subsidized projects leverage private funding sources, but the City funds are intended to make feasible the affordable housing projects that are unlikely to be built with private funds alone.

## Methodology

***Affordable Housing Financing Data.*** This analysis looks at new affordable housing units financed in fiscal years 2010 through 2023, using HPD data on sources of funding for all housing projects counted toward the City's affordable housing goals.[10] This dataset includes information on the amounts of different City, State, Federal, and private funding sources used for all affordable housing projects started throughout the study period. IBO limits its analysis to projects that received direct City subsidy, a density bonus through VIH or MIH, or both. These are the methods of affordable housing production most within the discretion of the mayoral administration and subject to the City's budget priorities, which provides a more accurate comparison of units produced to City dollars spent.

HPD data measures housing "starts." A unit is counted as a start when its financing has been agreed upon by HPD, the developer, lenders, and any other parties involved. This is distinct from when a project breaks ground to begin the physical construction, when construction is completed, or when the first tenants move in—each of which may be months or years after the start date. This dataset includes information on a variety of funding sources for each project. Sources that IBO identified as City funding include City capital, HDC reserves, Resolution A, Housing Trust Fund, Housing Infrastructure Fund, and specific trust funds designated for affordable housing at the direction of the City. All data on City spending has been adjusted for inflation to 2024 dollars. To identify which projects used inclusionary housing density bonuses, IBO joined this dataset with information from HPD's Inclusionary Housing Sites map. HPD's housing starts data, updated in June 2023, is the agency's most recent data available; it does not contain inclusionary housing projects that have come out of the Gowanus and SoHo/NoHo neighborhood rezonings.

Figure 3
**2024 AMI Levels in New York City**

| Affordability Level | Percent of AMI | 1-Person Household Income | 3-Person Household Income |
|---|---|---|---|
| Extremely Low Income | 0-30% | $0-$32,610 | $0-$41,940 |
| Very Low Income | 31-50% | $32,611-$54,350 | $41,941-$69,900 |
| Low Income | 51-80% | $54,351-$86,960 | $69,901-$111,840 |
| Moderate Income | 81-120% | $86,961-$130,440 | $111,841-$167,760 |
| Middle Income | 121-165% | $130,441-$179,355 | $167,761-$230,670 |

SOURCE: NYC Department of Housing Preservation and Development
*New York City Indpendent Budget Office*

***Defining Affordability Levels.*** This dataset also contains information on the number of units produced at each affordability level within projects. The City's affordability levels—such as very low-income or middle-income—are set by HPD as a percentage of the federal U.S. Department of Housing and Urban Development metric of AMI, and scale upwards based on household size. The use of AMI to define affordable housing income levels allows for standardization of income restrictions across City, State, and Federal housing finance programs. Mayoral administrations can choose how AMIs are grouped into affordability levels. Under the de Blasio and Adams administrations, there have been five categories: extremely low-income (0-30% AMI), very low-income (31-50% AMI), low-income (51-80% AMI), moderate-income (81-120% AMI), and middle-income (121-165% AMI). Bloomberg defined these categories differently; extremely low- and very low-income were not measured and were instead grouped into the low-income category (0-80% AMI). The Bloomberg administration also defined middle-income as 121-180% AMI. For this analysis, IBO chose to keep affordability levels consistent over the study period, following the current definitions used by HPD. For information on affordability levels used in this analysis and their corresponding income ranges, see Figure 3.

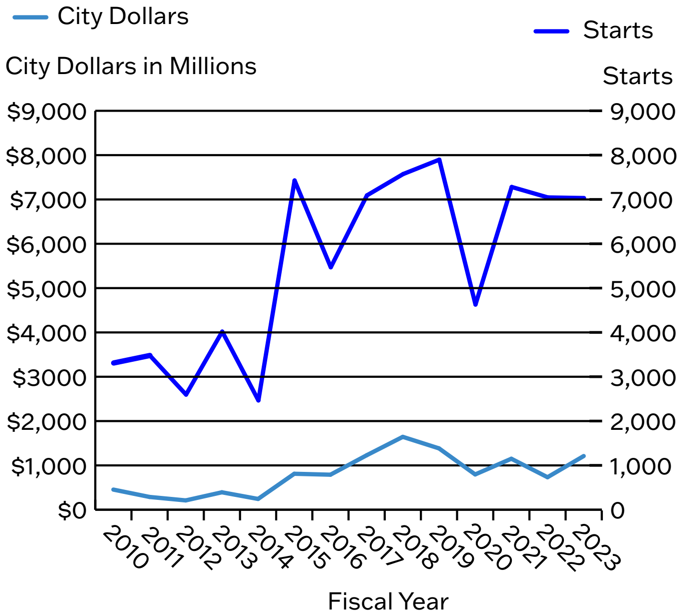
The purpose of this analysis is not to evaluate whether these programs have worked as intended or expected. Instead, this analysis considers the housing produced and the amount of City dollars spent on units that received density bonuses, City subsidy, or both, with the goal of understanding the outcomes of the various programs.

## Findings

***Affordable Housing New Construction Starts Remain High Under the Adams Administration.*** The Adams administration has made the new construction of housing the signature priority of its housing agenda—through the announcement of a "moonshot goal" of 500,000 new homes built over the next decade and the City of Yes for Housing Opportunity rezoning proposal. Within the goal to incentivize new construction of housing is the goal to expand the number of new construction affordable housing units. IBO found that in 2023, direct City subsidies and inclusionary housing programs contributed to about 7,000 new construction affordable housing starts.

Looking at trends over the study period in Figure 4, affordable unit starts more than doubled from 2014 to 2015, indicating a period of higher affordable housing production during the transition from the Bloomberg

Figure 4
**City Spending vs. Affordable Housing New Construction Starts**




SOURCE: IBO analysis of Department of Housing Preservation and Development data

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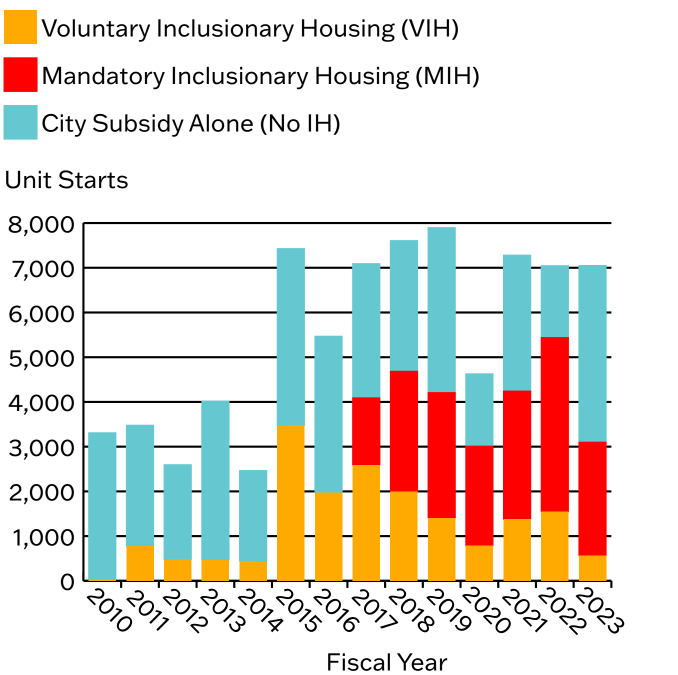
Figure 5
**Affordable Housing New Construction Starts by Program**




SOURCE: IBO analysis of Department of Housing Preservation and Development data
NOTE: MIH was introduced in 2017 by the de Blasio administration. VIH was first introduced in 1987 and expanded under the Bloomberg Administration in 2005. For this report, IBO reviewed data back to 2010.

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administration to the de Blasio administration. A notable drop in starts happened in 2020, attributable to the COVID-19 pandemic and local "shelter in place" restrictions. So far during the Adams administration, starts have remained around the levels seen during the de Blasio administration. Over the same period, City spending on direct subsidies declined overall from 2018 through 2023 after rising under the de Blasio administration, peaking at $1.6 billion in 2018. These figures do not include all City funding in HPD's capital budget, which has been higher under the Adams administration than the two prior administrations.

***Growth in New Construction Affordable Housing Benefiting from Inclusionary Housing Programs.*** Since the introduction of MIH in 2017, the share of affordable housing starts using inclusionary housing programs (VIH and MIH) has grown to over half of all starts from City-level programs, shown in Figure 5. MIH starts have increased since its introduction, while VIH starts have decreased after peaking in 2015 with almost 3,500 starts; in 2023, there were only 566 VIH starts. The number of VIH starts is also the least predictable, with large changes between years. Since the program is opt-in and depends more on market conditions and the decisions of developers, some volatility in production is expected. Unit starts from MIH and direct City subsidy alone are more consistent.

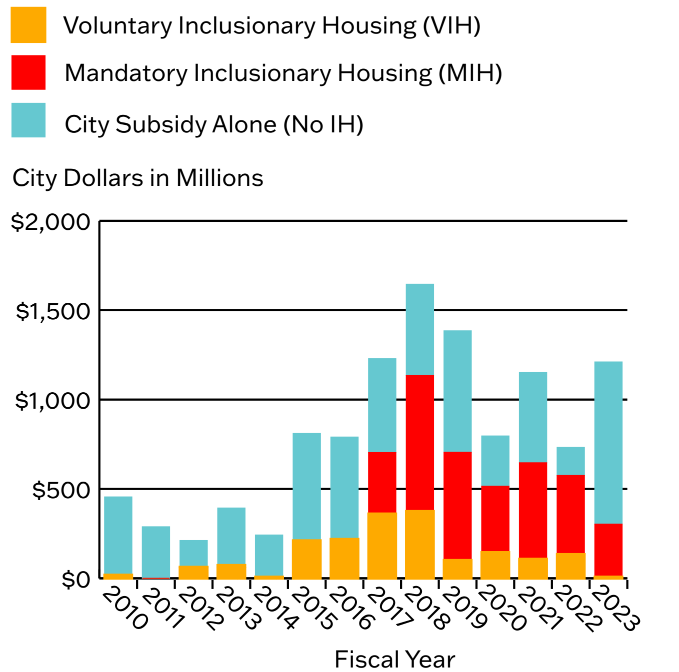
***Many Inclusionary Housing Projects Receive City Subsidies.*** Similar to unit starts, Figure 6 demonstrates that the share of City spending on developments participating in inclusionary housing grew to over half of all City spending over the course of the study period. MIH and VIH are technically just zoning programs, but they are often used in conjunction with City spending. Notably, in 2022, spending on inclusionary housing developments made up 79% of all City subsidies. It is common for different tools to be used in tandem for projects to achieve more affordable housing development, either more affordable units or deeper levels of affordability, than would otherwise occur. A density bonus from an inclusionary housing program may lessen the size of a direct City subsidy needed to make a project financially feasible, or it may allow for units to be leased at more deeply affordable rents. In either case, it is clear that City subsidies and inclusionary housing programs are commonly used together, and that relying on an internal cross-subsidy alone is often not feasible or optimal. This also does not factor in any as-of-right tax exemptions that these projects are likely to receive, which are a cost to the City in the form of foregone tax revenues. (As-of-right refers to tax breaks that any property meeting a set of criteria can qualify to receive.)

Additionally, IBO found that from 2017 through 2023, 50% of all MIH projects received City subsidies, and from 2010 through 2023, 20% of all VIH projects received City subsidies. As discussed, the proposed UAP is similar to the existing VIH program. Seen in Figure 6, VIH tends to make up the smallest share of City subsidies, and this share has decreased in recent years. However, VIH has thus far been limited to very small portions of the City, most of which exist in high-density strong rental markets, or in a select few neighborhoods rezoned to increase residential capacity and create an inclusionary housing designated area (such as the neighborhoods of Williamsburg in Brooklyn, Chelsea in Manhattan, and Jamaica in Queens). UAP would expand such a density bonus to much more of the City, including areas with lower market rents where there may be less incentive for developers to participate in the UAP program without additional subsidy. MIH was implemented largely in rezoned neighborhoods, many of which were located in lower-rent areas (such as East New York in Brooklyn, East Harlem in Manhattan, and Jerome Avenue in the Bronx), and MIH projects use City subsidies more often.

If the Adams administration intends to rely on UAP to increase the supply of affordable housing—particularly in lower-rent areas of the City where VIH currently does not apply and with deeper affordability requirements than VIH requires—then likely more City subsidy will be necessary to finance UAP projects than what VIH developments currently receive, but the amount of additional subsidy is uncertain.

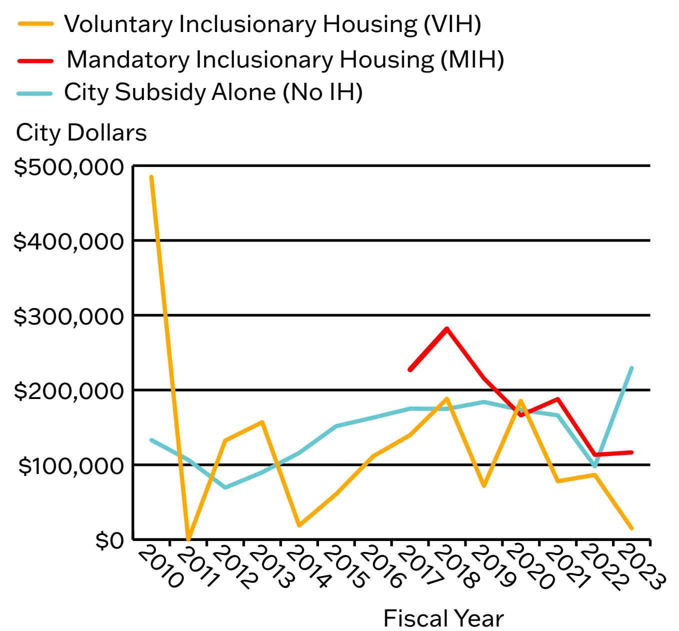
***City Spending Per Unit of Inclusionary Housing Varies Widely, Sometimes Exceeds Direct Subsidy Projects.*** Synthesizing the findings about unit starts and City spending, average City spending per unit

Figure 6
**City Spending on New Construciton Affordable Housing by Program**



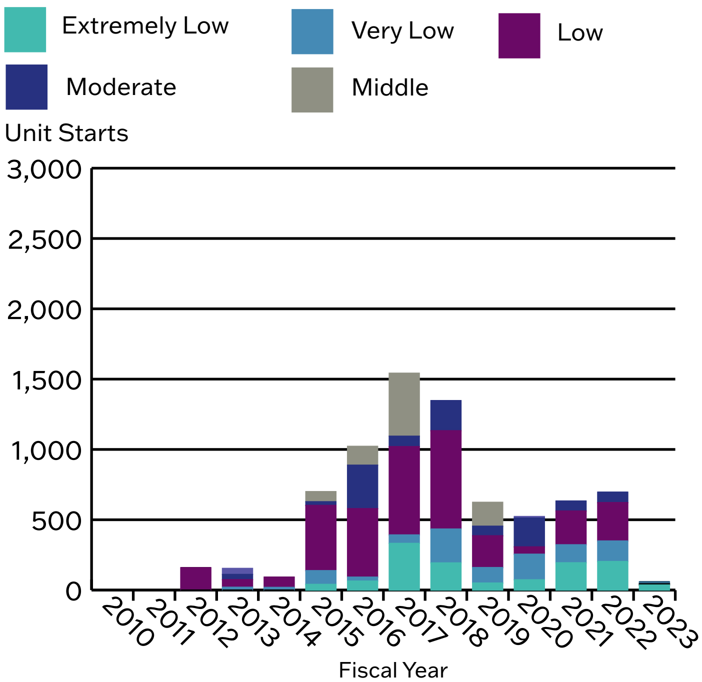

SOURCE: IBO analysis of Department of Housing Preservation and Development data
*New York City Independent Budget Office*

Figure 7
**City Spending on New Construction Affordable Housing per Unit by Program**



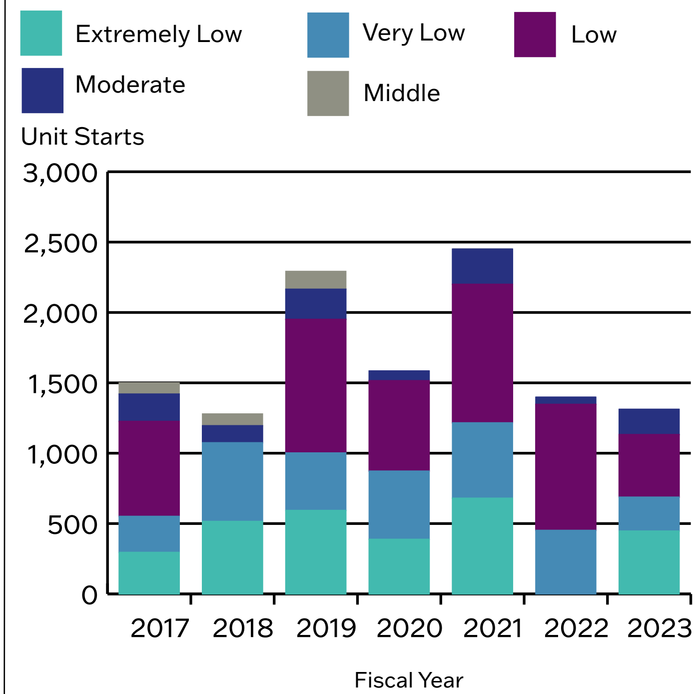

SOURCE: IBO analysis of Department of Housing Preservation and Development data
NOTE: Only one VIH project received a (relatively large) subsidy in 2010, and no VIH projects received city subsidies in 2011.
*New York City Independent Budget Office*

Figure 8
**Affordability Levels in New Construction–VIH Plus City Subsidy**



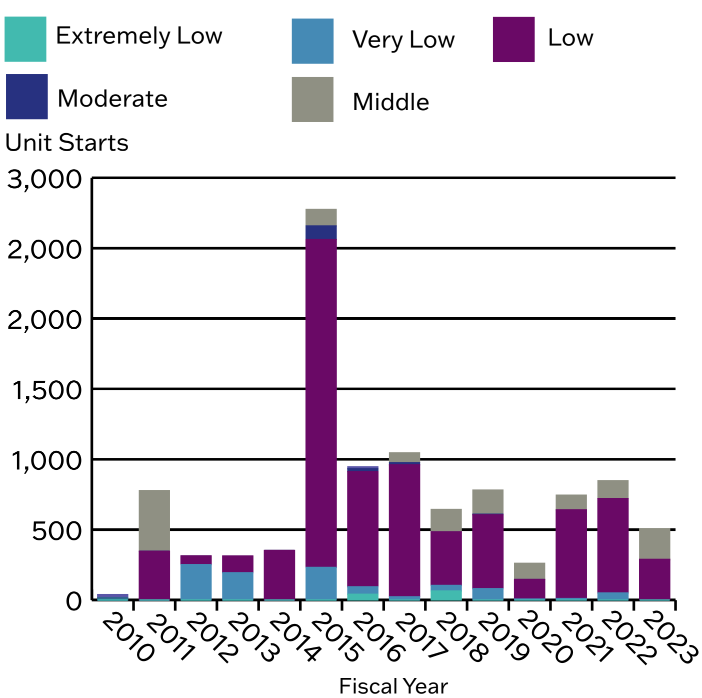

SOURCE: IBO analysis of Department of Housing Preservation and Development data
*New York City Independent Budget Office*

Figure 10
**Affordability Levels in New Construction–MIH Plus City Subsidy**



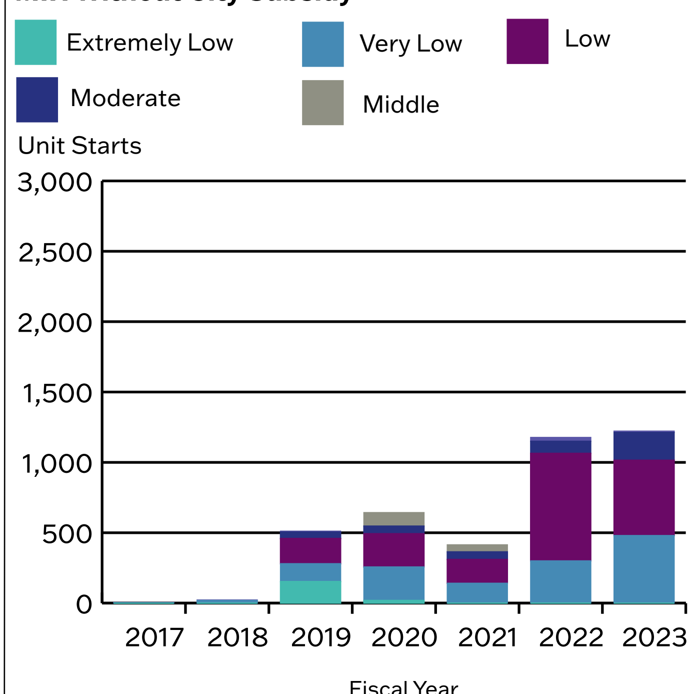

SOURCE: IBO analysis of Department of Housing Preservation and Development data
*New York City Independent Budget Office*

Figure 9
**Affordability Levels in New Construction–VIH Without City Subsidy**




SOURCE: IBO analysis of Department of Housing Preservation and Development data
*New York City Independent Budget Office*

Figure 11
**Affordability Levels in New Construction–MIH Without City Subsidy**

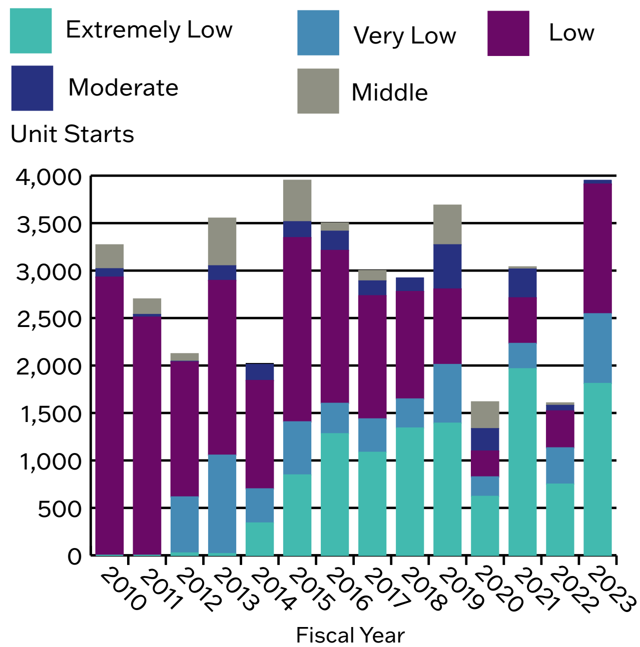



SOURCE: IBO analysis of Department of Housing Preservation and Development data
*New York City Independent Budget Office*

over time shows multiple trends in Figure 7. First, the City spending per unit of VIH is more variable than the other two programs. Because VIH is opt-in and depends on developers choosing to participate, the financing and characteristics of those projects may thus be less predictable than other programs. City spending per unit on MIH projects has declined since the program was introduced, from around $250,000 in 2017 to about $100,000 per unit in 2023. This suggests either the City is more efficient with its own subsidies or that market conditions lessened the need for City subsidies. For projects with direct City subsidies and no density bonus, City dollars per unit generally ranges from around $100,000 to $200,000. For context, the average construction hard costs per unit in 2023 was $490,000 for all new construction affordable housing projects, regardless of whether they received direct City subsidy or density bonuses.

Figure 12

**Affordability Levels in New Construction–Direct City Subsidy without Inclusionary Housing**




SOURCE: IBO analysis of Department of Housing Preservation and Development data

*New York City Independent Budget Office*

At the surface level, it appears that the City sometimes spends more of its own funding on inclusionary housing programs than direct subsidy projects on a per-unit basis. However, City spending per unit can be influenced by the availability of non-City funding sources, and HPD and HDC aim to use different sources of funding with projects where they are most needed and best aligned. State and Federal funding sources, which tend to have deeper affordability requirements, are often paired with City subsidy programs and can thus reduce the need for City funds in qualifying projects. Because inclusionary housing programs typically target higher AMIs, they do not qualify for some state and federal resources and must rely more on City and private financing. How the City allocates its own funding is a reflection of the availability and requirements of State and Federal funding, as well as the unique projects seeking financing at a given time.

***City Subsidies Went to Most Extremely Low-Income Units; Inclusionary Housing Alone Produced Limited Deep Affordability.*** Figures 8 through 11 compare the affordability levels of units across inclusionary housing programs, with and without City subsidies. The VIH and MIH projects that received subsidies had more units at the extremely low-income (0-30% AMI) level than those that did not receive subsidies. Starting in 2020, this can be partially attributed to Local Law 19-2020 that requires 15% of units to be set aside for households experiencing homelessness (affordable to an extremely low-income household) if the project receives financial assistance from the City and is 40 or more units in size. Across both MIH and VIH, projects that did not receive additional subsidies provide near zero extremely low-income units most years. It is also notable that in the first two years of the MIH program, the vast majority of projects using MIH also used subsidies. Projects with MIH and subsidies provide the most unit starts on these charts.

For City-subsidized developments that do not participate in inclusionary housing programs, the share of units produced for extremely low-income households has grown over the study period, as shown in Figure 12. Since 2017, unit starts that are affordable to very low-income and extremely low-income households have made up at least half of all starts. In 2023, extremely low- and very low-income units made up about two-thirds of all unit starts, and nearly all starts were affordable to 80% AMI and below. Thus, direct City subsidy programs have funded deeper affordability than VIH or MIH overall. This outcome aligns with expectations, because City subsidy programs tend to have deeper affordability requirements than inclusionary housing programs.

## Conclusion

Both direct City subsidy programs and inclusionary housing programs have been important tools for creating new affordable housing over the last three mayoral administrations. These programs often overlap, with a significant portion of City subsidies being used in conjunction with inclusionary housing programs. The Adams administration's proposed inclusionary housing program, UAP, would expand inclusionary housing similar to VIH to much more of the City, particularly to areas with weaker rental markets than those where VIH currently applies, and with deeper affordability requirements than VIH.

UAP would likely need expanded funding for City subsidies in order to be implemented widely and effectively, especially given the past volatility of affordable housing production through VIH, past City spending on inclusionary housing projects, and generally low numbers of affordable units produced using VIH in recent years. Since 2010, private sector incentives like inclusionary housing often included City involvement and thus do touch the City's budget. However, there are limits to inclusionary housing programs' ability to create units with deep affordability levels without City funding, especially in lower-rent areas. Inherent to the programs' affordability requirements and design, density bonuses alone do not typically drive deep affordability—direct subsidy programs do. While inclusionary housing programs are sometimes utilized as a standalone incentive, using these programs in conjunction with direct City investment can yield more units or deeper affordability than otherwise possible.

Increasing the supply of affordable housing (and deeply affordable housing) is one possible policy goal among many. Inclusionary housing programs can have a variety of other policy goals which are not evaluated in this research. One goal might be economic integration in neighborhoods and within buildings, by promoting developments with both market rate and income-restricted units. (See a prior IBO report on the relationship between affordable housing and neighborhood income levels.) Relatedly, inclusionary housing might strive to maximize the overall number of units produced—both affordable and market rate—through its density bonus. For MIH, one stated goal is to ensure that some of the economic value created though City upzonings is put toward affordable housing. The way that the Adams administration chooses to implement direct subsidies and inclusionary housing depends on how they have defined their goals, but both tools together help create a balanced and reliable new supply of affordable housing for New York City.

## Endnotes

[1]HPD is a city agency responsible for financing new affordable housing developments using funds from the City's capital budget. HDC is a public benefit corporation that finances affordable housing in the City using its own debt.
[2]The capital budget includes City funding as well as state and federal sources that flow to the City.
[3]The Adams administration's Housing Our Neighbors plan describes various affordable housing preservation strategies: for example, the Neighborhood Pillars Program and two programs for NYCHA properties: the Permanent Affordability Commitment Together (PACT) program and the NYCHA Preservation Trust.
[4]NYC Department of Housing Preservation and Development. (2006). The New Housing Marketplace: Creating Housing for the Next Generation: 2004-2013, pp. 3. Note: figures from report in 2006 dollars.
[5]NYC Department of City Planning. (2009). Inclusionary Housing Text Amendment: Approved! ; NYC Department of Housing Preservation and Development. (2006). The New Housing Marketplace: Creating Housing for the Next Generation: 2004-2013, pp. 12.; NYC Department of City Planning. (n.d.). Rules for Special Areas: Inclusionary Housing Program.
[6]City of New York. (2022). Mayor Adams Unveils "Get Stuff Built," Bold Three-Pronged Strategy to Tackle Affordable Housing Crisis.
[7]NYC Department of City Planning. (2023). City of Yes for Housing Opportunity Final Scope of Work, p. 15.
[8]NYC Department of City Planning Population Fact Finder. (2022). American Community Survey 5-Year Estimates, 2022. In a review of population data for Neighborhood Tabulation Areas which encompassed neighborhoods rezoned for MIH by the de Blasio administration, six out of eight rezoned areas had higher shares of Black or Hispanic residents, or both, than the citywide average.
[9]Stefanski, S. (2019). Affordable for Whom? Comparing Affordability Levels of the Mayor's Housing New York Plan with Neighborhood Incomes. NYC Independent Budget Office; Stein, S. (2021). Assessing De Blasio's Housing Legacy: Why Hasn't the 'Most Ambitious Affordable Housing Program' Produced a More Affordable City? Community Service Society.
[10]The Bloomberg administration's original New Housing Marketplace Plan was announced in 2002 and was revised and expanded several times through its end date in 2013, in part to adjust to economic conditions resulting from the Great Recession. IBO's report begins in 2010 due to availability of historical data and to focus on the Bloomberg administration's housing plan as it ultimately played out in the years following the Great Recession.