



50 EAST 42ND STREET  
 SUITE 407  
 NEW YORK, NY 10017  
 telephone 212.286.9211  
 facsimile 212.286.9214  
 web chpcny.org

January 4, 2005

Honorable Vito J. López  
 Chairman  
 New York State Assembly Standing Committee on Housing  
 LOB 943  
 Albany, NY 12248

Dear Chairman López:

Since 1937, the purpose of the Citizens Housing and Planning Council has been to aid in achieving a more livable and prosperous city by a wise union of public and private planning. To this end, CHPC strongly supports the expansion of a voluntary inclusionary housing program in the higher-density districts of New York City.

Our organization has written and stated many times that we think inclusionary housing programs can contribute to the city's affordable housing and community development efforts (our 2002 report, "A Proposal to Enhance Tax and Zoning Incentives for New Housing Production," is enclosed). We use the term "inclusionary housing" rather than "inclusionary zoning" deliberately, to convey that while we think zoning incentives should be a component of the program, both tax incentives and subsidy programs should also be utilized to achieve inclusionary results.

We are encouraged to see that the city agencies are proposing voluntary inclusionary housing initiatives that offer incentives to developers to provide affordable housing within newly rezoned areas on Manhattan's West Side and Brooklyn's waterfront. We understand that many people of goodwill advocate a mandatory inclusionary housing program for Greenpoint/Williamsburg and other areas. We have reviewed that issue numerous times, from both the zoning and housing finance perspectives, and each time have concluded that a mandatory program would be a mistake.

First and foremost, we fear that if the requirements of a mandatory program are not calibrated precisely, they will adversely affect the feasibility of developing many sites and will actually reduce overall housing production. A forthcoming study prepared by Baruch College's Newman Real Estate Institute for the New York City Public Advocate's office shows that even a 10 percent mandatory requirement would reduce residual land values by nearly 60 percent for rental housing in prosperous neighborhoods. That indicates that, if such a requirement were imposed, some property owners would seek non-residential uses for their sites. If the

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requirement were higher than 10 percent, or the sites were located in less marketable areas, there would be an even greater impact on land availability for residential development. Even if the requirements, when adopted, perfectly anticipate the financial needs and tolerances of housing developers, ever changing market and financial conditions would quickly render them outdated. The relative permanence of zoning regulations compared to market movements dictate that inclusionary housing provisions should be optional, so that they are used when market conditions are favorable and do no harm when conditions are less hospitable to new housing development.

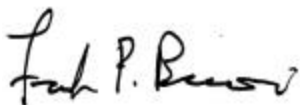
For similar reasons, we believe that inclusionary housing incentives should be made as flexible as possible. Housing developers should be presented with a range of inclusionary options from which they can choose that which best fits their marketing and financing strategies under prevailing market conditions. Our 2002 report proposed a sliding scale of affordability ranging from 10 percent of the units affordable to households with incomes below 60 percent of area median income through 100 percent of the units affordable to families with incomes up to 240 percent AMI, from which developers could choose the option that best suits their project profile.

CHPC has called for an inclusionary housing program that would apply to all residential districts in the city zoned R6 or higher. We recognize that, even if that were to be adopted as the city's explicit goal, procedural and political considerations might require an incremental approach to its attainment. Consequently, we endorse the city's inclusionary approach for the Greenpoint/Williamsburg area. We think that it includes important innovations, such as a blend of zoning and financial incentives that should be applied more broadly throughout the city.

One issue that requires further consideration is that of for-sale housing. Much of the new housing development in the city is likely to be in the form of condominiums. There is no viable for-sale option in the city's current inclusionary housing regulations for R10 districts. Given the likely development patterns in western Brooklyn and in other areas of the city where market-rate housing is developable, designing an attractive inclusionary condominium option, which most likely will include off-site alternatives, is imperative.

CHPC understands the complexity of expanding the city's inclusionary housing program and recognizes that the task must be undertaken carefully. We encourage the Assembly Housing Committee's efforts to explore inclusionary housing as a tool in the affordable housing arsenal. We hope that the above comments are helpful to you and that we can continue this discussion during the coming months.

Sincerely,



Frank P. Braconi  
Executive Director

Cc: Don Lebowitz, Housing Committee Counsel  
Linda Camoin, Housing Committee Legislative Analyst