

[REDACTED] **BRUTAL** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] **BUREAUCRACY** [REDACTED]

[REDACTED] **Additional Housing Connect Analysis**

[REDACTED]

October 2023



# INTRODUCTION

CHPC began its analysis of the City’s affordable housing lottery trying to determine if and how long newly constructed units sit vacant while tens-of-thousands of New Yorkers remain homeless and housing insecure. The initial study found that affordable housing lotteries administered by the City through an online portal called Housing Connect took over a year, on average, to fully lease. A year seemed unnecessarily long, consigning applicants to prolonged stays in interim housing and hours navigating the bureaucracy that controls access to the City’s affordable housing.

Because it was unclear whether the lottery lease-up times reflected a small number of delayed units or a systemic problem, CHPC requested more granular data from the New York City Department of Housing Planning and Preservation (HPD), which oversees Housing Connect. Equipped with new data covering the period from 2014 to 2021, CHPC returned to question of how long units sit empty and what other characteristics of housing lotteries are linked to delays.

The importance of timely lease-ups has grown with the burgeoning of the city’s shelter population and severe housing shortage. A consensus has been emerging among stakeholders—including applicants, agencies, developers, service providers, marketing agents, and housing advocates—that changes are needed to more quickly move New Yorkers into permanent housing.

Improving this process requires sound data management, ongoing monitoring, and an ability to adjust processes as warranted. The City’s recent changes to the Mayor’s Management Report reflect a laudable commitment to moving in this direction.

Reform of the lottery system requires a full process analysis, accounting for regulatory and procedural barriers, and evaluating outcomes. CHPC’s Brutal Bureaucracy report and this addendum aim to provide evidence that focuses further efforts to identify process issues and the types of reforms that will get people into housing more quickly.

# CONTENTS

1. Previous research p 4
2. Additional research approach p 5
3. Lease-up durations p 8
4. Potential factors influencing duration p 11
5. Conclusion p 17
6. Conclusion: Recommendations p 18

# PREVIOUS RESEARCH

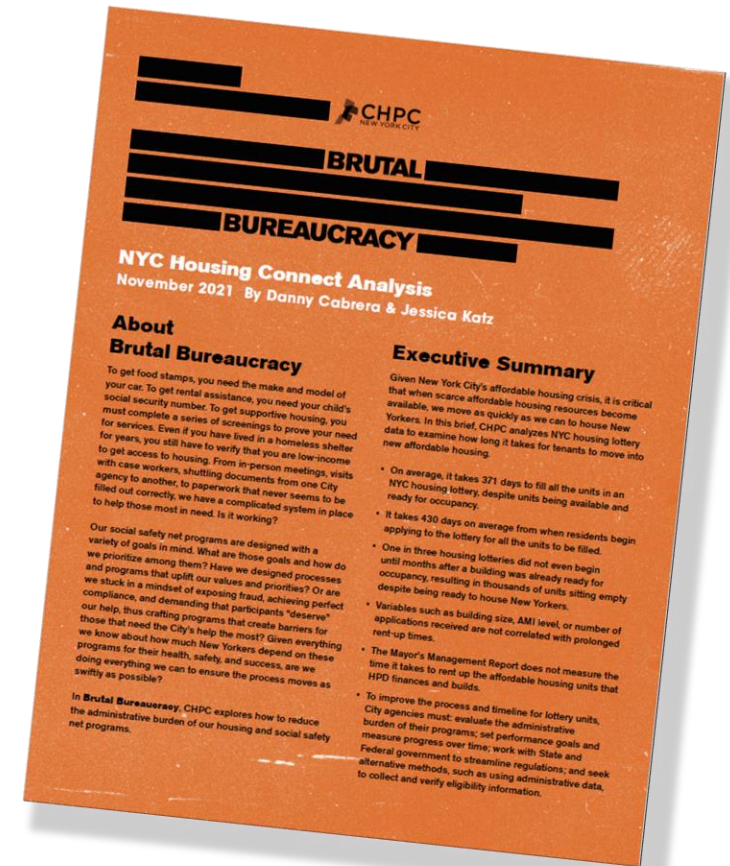
CHPC published its initial assessment of Housing Connect lease-up times in November 2021, based on a limited data set describing how long it took for newly constructed affordable housing projects to fully-lease.

- 371 days** average time from TCO/CO issuance to “project close”
- 431 days** average time from start of marketing to “project close”
- 1 in 3** lotteries began marketing after a TCO/CO was issued

No correlation found between lease-up times and:

- Total units
- % affordable units
- Applications
- Average AMI of units
- AMI band of units
- Advertisement year

Read the Brutal Bureaucracy report:  
[chpcny.org/wp-content/uploads/2021/11/CHPC-NYC-Housing-Connect.pdf](https://chpcny.org/wp-content/uploads/2021/11/CHPC-NYC-Housing-Connect.pdf)



# ADDITIONAL RESEARCH APPROACH

Following the publication of CHPC's 2021 Brutal Bureaucracy report, a variety of stakeholders offered possible explanations for why the Housing Connect lease-up process had been taking so long. The first and most frequently cited theory—that a few units were holding up completion of the lottery—could not be tested using the available project-level data. Provided with set of unit-level observations, CHPC was able to return to the question of whether long lease-up times can be attributed to a few delayed units or are indicative of a larger systemic problem.

**Using the new tranche of more granular and inclusive lottery data, CHPC revisited and expanded upon its previous analysis of how long it takes for tenants to move into new affordable lottery units.**

As in the first Brutal Bureaucracy analysis, CHPC calculated how long it took for all units in a lottery to lease using the new data. In addition, CHPC evaluated how long it took for nearly all – 95 percent – of a lottery's units to lease, as well as lease-up times for individual units.

In addition, CHPC received lease-up data for homeless set-aside units. This enabled CHPC to compare time to lease-up for newly constructed units going through Housing Connect with those set aside for homeless New Yorkers.

The resulting lottery durations (marketing start to lease-up) and unit vacancy durations (TCO/CO to lease-up) raised several questions:

- Why is the process so long?
- Why is there so much variation between unit lease-up times?
- What factors contribute to how long a unit sits vacant and prolong a lottery?

CHPC investigated potential factors, both previously examined and new, that could influence the duration of lease-ups made through Housing Connect. While not conclusive, bivariate correlation and multivariate regression point to several factors in the lottery complex system that warrant further examination.

# ADDITIONAL RESEARCH APPROACH

## SUMMARY

---

Data	<b>Housing Connect</b> lottery and <b>homeless set-aside</b> unit lease data (2014 to 2021)	
Unit of observation	<b>Unit</b> and <b>lottery</b>	
Lease-up metric	Individual unit lease; 95% of units within a lottery leased; 100% of units within a lottery leased	
Durations considered	<b>Time that units sit vacant</b> (TCO/CO to lease-up) <b>Lottery duration</b> (Marketing to lease-up)	
Potential factors evaluated	Number of units in lottery Number of applications & applications per unit Number of market rate units <b>Last 5%</b> of units <b>Marketing start relative to TCO</b> <b>Higher income band</b> targeting	<b>Borough</b> Bedroom count Use of <b>421-a</b> Subsidy program <b>Inclusionary</b>
Limitations	Analyses tend to reflect earlier project outcomes; does not reflect changes in data collection and lottery administration implemented in mid 2020. Changes in the Housing Connect process and data associated with it make comparison over time difficult.	

# ADDITIONAL RESEARCH DATA SETS

## HOUSING CONNECT & HOMELESS SET-ASIDE DATA

	Housing Connect (HC) Lottery	Housing Connect (HC) Unit	Homeless Set-Asides
Number of Lotteries	426	860	69
Number of Units	21,382	32,765	1,465
Lottery Range <i>Start Date Range</i>	#82 to #650 <i>(1/6/2014 to 12/26/2018)</i>	#14 to #1125 <i>(5/1/2013 to 6/30/2020)</i>	Bldgs. 506 to 654 <i>(12/6/2014 to 9/17/2021)</i>
Observation Unit	Lottery	Unit	Unit
Lease-up Metric	“Project Close”	“Approval Date”	“Exit Date”
Lotteries with enough data to impute lease-up time	180 (42%)	556 (65%)	NA

**Housing Connect (HC) – Lottery**  
 Lotteries previously analyzed and documented in Brutal Bureaucracy.

**Housing Connect (HC) - Unit**  
 Unit-level dataset that includes twice as many lotteries than “HC Lottery” with enough data to impute lease-up time for over 550 lotteries.

**Homeless Set-Asides**  
 Anonymized unit-level data providing TCO/CO and unit lease-up dates over a period similar to that covered by the Housing Connect sets.

**Limitations**  
 The structure of the database and gaps in lottery and unit data limit the types of analyses possible.

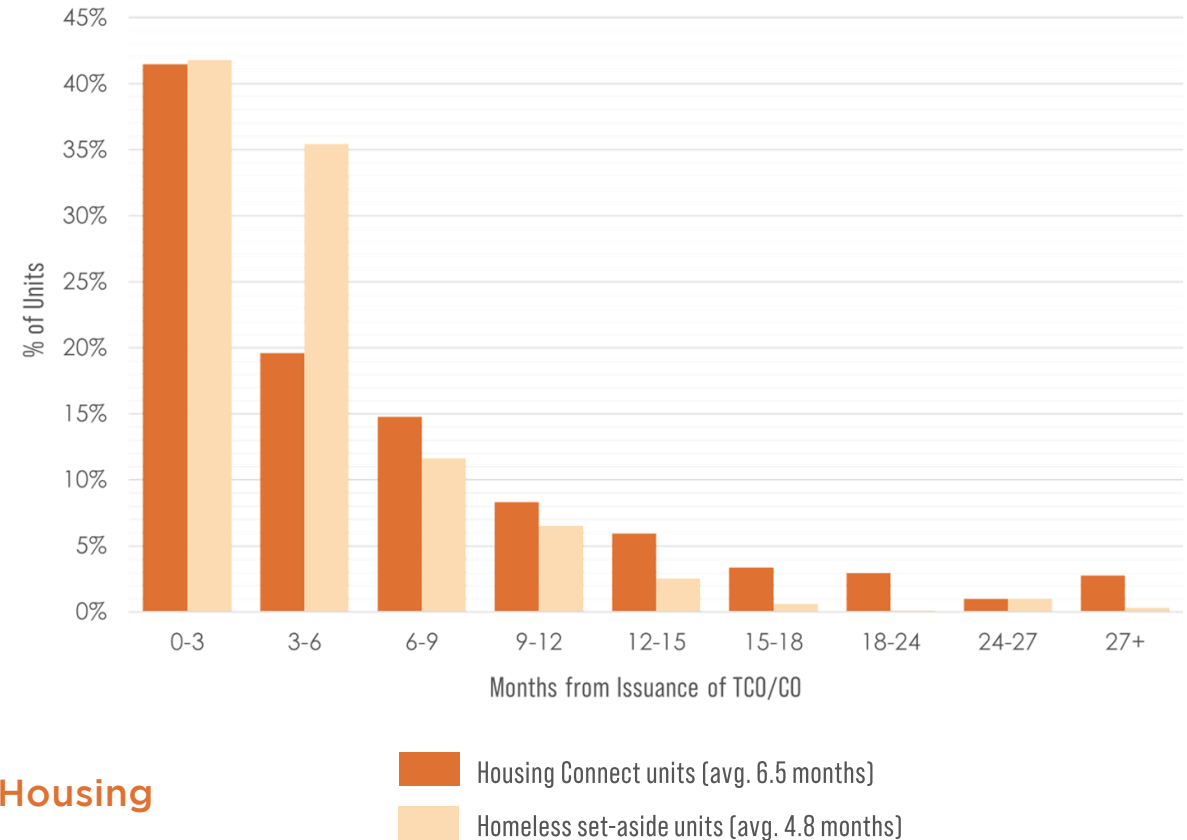
# LEASE-UP DURATIONS

**Vacancy duration** Using Housing Connect unit-level data, CHPC calculated that the average length of time between completion of newly constructed units and **full lease-up** of a lottery's units was **13.5 months**. The **time to 95% completion** of lease-up was **11.4 months**. The remaining five percent of lottery units in this analysis include the small number of lottery units that may be held offline, such as while an applicant appeals an eligibility decision. These units extend the already significant average vacancy duration by approximately two months.

The length of time that **individual Housing Connect units** sat vacant was shorter, averaging **6.5 months**. For the units with enough data to impute lease-up times, roughly 60 percent of units were leased within six months. In contrast, units leased through the **homeless set-aside** process averaged **4.8 months**, with 77 percent leased within six months.

**While homeless set-aside units leased up more quickly than Housing Connect units, both lease-up processes took significant time.**

## UNIT LEASE-UP TIME DISTRIBUTION





# LEASE-UP DURATIONS

**Lottery duration** The citywide average lottery duration from marking start to 95% lease-up was **just over a year** (12.1 months). The average lease-up duration by unit was also just over one year (12.2 months).

Consistent with CHPC's earlier findings, 1 in 3 lotteries began marketing after a Certificate of Occupancy (CO) was granted for the project. Starting the marketing process in advance of the CO, as is recommended, shortens the time that affordable units remain empty. Starting after CO increases the time that units remain vacant.

While advertising a lottery and opening applications before the units can be occupied ensure that eligible New Yorkers can move in as soon as newly constructed units are ready, beginning the process too far in advance can also extend the lottery process. Applicants waiting for completion of the unit may find alternative housing, and application data, like income, may require reverification.

When marketing started **BEFORE** the CO was issued, The average unit **VACANCY TIME DECREASED**.



Certificate of  
Occupancy (CO)  
issued

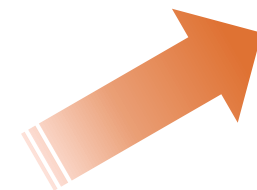


Lease-up

When marketing started **TOO LONG BEFORE** the CO was issued, the average **LOTTERY DURATION INCREASED**.



Marketing start



Lease-up

# SUMMARY OF LEASE-UP DURATIONS

	TCO/CO TO LEASE-UP		MARKETING START TO LEASE-UP	
	Lottery	Unit	Lottery	Unit
<b>NYC</b>	<b>11.4</b>	<b>6.5</b>	<b>12.1</b>	<b>12.2</b>
MN	13.5	9.0	16.1	12.8
BX	8.6	4.9	12.7	12.2
BK	12.4	7.1	11.1	12.1
QN	8.8	5.4	10.8	11.5
SI	7.7	3.3	8.9	9.0

## NOTES

- Durations are given in months.
- Lottery durations are calculated based on 95% of units leased.
- Average unit lease-up times are calculated by averaging individual unit lease-up times across a geography, either borough or city.
- Average lottery lease-up times are calculated by averaging lottery lease-up times across a geography, either borough or city.

# WHAT FACTORS COULD BE DRIVING LEASE-UP TIMES?

**Marketing start** As noted, beginning the lottery process after the Certificate of Occupancy (CO) is issued is associated with increased vacancy time, a condition seen most often in Brooklyn (42% of lotteries began after the CO).

**130% AMI units** Anecdotally, stakeholders who are familiar with the Housing Connect lottery process noted difficulty leasing units targeting higher household income bands (130% of Average Median Income). Based on the available data, CHPC found no significant correlation for lotteries with at least 30 percent of units targeted to household income of 130% AMI or higher. However, a limitation of the data set is that some number of 130% AMI units may have been moved to subsequent lotteries or added to homeless set-asides. Therefore, CHPC cannot draw conclusions about this category of units.

**Units** The number of units in a lottery has a small but significant effect on lottery duration. Lotteries with more units are more likely to have slightly longer lease-up times.

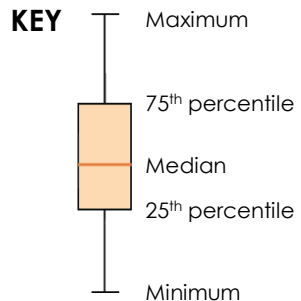
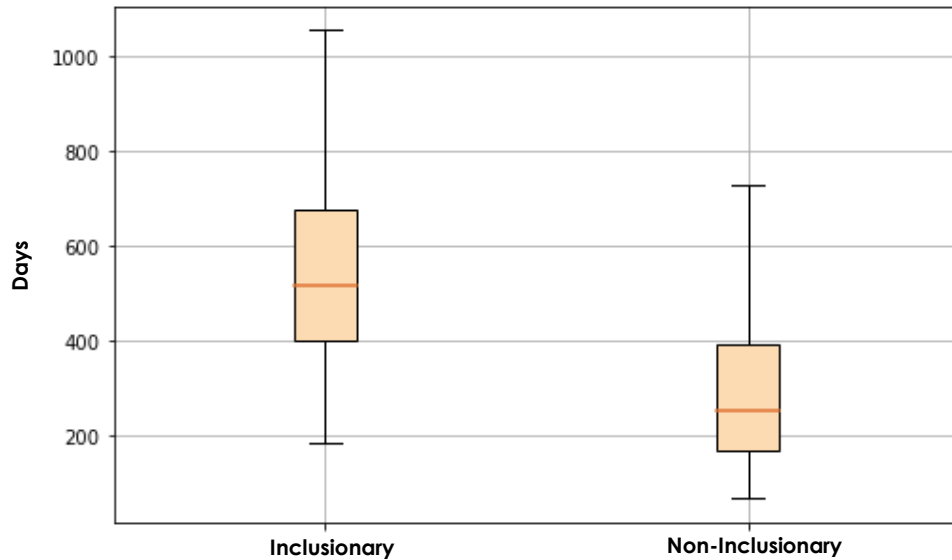
**Applications per unit** The total number of applications received divided by the number of units in a lottery has a negligible effect on duration.

**Subsidy and incentive programs** Programs offered by the City and State to encourage residential development and affordability have eligibility and process requirements that could potentially influence lease-up time. CHPC's analysis considered tax credit programs like 420-c and LIHTC, and many programs including the Extremely Low & Low-Income Affordability (ELLA) Program, Low Income Rental Program (LIRP), Low Income Affordable Marketplace Program (LAMP), and Mix and Match. The only subsidy and incentive programs to show an effect on lease-up times were 421-a and Inclusionary Housing.

**Unit size (by number of bedrooms)** Several stakeholders hypothesized that small units (studio and one-bedroom) are easier to fill than larger units (two-or-more bedrooms) because larger households have more paperwork to submit with their applications and may have additional housing preferences, for example, ensuring a child remains close to school. Based on the available data, the number and percent of certain sized units was not significantly correlated with lease-up duration.

# LOTTERIES INVOLVING 421-A & INCLUSIONARY

**MARKETING START TO 95% LEASE-UP DURATION OF 421-A LOTTERIES**



Of the tax incentives and development programs considered, two showed a statistically significant impact on lease-up time—421-a and the Inclusionary Program.

CHPC’s analysis found a weak positive correlation between a project receiving 421-a and marketing start occurring after the TCO/CO date. This may reflect timing issues between marketing and confirmation of 421-a eligibility, which occurs around the time of CO. Even when controlling for marketing start, a weak correlation between projects receiving 421-a and slightly longer lease-up times remained.

**When 421-a was coupled with the Inclusionary Housing program, the average time between marking start and 95% lease-up became considerably longer.**

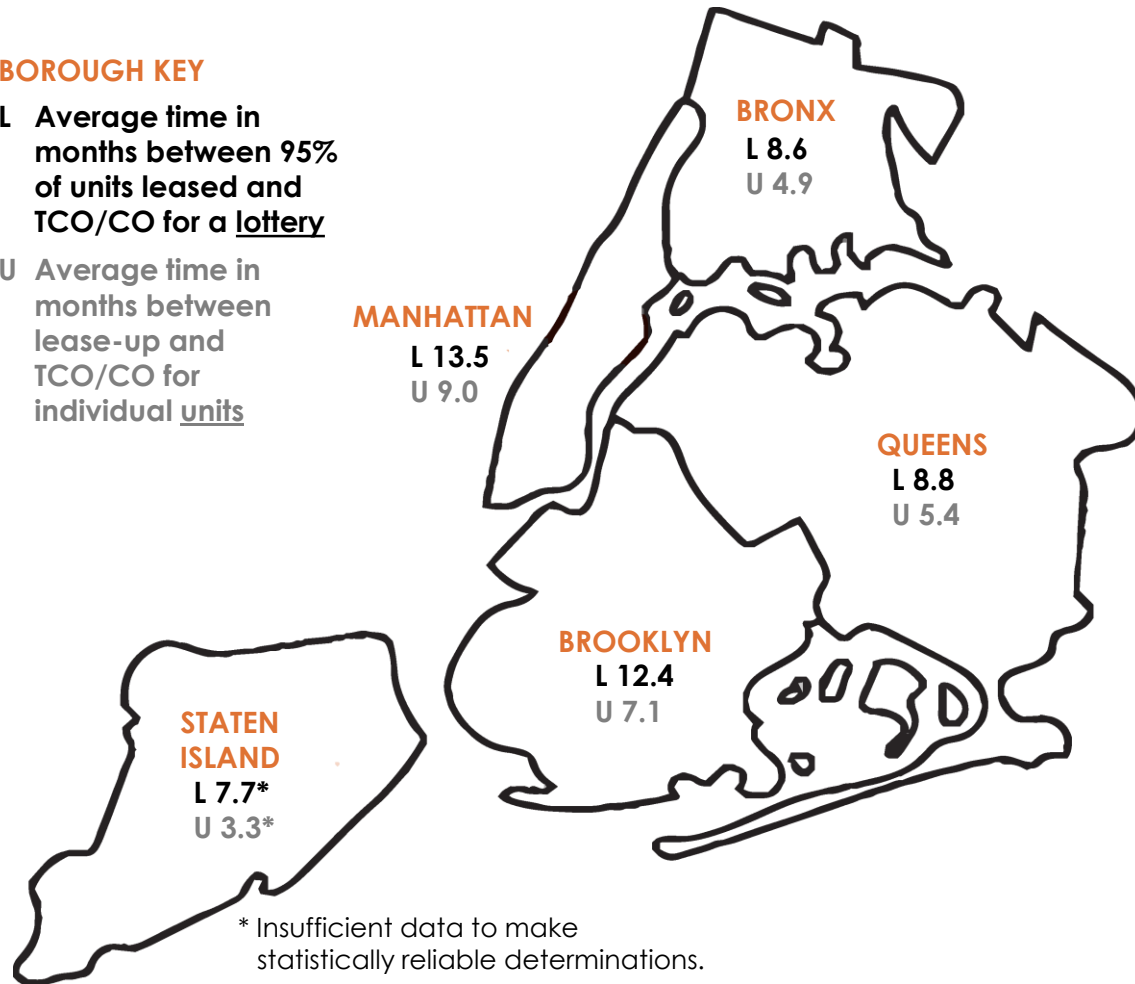
The box plot shown at left graphically demonstrates the difference in the distribution of lease-up times between lotteries participating in 421-a alone and those participating in both 421-a and the Inclusionary Housing program. The median lease-up time for Inclusionary lotteries is longer than 75% of the Non-Inclusionary lotteries.

# BOROUGH-LEVEL EFFECTS

## BOROUGH KEY

**L** Average time in months between 95% of units leased and TCO/CO for a lottery

**U** Average time in months between lease-up and TCO/CO for individual units



\* Insufficient data to make statistically reliable determinations.

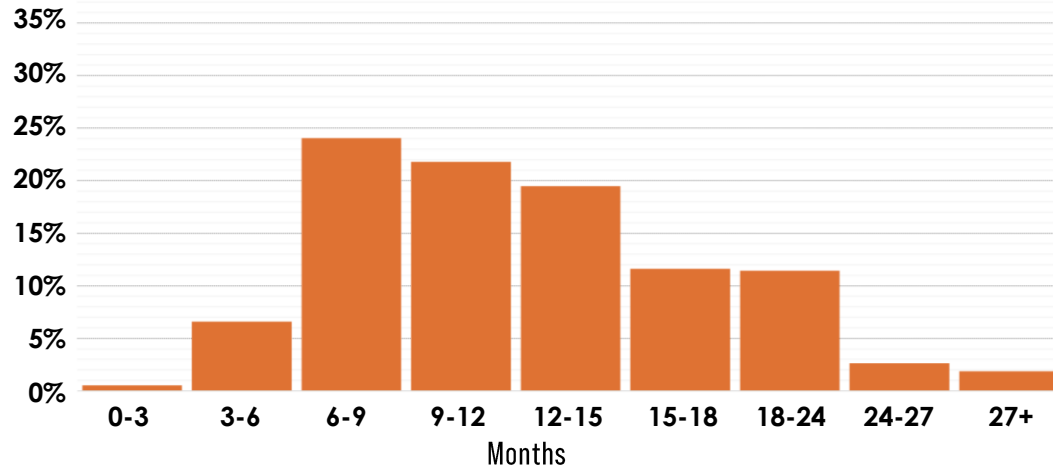
Out of the factors considered that may impact lease-up time, the borough that a lottery occurs in is the strongest indicator of whether the lottery will have a lengthy lease-up duration. This suggests that there are one or more unidentified factors that can influence borough outcomes.

Manhattan has a longer-than-citywide-average lease-up time for individual units and a much longer average lease-up time for lotteries. Despite starting over 70% of its lotteries before the TCO/CO was issued, Manhattan lotteries take an average of 13.5 months from TCO/CO to fill 95% of units.

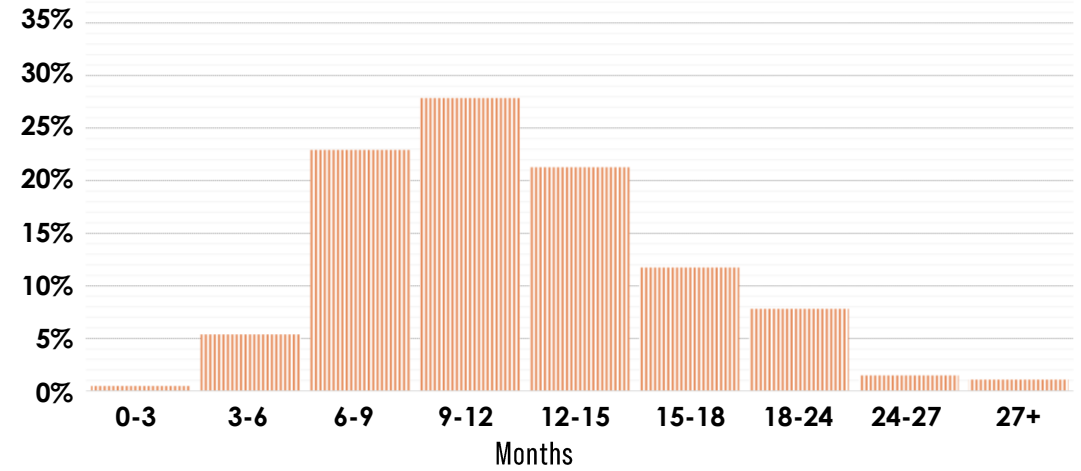
Brooklyn has slightly lower-than-citywide-average lottery times (marketing to lease) for both units and lotteries. However, Brooklyn projects began marketing so long after TCO/CO for many lotteries, it drove the vacancy duration (TCO/CO to 95% leased) well above average.

# MARKETING START TO LEASE-UP UNIT

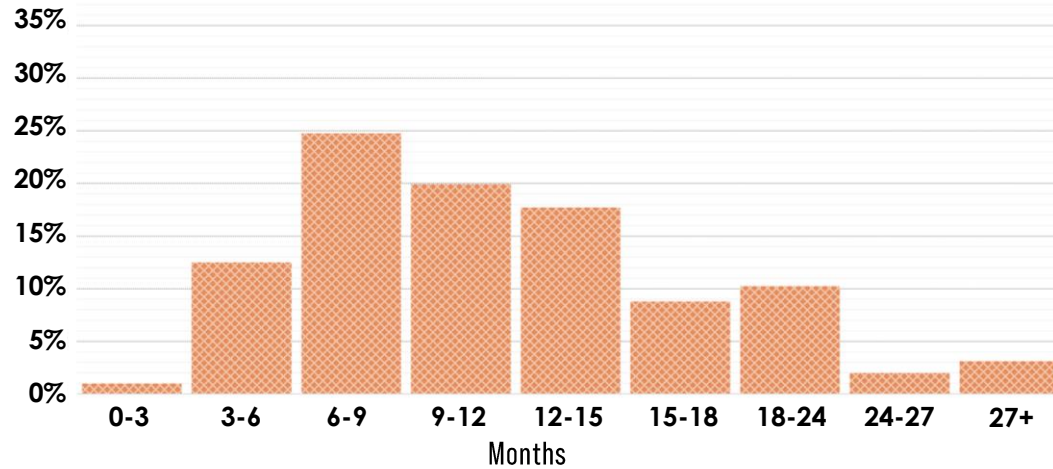
## MANHATTAN



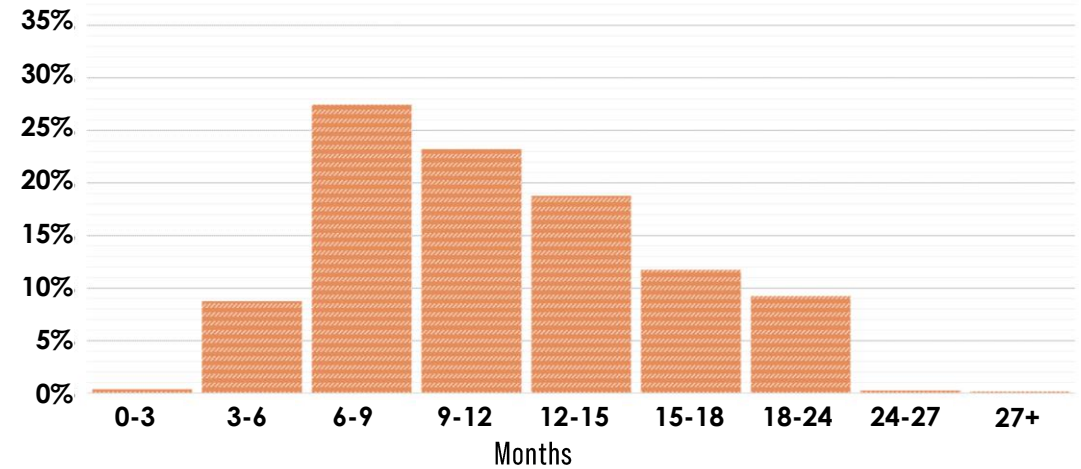
## BRONX



## BROOKLYN

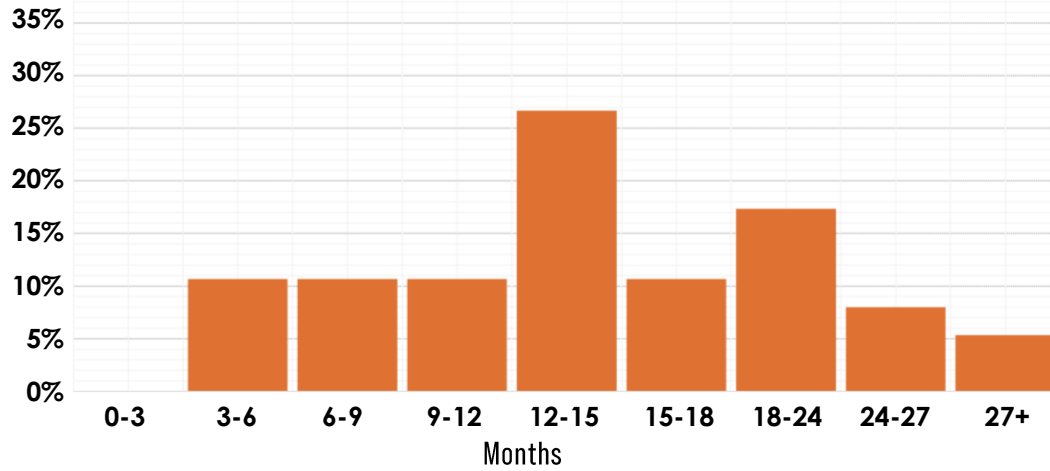


## QUEENS

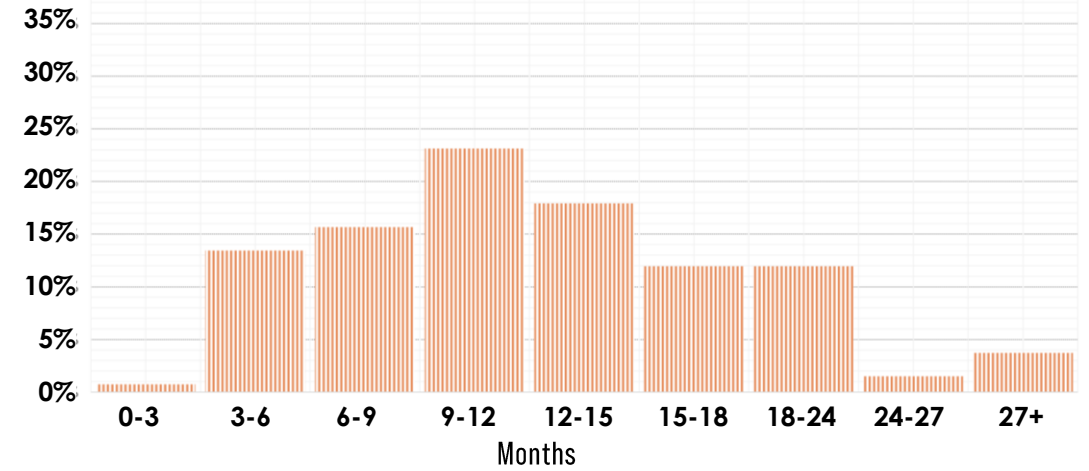


# MARKETING START TO 95% LEASE-UP LOTTERY

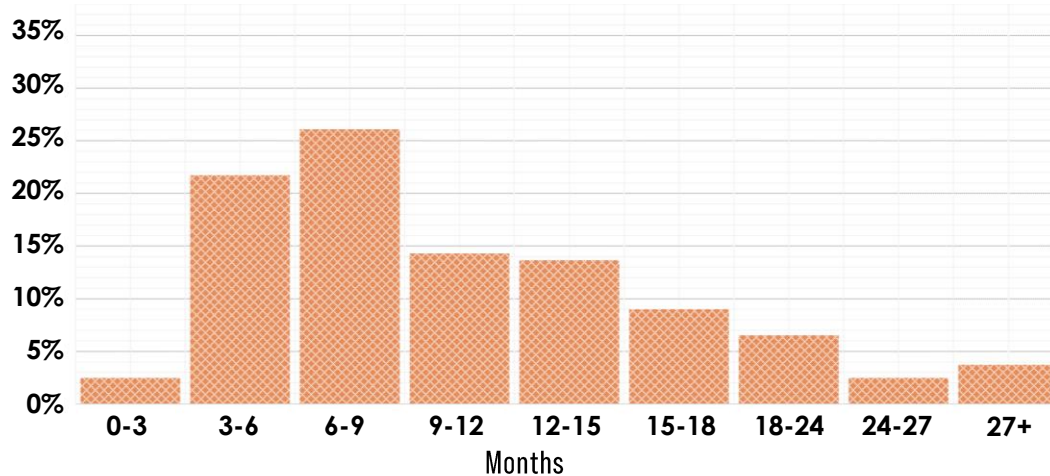
## MANHATTAN



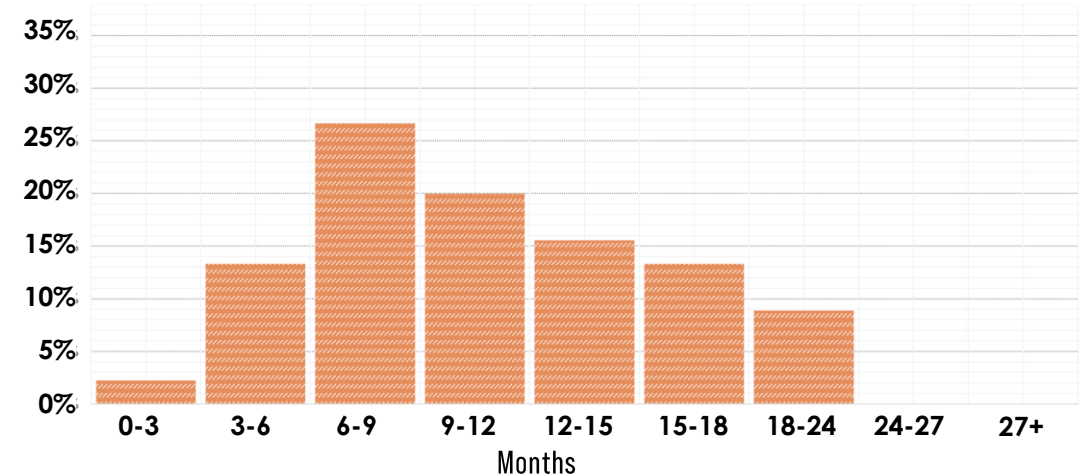
## BRONX



## BROOKLYN



## QUEENS



# SUMMARY OF NEW FINDINGS

## Homeless set-asides

Homeless set-aside units leased faster on average (4.8 months) than units through Housing Connect (6.5 months)

## Marketing start

**1 in 3 lotteries began marketing after units were completed.** Beginning after the TCO/CO was issued left units sitting vacant for longer. This was most prominent in Brooklyn (42% of lotteries began after TCO/CO)

## 421-a

**Projects receiving 421-a took somewhat longer** on average to reach 95% lottery lease-up (weak correlation).

## Inclusionary

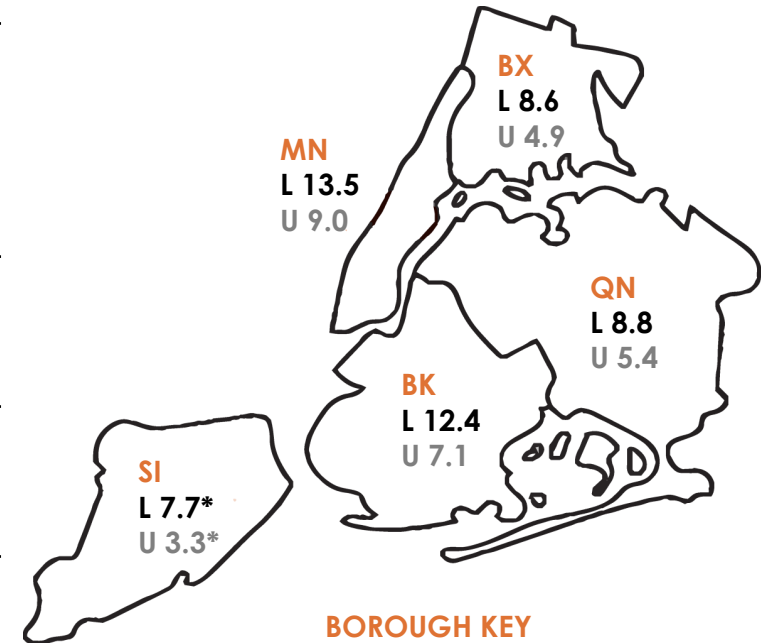
**Inclusionary Program coupled with 421-a** is correlated with a significantly longer lease-up time.

## 130% of AMI

**No significant correlation** between presence of 130% AMI units and lease-up times observed in available data.

## Borough-level effects

**Manhattan and Brooklyn experienced markedly longer lease-up times**—roughly 50% longer than Bronx or Queens. Borough was the most significant driver of lease-up time when controlling for other factors



**L** Average time in months between 95% of units leased and TCO/CO for a lottery

**U** Average time in months between lease-up and TCO/CO for individual units

\* Insufficient data to make statistically reliable determinations.



# CONCLUSION

The City's severe housing shortage and growing homelessness crisis add urgency to lottery reform. The work summarized in this Addendum helps to chart a course forward by quantifying lease-up durations and suggesting areas for further exploration.

CHPC's analysis has been limited to describing the length of the lease-up process and potential factors related to delays using the available data. Further study should include detailed process analysis, solicitation of continuing stakeholder input, and monitoring of outcomes. Collection and maintenance of detailed and reliable lottery information is necessary for making effective, evidence-based reforms.

Processes as complex as lease-up require the ability to monitor and adapt procedures on an ongoing basis. The technology and tech procurement processes Housing Connect relies on do not allow for such nimbleness. As the City aims to improve the lease-up process and, as we recommend, pilot alternative processes, it should establish a more agile and adaptable process for the development of supporting technology.



# CONCLUSION: RECOMMENDATIONS

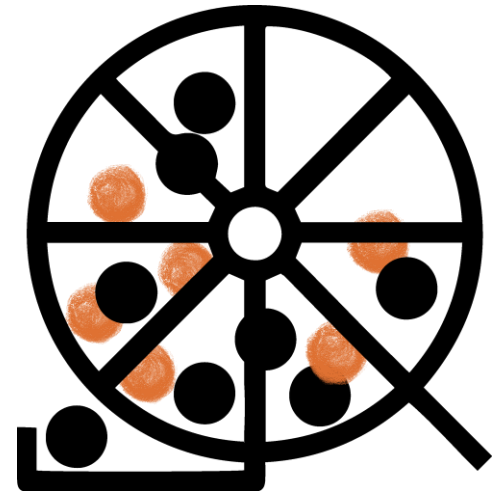
Evidence from this research supports the following recommendations to speed the placement of residents into affordable units:

## 1. Expand and explore additional alternative models for affordable housing placements

- Implement audit-based income verification (as outlined in Housing Our Neighbors blueprint)
- Pilot an audit-based placement system administered by marketing agents
- Identify opportunities to expand pre-qualification of applicants
- CHPC to conduct additional international comparative research on placement practices

## 2. Conduct further analysis to identify causes of long lease up-times

- Interviews with developers and managing agents to better understand the key difficulties with the lease-up process
- Assessment of interactions between the lease-up process and procedural requirements of other programs (e.g., 421a)
- Build on MMR changes with improved data management and availability to support ongoing monitoring and process improvement – including evaluation of pilot results



# ACKNOWLEDGEMENTS

CHPC is grateful for the generous support of:



Deutsche Bank



Additional thanks to the following offices and agencies for their contributions to this work:

NYC Mayor's Office

NYC Department of Housing Preservation and Development (HPD)

NYC Housing Development Corporation (HDC)