

## AFFORDABLE HOMEOWNERSHIP AND THE '\$1 BILLION PROMISE'

A roundup of springtime news in affordable housing: Encouraging production ... tracking units' status ... and paying for it all. > *By Casey Samulski and Rachel Nielsen*

### Producing affordable housing

One year ago, city officials made a promise to Harlem residents during the process of rezoning 125th Street: That in the near future, measures to encourage affordable homeownership would be implemented. While the rezoning included features to create more affordable housing, those units came with the limitation of being rental only.

This February, the city Department of Housing Preservation and Development and the Department of City Planning made good on that promise by starting the public review of an amendment to the inclusionary housing program that provides an affordable homeownership option.

The inclusionary program gives developers increased height and floor area ratio – FAR, or the ratio of floor area to the size of the lot – in return for the creation or preservation of affordable housing. These incentives help create affordable units in otherwise market-rate developments, recruiting private developers to help reach the Bloomberg administration's goal of generating 165,000 units of affordable housing.

City Planning Commissioner Amanda Burden said in a public statement, “We will be offering new opportunities for New Yorkers who want to invest in their neighborhoods to earn a safe and significant return at an affordable price.”

Officials from HPD and DCP have been making the rounds to community board meetings to explain these changes as part of the amendment's public review process. (Comments may be mailed to the City Planning Commission, Calendar Information Office - Room 2E, 22 Reade Street, New York, N.Y. 10007, or faxed to (212) 720-3219 by Monday, April 27.) At a meeting of Brooklyn CB1 on March 17 at a Greenpoint seniors center, the idea was received positively, though there were some concerns over the technicalities of the plan.

The recently approved East Village/Lower East Side rezoning and the ongoing Greenpoint/Williamsburg contextual rezoning offer inclusionary bonuses that would be altered under the new zoning amendment, creating new opportunities for middle- and lower-income individuals to become homeowners in their own neighborhoods.

One limitation of the inclusionary program is that it is subject to overall market conditions. Taking advantage of it effectively requires a larger investment into a larger building and as such, fewer developers may utilize it until the housing market stabilizes and new construction picks up again. But “We're implementing the framework now for when the market comes back,” HPD Deputy Commissioner for Development Holly Leicht said in an interview.

Brad Lander, a senior fellow at the Pratt Center for Community Development (he stepped down from the director position recently to focus on his run for City Council), said that while current market conditions may not be conducive to the aims of the inclusionary program, he thinks expanding it is a “good strategy” for affordable homeownership. Despite his concerns about the present, Lander said, “This is a program that's going to have value over the next several decades.”

HPD plans to ensure affordability over the long term by limiting the sales price appreciation of affordable homes to a maximum of 5 percent per year, with a chance to revise this limit every two years for inflation and other factors. For the first sale, the base income eligibility for buying an affordable unit is set at 80 percent of the Area Median Income (AMI).

At resale, the new buyer is qualified by measuring the monthly costs of the property. Assuming a 10 percent down payment, mortgage costs plus maintenance and taxes are calculated to determine the month-to-month expense. Potential buyers must be spending roughly 30 percent of their income on the month-to-month expenses to qualify.

The sales price limit coupled with initial income requirement creates a smooth curve of eligibility because income averages for New York also tend to increase at a little less than five percent per year. According to HPD's projections, 15 years later, the eligibility limit would only move up to 81 percent AMI. And even after 100 years of similar increase the unit would not reach the maximum eligibility of 125 percent AMI.

Susan Albrecht, co-chair of the board of directors for Neighbors Allied for Good Growth, a community group in Brooklyn's CB1, said she liked the proposal's model for long-term affordability, but didn't think the math added up for developers. "They talk about a family of four earning \$54,000, paying \$1,300 a month, and that adds up to an apartment of \$150,000. You can't build a [two-bedroom] apartment for \$150,000," Albrecht said.

However, the amendment is also easing cost requirements by revising debt restrictions on the affordable units, allowing the developer to still have construction loans on the unit while marketing it. And under the updated rules for R10 zonings, developers can now opt for government subsidies to help cover costs in exchange for a reduced bonus (1.25 extra square feet for every square foot of affordable housing.)

Leicht from HPD acknowledged that the current credit crisis would have an effect, at least for the time being. In discussing the homeownership option, Leicht said, "general bank reticence may not make it the most utilized portion of the program."

Although the financial crisis has thrown a wrench in the plans of housing developers, HPD says its precautions in dealing with buyers have largely insulated it from the fallout of the mortgage crisis. Miriam Colón, assistant commissioner for housing initiatives at HPD, said that a rigorous homebuyer approval process coupled with homeownership education courses required of buyers had created an environment where debt delinquency was virtually a non-issue. Case in point: out of the current 17,000 affordable homes under HPD oversight, there have been only five foreclosures. – CS

### **Tracking it –**

HPD also has launched a three-year project, as a partner to the Furman Center for Real Estate and Urban Policy at NYU, to track all of the affordable housing units in the city, particularly those at risk of converting to market rate.

With funding from the MacArthur Foundation, the Furman Center will be coordinating with city agencies and nonprofits to create a database monitoring affordable housing units and analyzing the factors that contribute to the loss of affordability. By this time next year, the lion's share of the information will be available, free to the general public.

The Preservation Data Project will help city agencies and other organizations to coordinate their efforts in identifying "at-risk" properties, specifically those with the best potential for preserving their lower rents. Until the database is open in March 2010, the center will concentrate on gathering the necessary data and beta testing the system so that it's ready for the roll-out, said Furman director Vicky Been.

Been said the project was commissioned by HPD because the decentralized nature of preserving affordable units has not worked efficiently. Different agencies and advocates follow different sources of information, leading to different conclusions about how to preserve affordable housing – or if it's even possible for a given development.

"You might learn of one program from one source, and one program from another source. And mistakes were being made," Been said. In some cases it was learned after the fact that units could have been preserved under certain provisions that had expired. "Later," she said, "it was shown that another restriction was in play that could have been used to prevent the expiration."

Now the Furman Center will function as a "neutral third party," providing equal information access to all those interested in preservation of affordable units, whether they're tenants, developers, agencies or advocates. Furman spokeswoman Amy Armstrong notes that a portion of the data, considered proprietary, will be available only to members of the interagency working group: HPD, HUD, the Housing Development Corporation, the Housing Finance Agency, and the state Division of Housing and Community Renewal.

With this database, the center will help identify those units that will be easiest to preserve and help keep attention focused on buildings with the highest chance of success at preservation. At the same time, it will search for buildings at the highest risk of not renewing their subsidies and converting to market rate by examining the units' prices relative to the rest of the neighborhood, the goals of owners, and the potential cost of conversion.

Carefully weighing and examining these factors will also create measures to judge the effectiveness of preservation efforts, which Been says will improve efficiency and understanding of the affordable housing system.

"We'll be able to look at trends: what's working, what's taking more time, what's costing more," she said.

Also of note in the world of housing- and planning-related information, is the new [NYC Community Data Portal](#) at the DCP website. It cross-references a wealth of U.S. Census and other demographic information with planning and zoning activity, by community district or neighborhood. – CS

## – And paying for it

Amid an arid landscape of cost-saving and cutbacks, Enterprise Community Partners has marked a milestone in local investment. The national nonprofit that provides capital and expertise to affordable housing projects announced recently that it had contributed the \$1 billion it committed five years ago to increasing New York City's stock of affordable housing.

Mayor Bloomberg's New Housing Marketplace Plan is designed to preserve or create 165,000 units of affordable housing by 2013, and the "Enterprise Billion Dollar Promise" helped it reach the midpoint by fall 2008, according to a statement released last month. The Bloomberg administration calls Enterprise "instrumental" in allowing the administration to reach the halfway mark of 82,500 units on time. That milestone was announced in September, when Bloomberg and then-HPD Commissioner (now HUD Secretary) Shaun Donovan released an interim [report](#).

In Jan. 2004, Enterprise launched its "Promise," aiming to invest \$1 billion for 15,000 affordable homes. The Maryland-based nonprofit ended up investing slightly more in this New York City project, about \$1.1 billion, and generating 16,000 affordable units. On top of the investment, Enterprise teamed with HPD and the city's Housing Development Corporation agency to leverage \$2.1 billion in "affordable housing development capital," according to Enterprise.

Equity investment in the Billion Dollar Promise, in which financial institutions invest directly in the housing complexes through the Low-Income Housing Tax Credit program, came from "a host of" corporations, said Enterprise Executive Vice President Bill Frey. Those included companies such as JPMorgan Chase & Co., Citi and HSBC Bank, said Frey. In addition, there were major foundations that served as partners, and a number of corporations provided loans through Enterprise's community loan fund or through other partners, he said.

Surprisingly, his organization was able to raise capital through the end of last year, Frey said. Asked why the credit crisis did not present an obstacle, Frey estimated that Enterprise's "very long track record" in affordable housing financing was key. "We are able to invest the capital well," he said.

Marc Jahr, president of the city's Housing Development Corporation said in the administration press release that the initiative played "a pivotal role" in developing "permanent affordable housing...particularly during a time when a premium was placed on the development of luxury housing."

From the launch of the New Housing Marketplace Plan through Jan. 2009, the city has financed 84,903 units, HPD spokeswoman Miriam Solis said.

The Billion Dollar Promise project resulted in the construction of more than 12,000 new units and the preservation of about 4,000 units in New York City. One partner was the Fordham Bedford Housing Corporation – a Bronx community developer that manages about 100 buildings with nearly 3,000 apartments – with which Enterprise built Serviam Gardens, a complex for low-income seniors. Another apartment building constructed under the "Promise" initiative was Jacob's Place, an environmentally friendly [building](#) for low-income families that opened a little over a year ago. – RN

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