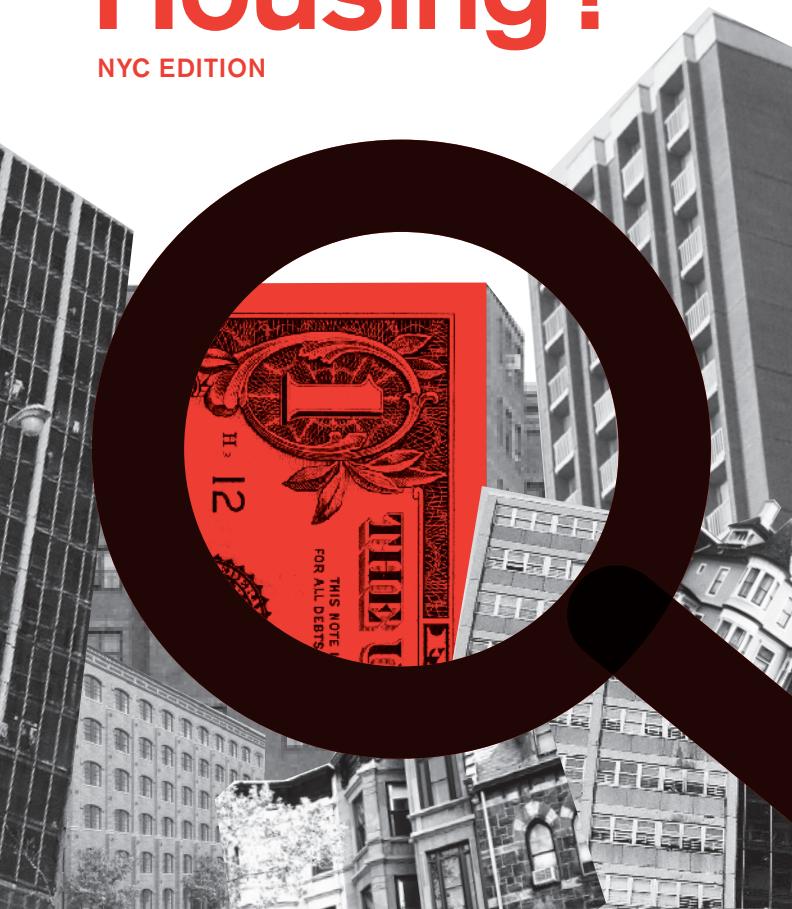


ENVISIONING DEVELOPMENT / Guide No. 1

# What Is Affordable Housing?

NYC EDITION



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“What Is Affordable Housing?”  
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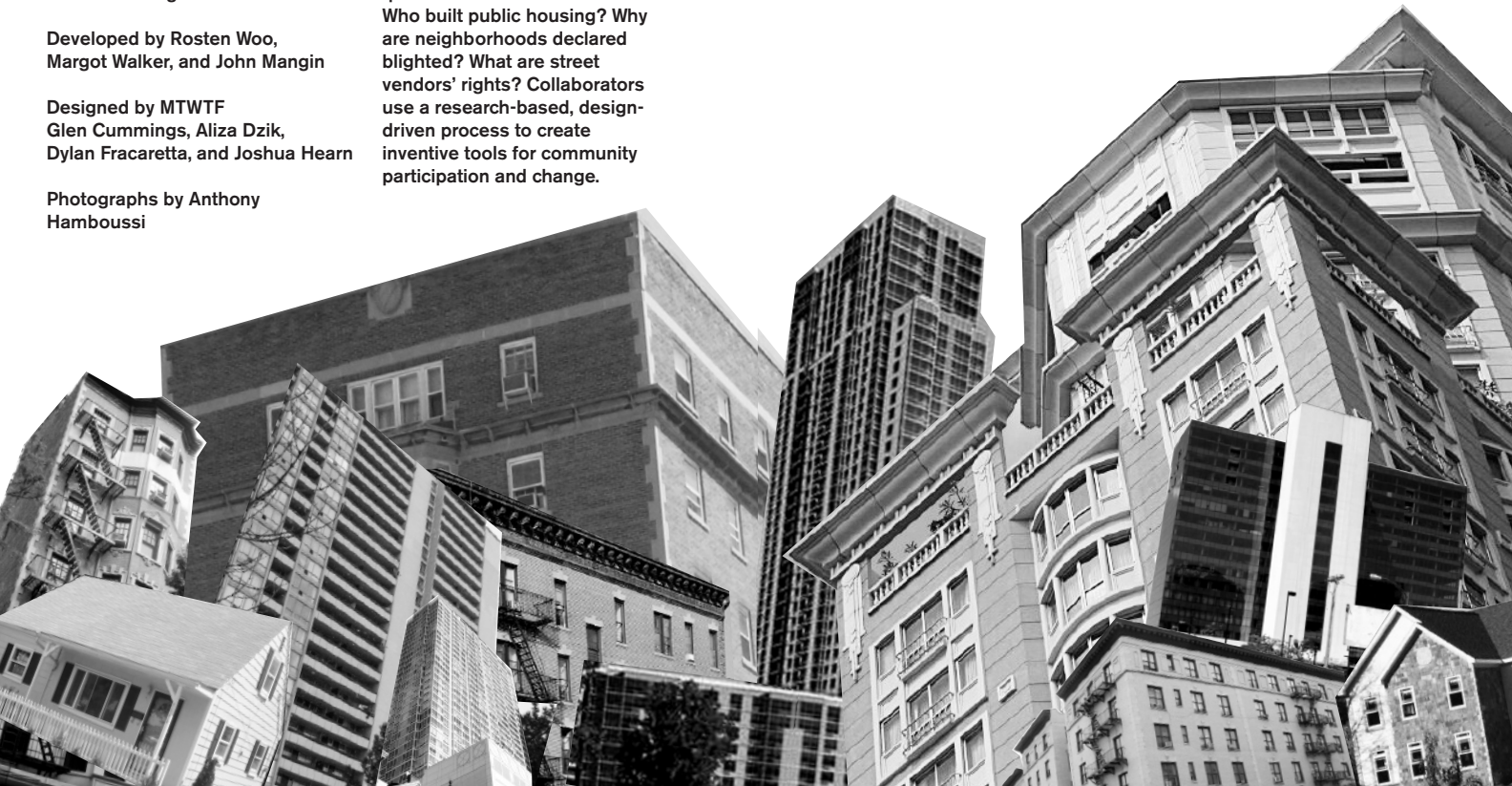
Photographs by Anthony  
Hamboussi

The Center for Urban Pedagogy  
(CUP) is a Brooklyn-based  
nonprofit organization that uses  
the power of art and visual  
culture to increase the quality  
of public participation in urban  
planning and community design.  
CUP collaborates with designers,  
educators, advocates, and  
community residents on edu-  
cational projects to improve  
urban life in New York City and  
beyond.

CUP projects begin with  
questions about how cities work:  
Who built public housing? Why  
are neighborhoods declared  
blighted? What are street  
vendors' rights? Collaborators  
use a research-based, design-  
driven process to create  
inventive tools for community  
participation and change.

# What Is Affordable Housing?

NYC EDITION



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State of the Arts



NYSCA



NATIONAL  
ENDOWMENT  
FOR THE ARTS

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# What Is Affordable Housing?



NEW YORK  
HOUSING AUTHORITY

IMPORTANT: No payment  
filing or



§ 36501.9  
An inch is the standard  
unit of...

§ 23381.01  
Affordable housing  
is defined as housing  
that is officially under  
the...



§ 22601.1  
Garbage will be  
removed on...

§ 52604.6  
The speed limit on  
federal roads shall not  
exceed 65 mph...

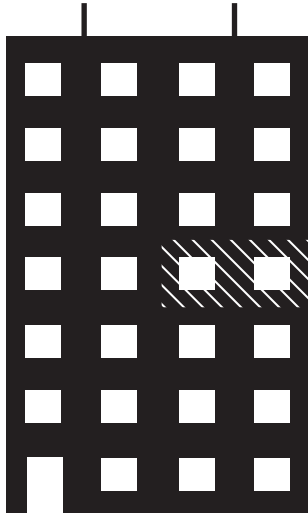
**What do people mean  
when they say “affordable  
housing?”**

**Affordable to whom?**

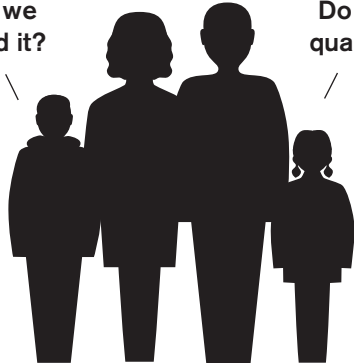
**In the context of planning  
and real estate development,  
words like “affordable  
housing” and “low-income  
housing” have very  
specific meanings that come  
from the government.\***

**\*Lots of these words are in the glossary. Check it out!**

# AFFORDABLE HOUSING



Can we  
afford it?



Do we  
qualify?

**You might hear about a new building with “affordable housing” in it and find out that you could never afford that housing.**

**Or you might find out that you earn too much to qualify for that housing.**

**This guide will help you understand what it means when people call housing “affordable”!**

IF, THEN  
/



**The government definition determines which families are eligible to live in certain housing developments, and also what a housing developer has to do to get government subsidies.**

WHAT

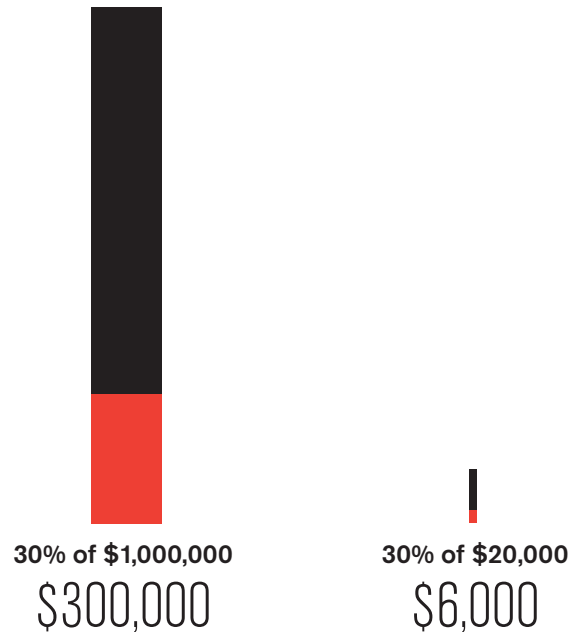
IS

AFFORDABLE

HOUSING?



The government says housing is “affordable” if a family spends no more than 30% of their income to live there. This threshold is called “affordable rent burden.” But 30% of \$1 million is very different from 30% of \$20,000.







When the government says “affordable housing,” it means affordable for families in the middle or at the lower end of the income scale.

But which families exactly?

The government calculates income limits for affordable housing programs using something called Median Family Income, or MFI. This is also known as Area Median Income, or AMI.

What’s MFI?

Turn the page!

WHAT

IS

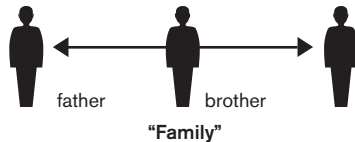


Half the people make less than the median.

The median income is the income in the middle.

Half the people make more than the median.

A family, by the government's definition, is two or more people living together and related by birth, marriage, or adoption. That's different from a household, which is just anybody living together or a person living alone.



All families are households, but not vice versa.

Family income is the combined income of everyone in the family.



\$50K Family Income

AFFORDABLE

HOUSING?

The Median Family Income is what the family right in the middle of the income distribution earns. By definition, half the families earn more and half the families earn less.

MFI isn't the average income, just the income in the middle of the distribution.

The government uses MFI to create income categories. Each category is a percentage range based on MFI.

Let's say the MFI for a family of four is \$50,000. Then the income categories are:

MEMO

EXTREMELY LOW INCOME

0% TO 30% OF MFI = \$0 TO \$15,000

VERY LOW INCOME

30% TO 50% OF MFI = \$15,000 TO \$25,000

LOW INCOME

50% TO 80% OF MFI = \$25,000 TO \$40,000

REMEMBER 100% OF MFI IS \$50,000

MODERATE INCOME

80% TO 120% OF MFI = \$40,000 TO \$60,000

MIDDLE INCOME

120% TO 250% OF MFI = \$60,000 TO \$125,000

HIGH INCOME

250% OF MFI AND UP = \$125,000 TO ?!?!?!?

—B53—

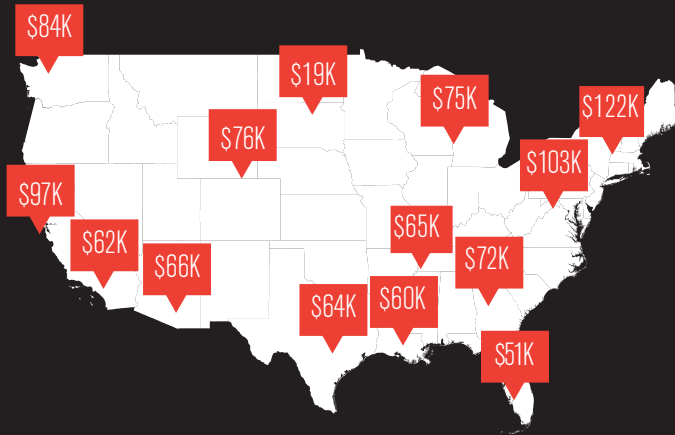
Different affordable housing programs target different income categories.

We'll learn more about affordable housing programs later in the book, but here are a few programs you might be familiar with, along with the income categories they target:

Public Housing  
"Low income" and less

Section 8  
"Very low income" and less

80/20  
"Very low income"



Because housing costs and incomes vary from place to place, the government divides the country into almost 1,000 different areas and calculates a separate MFI for each.

## MFI FOR FAMILY OF 4

### Highest

Stamford-Norwalk, CT \$122,300

### Lowest

Buffalo County, SD \$19,000

### Rural Areas

McDowell County, WV \$27,200

Clay County, KY \$24,400

Nome, AK \$57,000

Lee County, AR \$32,800

Casper, WY \$64,300

### Big Cities

Los Angeles \$62,100

Miami \$50,500

Chicago \$74,900

Houston \$63,800

Philadelphia \$77,800

Phoenix \$65,900

Denver \$76,000

San Francisco \$96,800

Seattle \$84,300

Washington, DC \$102,700

Atlanta \$71,700

New Orleans \$59,800

Nashville \$64,900

WHAT

IS



USA

\$64,000



New York State

\$67,900



New York City

\$61,600



Brooklyn

\$49,000



Manhattan

\$75,000



Bronx

\$38,000



Queens

\$61,000



Staten Island

\$83,000

AFFORDABLE

HOUSING?

Here are the actual MFI's for the country, state, and city...

Here are approximate MFI's for the five boroughs...

But to determine eligibility for affordable housing programs in New York, the government looks at the MFI for something called the New York Metro Area, which includes the five boroughs plus Putnam County.

So, what's the MFI for the New York Metro Area?



In the New York Metro Area,  
the MFI for a family of four  
is \$76,800!\*

\*NYC is one of a few areas where housing is so expensive that the government adjusts the income categories upward so that more families (and developers) can qualify for affordable housing subsidies. If you want to see exactly where the government gets that number, see "Adjusting MFI" on p.119. That section also explains how MFI changes for larger or smaller families.

Why is Putnam County included in the New York Metro Area, but not, say, Westchester or Rockland counties? Well, the borders of the area are determined by federal legislators. Suburban counties might lobby to be excluded from a predominantly urban area. That way, eligibility for affordable housing programs in the suburbs can be based on a different (and usually higher) MFI. This means that the "affordable housing" there will have higher rents and house higher income families than the "affordable housing" in the city.

The MFI for the New York Metro Area is \$76,800.  
Here are the income categories:

MEMO

EXTREMELY LOW INCOME

0% TO 30% OF MFI = \$0 TO \$23,050

VERY LOW INCOME

30% TO 50% OF MFI = \$23,050 TO \$38,400

LOW INCOME

50% TO 80% OF MFI = \$38,400 TO \$61,450

REMEMBER 100% OF MFI IS \$76,800

MODERATE INCOME

80% TO 120% OF MFI = \$61,450 TO \$92,150

MIDDLE INCOME

120% TO 250% OF MFI = \$92,150 TO \$192,000

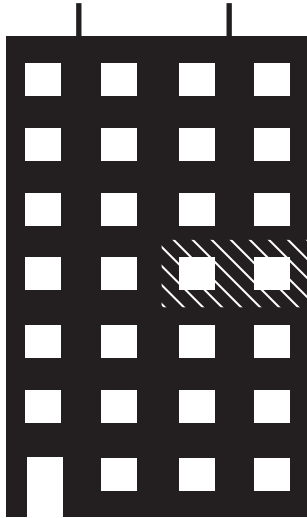
HIGH INCOME

250% OF MFI AND UP = \$192,000 TO ?!?!?!?

—B57—

Here's the income categories for the New York Metro Area. Depending on the context, the term "affordable housing" could mean housing for people in all but the "high income" category. As you can see, this is a very wide range.

# AFFORDABLE HOUSING



To Whom?



When you hear the term “affordable housing,” it’s important to ask: “Affordable to whom?”

The term doesn’t mean much unless you find out.

Middle income families?  
Moderate income families?  
Low income families?  
Very low income families?  
Extremely low income families?

Remember, each affordable housing program uses these categories to determine which families qualify and what the rents can be.



WHAT

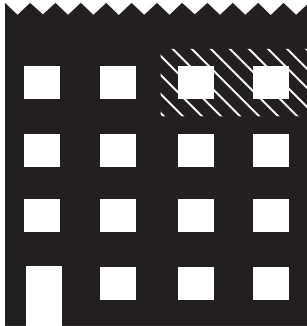
IS

AFFORDABLE

HOUSING?



You must pay \$1500 per month



You must make \$61,450 or less per year

Imagine an apartment that rents for \$1500. It's part of an affordable housing plan for low income families.

Now imagine three families with the incomes shown at left.

That's Affordable And We Qualify!

"Not affordable for us"



Extremely Low Income  
\$23,050 is this family's annual income. That means they make about \$1,920 each month. This means that they can "afford" to spend \$575 per month on housing.

"We don't qualify"



Moderate Income  
\$92,150 is this family's annual income. That means they make about \$7,680 each month. This means that they can "afford" to spend \$2,300 per month on housing.



Low Income  
\$61,450 is this family's annual income. That means they make about \$5,120 each month. This means that they can "afford" to spend \$1,535 per month on housing.

Two of these families qualify for this apartment.

Two of these families can afford this apartment.

But this apartment is only going to work for one of these families.

WHAT



FAMILIES

IS



DEVELOPERS

AFFORDABLE

HOUSING?

Let's take a closer look at how these affordable housing programs work.

Some affordable housing programs give subsidies directly to families so that they can afford their housing.

Other affordable housing programs give subsidies to developers or landlords so that they'll provide housing that families can afford.



**Government strategies to create affordable housing have changed a lot over the years.**

**Starting in the 1930's, the government just built, owned, and maintained the housing itself. Much of this "public housing" still exists, but the government hasn't built any more of it since 1974.**

**In the 1970's, the government started giving subsidies to families to find their own housing from private landlords. These are the "Section 8" vouchers you might have heard about.**

WHAT

IS

TODAY



AFFORDABLE

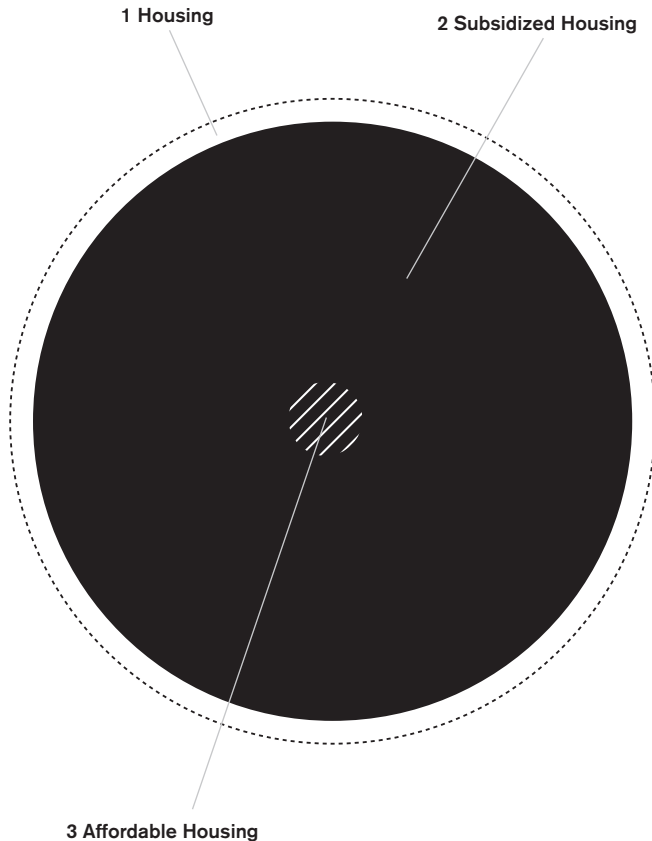
HOUSING?

Today, programs for tenants – like Public Housing and Section 8 – are shrinking or stagnant. Most newer affordable housing programs are directed to private investors and developers. The government uses tax incentives, low-interest loans, and other subsidies to encourage them to create affordable housing.

TOMORROW



As you can see, government strategies have changed over time, largely in response to political pressure. Who knows what affordable housing policy will look like in the future?



**In the next section of this book, you'll find explanations of some of the most common housing subsidy programs.**

**But look out – subsidized housing is not the same as affordable housing.**

**Almost all affordable housing is subsidized, but not all subsidized housing is affordable.**

**The government subsidizes housing for almost everybody, including very wealthy people.**

# A Guide to Subsidized and Regulated Housing in NYC

## The Private Sector

The government used to build and run affordable housing all by itself. Newer generations of programs rely on partnerships between the government and the private sector. Let's take a look at some of the players:



Family: The occupants of the housing



Developer: The person who assembles the land, gets the financing, and hires the architects and contractors to build or rehabilitate a building



Landlord: The person who owns the building and collects rent from tenants as part of his or her income



Investor: The person who buys bonds or invests money in housing development in order to make a profit

## The Government

Here are the three levels of government that play a role in affordable housing programs:

USA

**Federal:** The Department of Housing and Urban Development, aka HUD, is the source of much of the funding and many of the guidelines that structure the major affordable housing programs across the country.

The Internal Revenue Service, aka IRS, collects taxes. It's involved because many affordable housing subsidies operate as tax breaks for developers.

NY

**State:** The Division of Housing and Community Renewal, aka DHCR, is the agency that oversees the creation and administration of affordable housing in the state.

The Housing Finance Agency, aka HFA, can issue bonds to finance housing development and arrange for loans that make it cheaper for developers to build.

DHCR and HFA also administer some federal programs in rural parts of the state.

NYC

**City:** New York City Housing Authority, aka NYCHA, is the local housing authority. It's the largest housing authority in the United States! NYCHA isn't exactly a city agency, though – authorities are quasi-governmental organizations created for specific public purposes, like building bridges or, in this case, managing public housing.

The Department of Housing Preservation and Development, aka HPD, is the agency that oversees the creation and administration of affordable housing in the city. It has a role in administering federal, state, and city affordable housing programs in NYC. Note: People confuse HPD with NYCHA, but they're NOT the same!

The Department of City Planning, aka DCP, administers the city's zoning code, which plays a role in affordable housing development under new city programs.

The Rent Guidelines Board, aka RGB, is a nine-member, mayor-appointed board that sets rent increases for the city's rent-stabilized apartments.

## Variables

These variables define and distinguish the housing programs that follow in the section ahead:



**Players:** The diagram shows the players involved in the program.



**Income qualification:** The shaded portion of the bar indicates the income categories that qualify.



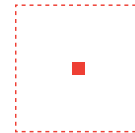
**Rent:** Some programs set rent as a percentage of tenant income, and other programs allow the landlord to set rents within certain guidelines.



**Waiting list:** Many programs require applicants to be put on waiting lists.



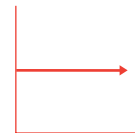
**Lottery:** Some programs are run by lottery instead of waiting list.



**Unit:** The size of the solid shape is proportional to the number of units in the program. The dotted border represents 1 million units!

\$100M

**Cost:** The number indicates cost, in millions or billions of dollars.



**Status:** The direction of the arrow indicates whether the program is adding or losing units.



Public Housing started here, with First Houses.

Public Housing, Lower East Side



## Public Housing

In traditional public housing, a municipal housing authority uses federal funding to build and operate affordable housing. New York was the first city in the nation to create public housing – First Houses on Avenue A, built in 1935. The national program started with the Housing Act of 1937.



How does it work? The federal government (HUD) gives money to the local housing authority (NYCHA) that manages and maintains the buildings, collects rent, and helps to decide who lives there.



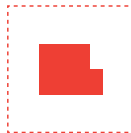
How does a family qualify? Families have to earn 80% or less of MFI to get in, but they won't get kicked out of public housing if they start to earn more than 80% later. In NYC, 80% of MFI is \$61,450 for a family of four. NYC presently reserves half of all openings for “working families” at the higher end of the eligibility scale.



How much does a family pay? Families in public housing pay 30% of their income up to a “flat rent” based on market rents.



How long is the waiting list? About 8 years long!



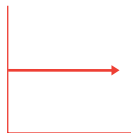
How many units? About 180,000. About 400,000 New Yorkers live in public housing – that's 1 in 20 people!

\$1.9B

How much does it cost? The federal government spends about \$4.2 billion nationally. New York City spends about \$1.9 billion. A big portion of the budget comes from rent, and a little comes from the state and the city.



How long does it last? Public housing units are PERMANENTLY affordable – at least until they get torn down.



Status: In 1974, President Nixon declared a federal moratorium on public housing construction. Most of the public housing that had been constructed is still around, but no more is being constructed. If units are demolished, they are not replaced.



Section 8, Hamilton Heights

## Tenant-Based Section 8

Section 8 is a program that gives low-income families vouchers to help pay their rent on the private market. In NYC today, it's almost impossible to get Section 8 unless you belong to certain groups – domestic violence victims, referrals from Children's Services, or participants in the witness protection program.



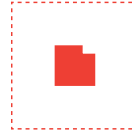
How does it work? The federal government (HUD) gives money to local housing agencies, which give vouchers to individual families. Families give the vouchers to landlords to cover a portion of their rent. Landlords redeem the vouchers for cash.

How does a family qualify? Local housing agencies can set the upper income limit between 50% and 80% of MFI. NYCHA and HPD set the limit at 50%. But a family also has to find an apartment that rents for the right amount and a landlord who is willing to take the voucher.

How much does a family pay? Most families pay 30% of their income on housing and the voucher covers the rest. The government sets an upper limit on how expensive a Section 8 recipient's apartment can be. This figure is called "Fair Market Rent." (See glossary.)



How long is the waiting list? About 8 years, and the list is currently closed. The list has about 130,000 families!

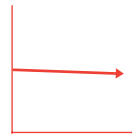


How many units? About 83,000 families (around 270,000 people) get vouchers in New York City. That's the biggest Section 8 program in the country!

\$900M

How much does it cost? The federal government will spend about \$16 billion on the program this year, with about \$900 million of that going to New York City.

How long does it last? Once a family qualifies for Section 8, they can stay in the program until 30% of their income can pay for the entire rent (and no voucher is needed to make up the difference).



Status: This program does not build units; it just makes existing units more affordable. Funding for the program is pretty flat; the total number of families in the program will stay about the same or shrink unless something changes.

Manhattan Plaza was supposed to be market rate, but went Section 8 when the developer went bankrupt.



Project-Based Section 8, Hell's Kitchen

## Project-Based Section 8

In Project-Based Section 8, HUD contracts with private landlords who agree to set aside some of their units for qualifying families. This version of Section 8 attaches to particular buildings. Unlike tenant-based Section 8, participating families can't take a project-based subsidy and move somewhere else.

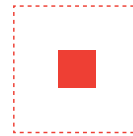


How does the program work? HUD gives subsidies to private landlords who dedicate a portion of the units in a building to Section 8 recipients.

How does a family qualify? In New York City, they have to earn 50% or less of MFI.

How much does a family pay? It's the same as the tenant-based program. Most families pay 30% of their income toward rent, and the project-based subsidy covers the rest.

How long is the waiting list? There's a separate waiting list for each project-based building. Families can apply to as many buildings as they want.



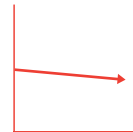
How many units? About 90,000 units are covered by the program – but tens of thousands of units are at risk as contracts expire!

\$500M

How much does it cost? HUD allocates over \$500 million of its nearly \$7 billion Project-Based Section 8 Budget for units in New York City.

10+YEARS

How long does it last? A typical contract length for landlords is 10 or 20 years. Landlords can renew for additional terms ranging from a few months to years. For families, it's like tenant-based Section 8 – they can stay in the program until 30% of their income pays the entire rent.



Status: The number of units in the program is flat. While thousands of units are at risk, HUD typically negotiates increased subsidies with landlords of expiring buildings so that they'll agree to stay in the program.



Rent Stabilization, Flatbush

## Rent Stabilization

Rent stabilization is a state law that limits how much landlords can increase rents from year to year. It started in 1969, and applies to pre-1974 buildings, and to some post-1974 buildings that got tax breaks under other housing programs. (There's an older rent control law from 1943, but it covers fewer than 50,000 units and is shrinking fast.)



How does it work? For apartments covered by rent stabilization, landlords are only allowed to increase rents by a certain percentage each year and are not allowed to evict tenants without cause (e.g., just to find a higher-paying tenant). The Rent Guidelines Board meets every year to look at costs for landlords and tenants and then meets publicly to set a maximum percentage for rent increases. It's usually between 3% and 5%. The law also requires landlords to provide certain services and make repairs.

How does a family qualify? Under rent stabilization, families have to earn less than \$175,000. The apartment must be in a qualifying building and rent for less than \$2000 per month.

How much does a family pay? Rents will vary, but rents in stabilized apartments

are generally less than \$2000 per month. Rents don't vary with family income.

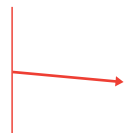


How many units? Rent stabilization covers just over a million units in New York City. That's about half of all rental units.

How much does it cost? Most of the costs are borne by landlords in the form of lower rents, though the program has enforcement and administrative costs for the city and state.

How long does it last? The program lasts until the apartment's rent reaches \$2000 and the tenant moves out. Landlords can increase rents by 20% when an apartment is vacated; they can also add 1/40 of any renovation costs to the rent. (That is, a \$4000 renovation would enable a landlord to increase rent by an additional \$100 per month.) Landlords often use a combination of vacancy and renovation to get units out of the program.

\$2000



Status: The program covers buildings that were built up to 1974. Around 10,000 units leave the program every year, and very few units are brought into the program, so rent stabilization is shrinking.



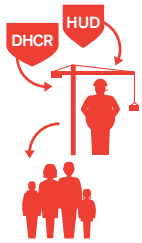
Co-op City is the largest cooperative housing development in the world.

Mitchell-Lama, Co-op City



# Mitchell-Lama

Mitchell-Lama is a program of low-interest mortgages, tax breaks, and other subsidies for developers and landlords who agree to certain affordability requirements for their apartments. Mitchell-Lama targets mostly moderate and middle income families. It started in 1955.



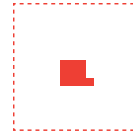
How does the program work? The city and state provide subsidies to developers who agree to build housing with limits on profits, rents, and residents' income. The developments are regulated by DHCR and HPD.

How does a family qualify? The income limits for Mitchell-Lama buildings are based on rents, and so they vary from building to building. In most cases, a family's income must be less than seven times the annual rent for the family to qualify. Rents, in turn, are limited by a building's operating expenses. Developers can only charge rents that cover operating costs and give a set rate of return.

How long is the waiting list? Buildings have separate waiting lists. Waiting lists for some buildings are closed because they're so long; waiting lists for other buildings are open but years and years long.

INCOME  
<  
7 x RENT

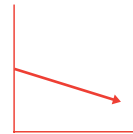
LONG!



How many units? There are 101 Mitchell-Lama developments in New York City with about 46,000 units. (That's rentals only. A separate program of Mitchell-Lama co-ops includes about 60,000 owner-occupied units.)

How long does it last? Coverage usually expires after 30 years. After 20 years, landlords can pay off the mortgage and remove the building from the program. If the building was built before 1974, it goes into the rent stabilization program when it leaves the Mitchell-Lama program.

20+YEARS



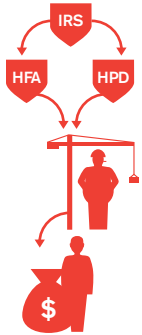
Status: No more units are being constructed and thousands of units leave the program every year as coverage expires, landlords opt out, or buildings get sold to landlords who want to convert the buildings to market-rate housing.



Low-Income Housing Tax Credits, East Harlem

## Low-Income Housing Tax Credits

LIHTC gives tax breaks to developers who agree to set aside parts of their developments for lower income families. The program started in 1986.



How does it work? The federal government gives tax credits to state and local allocating agencies, and then private developers apply for the credits through a competitive points system. Since many affordable housing developers are nonprofits with limited use for tax credits, recipients of LIHTC are allowed to syndicate, or sell, the credits to private investors.

How does a developer qualify? Under the basic formula, developers in New York City have to make 20% of the units in a development affordable to families earning 50% or less of MFI. They also have the option to make 25% of units affordable for families at 60% of MFI, OR 15% of units affordable for families at 40% of MFI.

How much does a family pay? Rents have to be affordable to families in the targeted income categories. Let's look at an example: a family of four at 50% of MFI makes \$38,400; 30% of



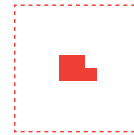
MFI

\$960

that is \$960 per month. That would be the maximum rent for an apartment for a family of four. The maximum rent would be adjusted up (to \$1150) or down (to \$770) if the targeted families were at 60% or 40% of MFI.



How long is the waiting list? LIHTC uses a lottery for each building rather than a program-wide waiting list.



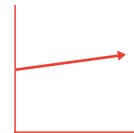
How many units? The program has created about 25,000 affordable units since 1988.

\$13M

How much does it cost? The federal government will allocate over \$500 million in tax credits this year. New York City will get about \$13 million of that.

30+YEARS

How long does it last? Developers usually have to keep their units affordable for at least 30 years.



Status: Compared to public housing and Section 8, this program is politically popular. Most new affordable housing around the country is created with LIHTC.

IS

THIS

AFFORDABLE

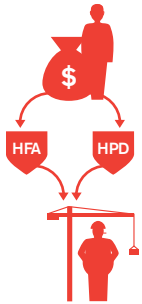
HOUSING?



80/20, Upper East Side

## 80/20

The 80/20 New Construction Housing program is a state and city program that gives low-cost financing and property tax breaks to developers who set aside at least 20% of the units in their building for lower income families. It was started in 1984.



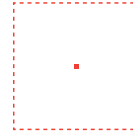
How does it work? The state and city sell tax-exempt and taxable bonds to third-party investors. The state and city then loan the money they got from selling bonds to qualifying developers at below-market interest rates, saving the developers money. Developers often pair this program with subsidies from the LIHTC program.

How does a developer qualify? In New York City, the requirements for 80/20 and the LIHTC are similar: 20% of units for very low income families, OR 25% of units for families earning 60% of MFI.



\$960

How much does a family pay? Rents have to be affordable to families in the targeted income categories. Maximum rent would be \$960 for an apartment for a family of four at 50% of MFI, and \$1150 for an apartment for a family of four at 60% of MFI.



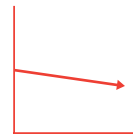
How long is the waiting list? This program uses a lottery system for each building.

How many units? It's hard to say – units enter and leave the program, and the state and city administer separate programs. A recent survey found a couple thousand units.

How much does it cost? The program issued \$400 million in bonds in 2008, but the true costs of this program come from forgone taxes, interest payments to bondholders, and loan subsidies for developers. It's not easy to calculate the total.

How long does it last? The units have to stay affordable for the life of the bonds and tax breaks – typically 15 to 30 years. Developers who agree to make their units permanently affordable get favorable treatment.

15+YEARS



Status: Although this program is still generating units, many of the older units are aging out of the program. The state is cutting back on 80/20 in favor of more efficient affordable housing programs.

IS

THIS

AFFORDABLE

HOUSING?



421A, Lower East Side

## 421A

This is a city-run, state-financed program that gives property tax breaks to developers of residential buildings. The program originally subsidized all residential development in the city, but it's been modified over the years to encourage the development of affordable housing. It started in 1971, when almost no one was developing residential buildings in the city.



How does the program work? The state and city forgo the increase in property taxes that would normally come with new construction. Qualifying developers continue to pay taxes as if their property were a vacant lot even after they build apartments there. That saves them a lot of money.

How does a developer qualify? The program operates differently in different parts of the city. Most of Manhattan and the fancier parts of the outer boroughs are “exclusion zones” where developers have to set aside 20% of the units for families earning 60% of MFI. There’s no affordable housing requirement outside of the exclusion zones, but developers can qualify for extended tax benefits if they set aside 20% of the units for low income families.

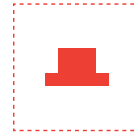


How much does a family pay? Most of the housing built under this program is luxury housing with no affordability requirements. Families in the affordable portion of a 421A building pay rents that are set to be affordable to a family making 60% of MFI – that’s a monthly rent of about \$1150.

\$1150



How long is the waiting list? This program uses a separate lottery for each building, rather than a program-wide waiting list.



How many units? The program has subsidized over 110,000 apartments over the last 38 years but most of those would probably have been built without the program. Fewer than 10,000 of those apartments have been affordable, though recent reforms have expanded affordable housing requirements.

How much does it cost? The program costs the city about \$300 million per year in forgone taxes.

\$300M

How long does it last? The affordable units generally have to remain affordable for 35 years.

35 YEARS



Status: This program is very much alive, though the city continually tinkers with it.

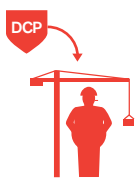


Inclusionary Zoning, Williamsburg



## Inclusionary Zoning

Inclusionary zoning is a city program that lets developers build bigger buildings and gives them tax breaks if they reserve some of the units for affordable housing. Manhattan's program dates to 1987. It's been expanded to other boroughs in the last five years.



How does it work? Zoning laws limit the size and type of buildings that can go in different neighborhoods around the city. Inclusionary zoning lets developers build larger buildings in exchange for creating some affordable housing.



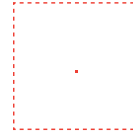
How does a developer qualify? Inclusionary zoning applies to high-density areas of Manhattan and a few places in the outer boroughs. Developers typically get a 33% size bonus if they set aside 20% of the units for families at 80% of MFI, OR 10% of the units for families at 80% of MFI and 15% of units for families at 125% of MFI.

\$1540

How much does a family pay? Under the basic formula, families in the affordable portion of an inclusionary zoning building pay rents that are affordable to families making 80% of MFI. That's a maximum rent of \$1540 per month for a family of four.



How long is the waiting list? This program uses a lottery for each building, rather than a program-wide waiting list.

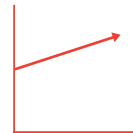


How many units? According to the City, about 1700 affordable units have been built or are in development under the program.

How much does it cost? In this program, the city doesn't give developers money; it gives them permission to build bigger buildings. Bigger buildings have more units and enable the developer to earn more money. That's part of the program's rationale – it's not money out of the city budget. That said, the program usually includes property tax breaks worth millions per year as an added incentive.



How long does it last? Unlike most other affordable housing programs, units created under this program have to stay affordable forever!



Status: This program is active, and each affordable unit is permanently affordable, but few developers have opted to take the inclusionary zoning bonus and so it hasn't created many units yet.



In 2010, the Mortgage Interest Deduction will cost about twice as much as the entire budget of HUD.

Mortgage Interest Deduction, Dyker Heights

# Mortgage Interest Deduction

It's a provision in the federal tax code that lets homeowners deduct the amount they spend on mortgage interest from their taxable income. It goes back to the beginning of the federal income tax in 1913. Back then, interest on any loan could be deducted from taxable income. The law changed in 1986, and now only interest on home loans, or mortgages, is deductible.



How does it work? The federal government lets homeowners subtract the amount they pay in mortgage interest from their taxable income. That means if a homeowner earned \$100,000 and paid \$10,000 in interest on a mortgage, he or she would only have to pay taxes on \$90,000 in income.

How does a family qualify? They have to own their home, pay mortgage interest, and itemize their deductions. Renters don't qualify! Only primary and secondary residences count. A family can only deduct the interest on up to \$1 million of mortgage debt.

HAVE A  
MORTGAGE



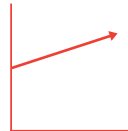
\$100B

How many units? About 50 million mortgage holders across the country qualify. There are a little over one million homeowners in New York City. Most privately owned, owner-occupied housing has benefited from this program.

How much does it cost? About \$100 billion per year, nationwide.

How long does it last? This program continues until a homeowner no longer owes on the mortgage.

Status: The Mortgage Interest Deduction, or MID, continues to exist, and it's extremely politically popular. It's relatively unclear whether it actually works to spur affordable homeownership.



# Using the Chart



The chart is called “Who Lives Here?”

It is designed to facilitate conversations about affordable housing. It shows the basics that we covered in this book and also lets you see how these concepts apply to your neighborhood.

The chart is flexible! You can use it to facilitate discussions about:

- Rising rents and displacement
- The direction of affordable housing policy
- The merits of a proposed development
- Your own campaign!

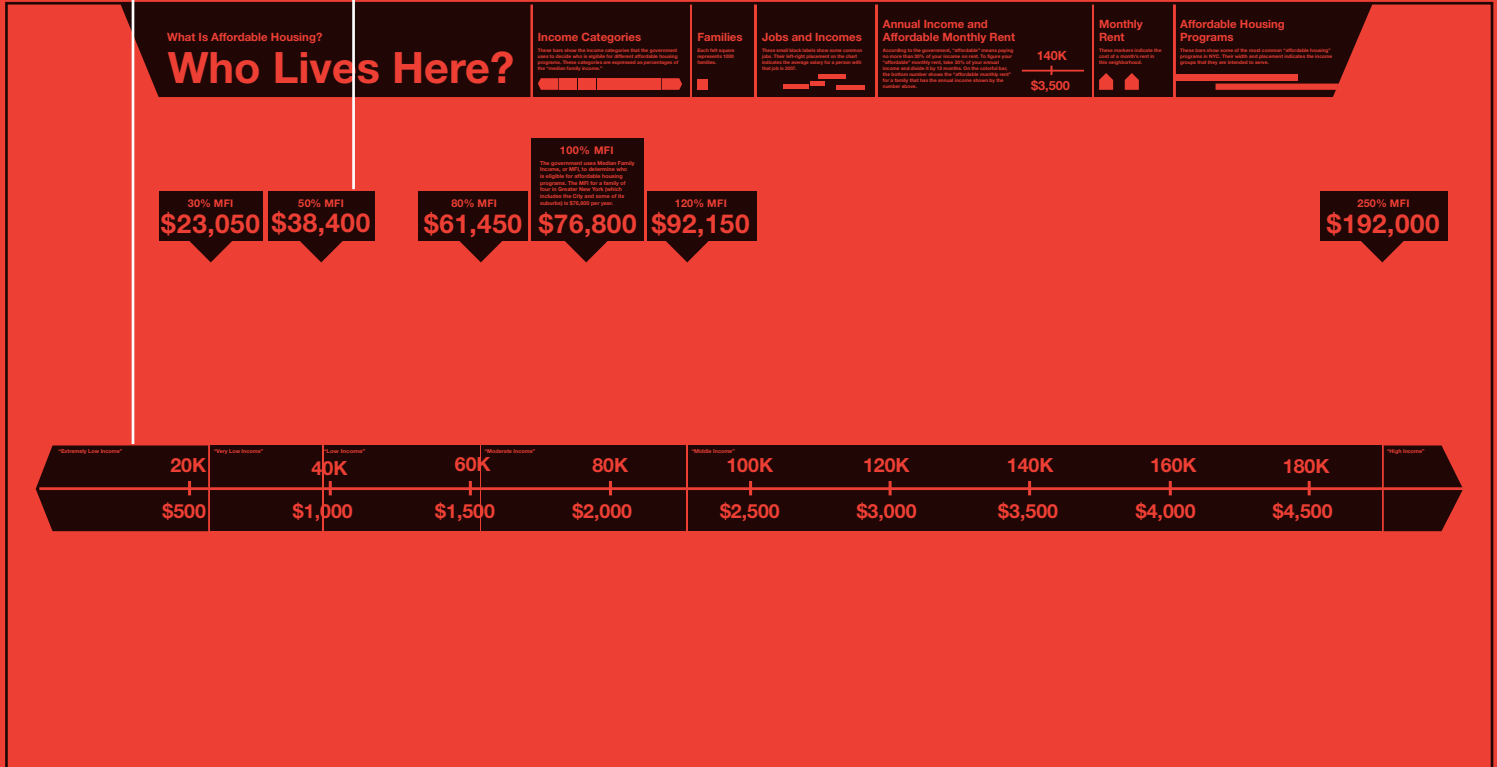
On the following page you will be introduced to the permanent pieces of the chart – a colorful bar indicating affordable rent based on yearly income and black tabs which indicate where those numbers come from.

The chart has five types of movable felt markers you can use to build out the chart. (You don’t have to use them all.) Each one helps you look at a different aspect of affordable housing:

- Occupations
- Income
- Rents
- Affordable housing programs
- Proposed developments

Colorful Bar

Black Tabs



“Middle Income”

100K

|

\$2,500

50% MFI

\$38,400

## Colorful Bar

Let’s look at the big colorful bar in the middle of the chart. It has a line running through it with tick marks at regular intervals. The numbers above the tick marks represent the yearly family income. The numbers below the tick marks correspond to the affordable monthly rent for a family at that income. Remember – affordable rent burden is 30% of family income.

What do the colors mean? Each color corresponds to one of the income categories we talked about in previous sections. These are the categories for four-person families.

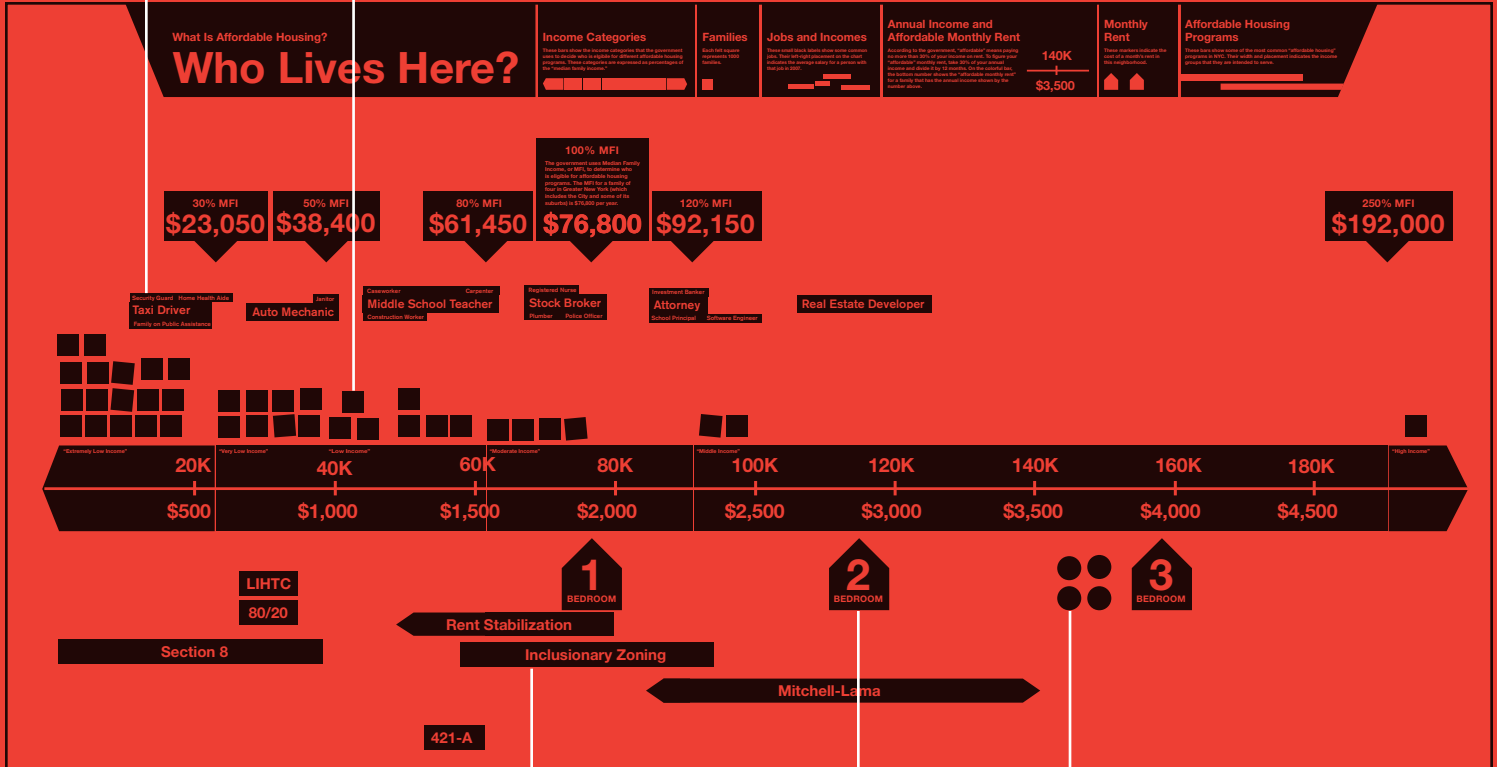
## Black Tabs

Let’s look at the black tabs floating above the colorful bar. These tabs explain where the income categories (“extremely low,” “very low,” and so on) come from. They show the percentage of MFI that defines each limit, and they translate those percentages into an actual number – yearly family income.

Now that we understand the basic structure, let’s look at the pieces you’ll use to build out the chart.

Occupation patches

Neighborhood population squares



Program strips

Rent markers

Development dots

Security Guard

Taxi Driver

Family on Public Assistance

Registered Nurse

Stock Broker

Plumber

Police

## Occupation patches

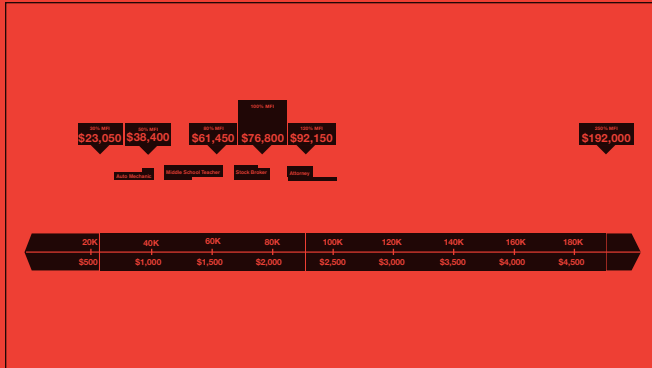
### Add

You have several black patches with occupations printed on them. As a first step in your workshop, you can ask your audience to grab some labels and stick them on the chart. By placing the occupation above the color bar, you can represent roughly how much members of each occupation earn, and what their affordable monthly rents are.

You can have the audience guess, or they can use these stats from the Department of Labor that show average wages for people in New York City:

Attorney	\$109,300
Auto Mechanic	37,500
Carpenter	55,100
Caseworker	42,300
Construction Worker	49,000
Family on Public Assistance	10,800
Home Health Aide	20,600
Investment Banker	104,000
Janitor	33,100
Middle School Teacher	56,900
Police Officer	65,400
Plumber	83,000
Real Estate Developer	1,000,000
Registered Nurse	72,000
School Principal	102,000
Security Guard	22,800
Software Engineer	97,500
Stock Broker	74,400
Taxi Driver	20,700





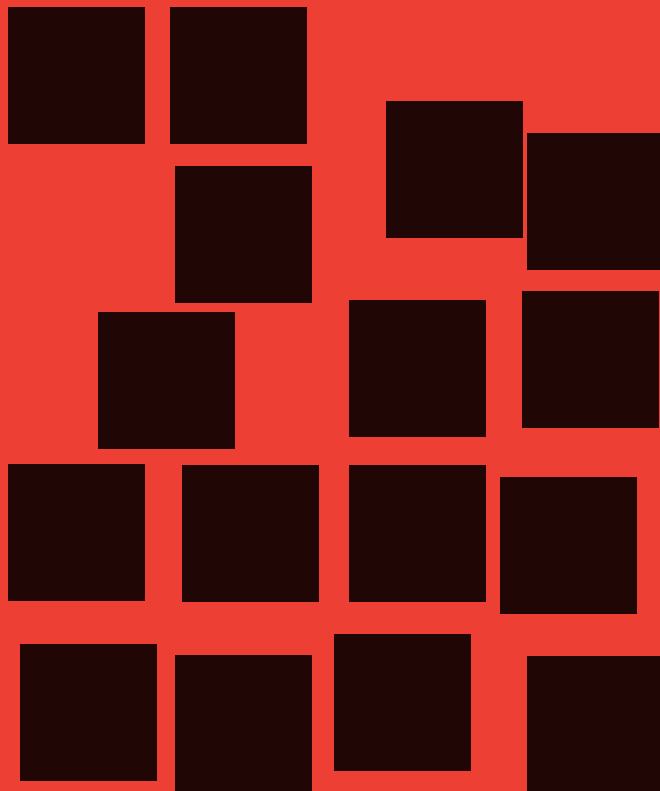
### Discuss

This activity is an easy icebreaker. It gets participants interacting with each other and the chart. It's good to get to that part as soon as you can so that participants don't get bored.

Participants usually express surprise that people with solid jobs – teachers, carpenters, mechanics, taxi drivers – can end up in the “low income” category or below.

If you are using the chart to have a conversation about a planned “low income” housing project, this fact might change people's assumptions about who's moving in.

Remember, though, that the income categories on the chart are for families of four – for this exercise, assume that the workers are sole breadwinners in families of four.



## Neighborhood population squares

### Add

You have a bunch of colored felt squares. Each square represents 1000 families. The color of the square corresponds to the color of the income category on the color bar.

You also have a table that shows how many families there are in each income category in each neighborhood in New York.

Once you or the participants pick a neighborhood to graph, pick one volunteer to read out the number of families in each income category, and other volunteers to place the colored squares on the chart to represent the number of families.

Round to the nearest thousand. If your neighborhood has 8,802 “very low income” families, your volunteer should put 9 red squares right above the red “very low income” category on the color bar.

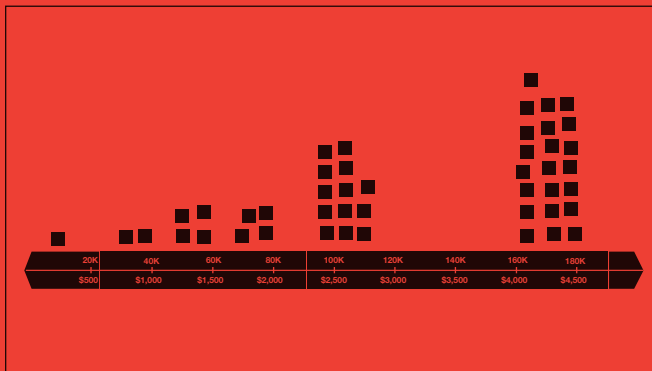
Once you’re done putting the colored squares in each category, you’ll have a graph of the income demographics of the neighborhood you picked.

### Discuss

What does the neighborhood look like? In many neighborhoods in New York City, there’s a big cluster of families toward the lower end of the income scale. Unless you’re on the Upper East Side or somewhere



Lower East Side



Upper East Side

like that, there will be many more “extremely low income” families than “high income” families, and many more “very low income” families than “middle income” families.

Before you ask any questions, you can let people absorb the information and then react to the chart. Many people are surprised to see that their neighborhoods have so many people classified as “low income” and below.

You can ask people if the chart seems like it accurately depicts the neighborhood they live in. Does it surprise them? Does their neighborhood feel to them like a predominantly (very low/low/moderate/etc.) neighborhood?

Remember – these categories are just definitions that come from the government. People often want to argue that the income limits are unrealistic, or too high, or too low. That’s totally fair game, and it can be a good discussion to have.



## Rent markers

### Add

You have three house-shaped markers – one each to represent a one-, two-, and three-bedroom apartment. You can use these to represent the average cost of a one-, two-, and three-bedroom apartment in the neighborhood you chose.

Ask the audience to tell you about how much a one-bedroom apartment goes for in this neighborhood. Let them argue with each other. When they settle on an answer, put the patch under the color bar at the right spot. The top of the house should point at the rent they chose. Do the same thing for the two- and three-bedroom patches.

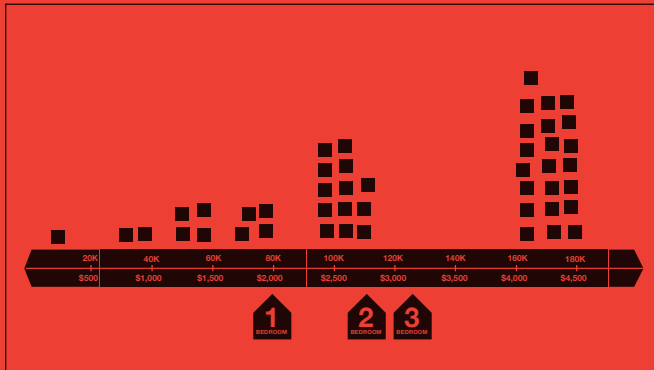
For example, if the audience says a two-bedroom goes for \$2000, the top of the house should point to \$2000. If you look at the top half of the color bar, you can see that a family of four would have to earn \$80,000 to “afford” the average two-bedroom apartment in the neighborhood. If you look at the color on the color bar, you can see that this family would be in the “moderate income” category.

### Discuss

In most if not all neighborhoods in New York City, average rents are much higher than the average neighborhood resident can “afford” to pay. When you place the rent patches on the chart, there will probably be a big gap between family income and market rents. Participants will probably point out the gap before you can ask about it. Ask them how



Lower East Side



Upper East Side

they think people can afford to live in the neighborhood. The most obvious answer is that many people pay A LOT more than 30% of their income in rent. That's very true. Almost a third of New Yorkers pay more than 50% of their income in rent.

Other people point out that the rent patches represent what it would cost to move in today. Many residents who've lived in the neighborhood for a long time have cheaper places to live. Maybe they've lived for decades in a rent-regulated apartment, or bought a house when real estate was much cheaper.

Some people talk about renters crowding into apartments. That definitely happens, but these data are for families of four, so that shouldn't be a factor here.

Some people think that the data is old and doesn't reflect the current demographics of the neighborhood. Well, the data will always lag at least a year behind. That can be a factor in rapidly changing neighborhoods.

Finally, people might mention the various affordable housing programs that provide housing for people who can't afford market rents. Great answer. This is a good segue into the next piece of the workshop.

# Section 8

# Mitchell-Lama

# Rent-Sta

## Program strips

### Add

You have several long patches with the names of affordable housing programs written on them – one each for Public Housing, Section 8, 80/20, Low Income Housing Tax Credits, Mitchell-Lama, 421A, Inclusionary Zoning, and Rent Stabilization.

You can use these to introduce some basic affordable housing programs, and then place them on the chart to show which income categories they target.

Here's a list of programs and the income categories they target:

PUBLIC HOUSING	Low income and below
SECTION 8	Very low income and below
80/20	Very low income
LOW-INCOME HOUSING TAX CREDITS	Very low income
MITCHELL-LAMA	Moderate and middle income
INCLUSIONARY ZONING	Low income and 125% of MFI
421A	60% of MFI
RENT STABILIZATION	Rentals at \$2000 and less per month

### Discuss

You can make this part of the presentation more participatory by asking whether or not they've heard of



Lower East Side

various programs before you explain, in a nutshell, what they are and how they work. Most people have heard of public housing, Section 8, rent stabilization, and maybe Mitchell-Lama. That's because these are programs for tenants. Participants might benefit from these programs or know people who do.

Most tenant-based programs are on their way out. No new public housing is being built, for instance, and the number of families helped by Section 8, rent regulation, and Mitchell-Lama shrinks every year. Programs like Public Housing and Section 8 are the only ones that help “very” and “extremely low income” families in large numbers.

Other programs subsidize developers who agree to include affordable housing in their residential developments. These are programs like Low Income Housing Tax Credits, 80/20, 421A, and inclusionary zoning. These days, the government prefers programs that provide financial incentives to private developers.

It's important to remember that all these programs combined can help only a small percentage of the families who qualify. They're great for families who can get them, but they're not really a solution to the broader affordability problem.



## Proposed development dots

### Add

You have a bunch of colored dots that you can use to represent numbers of units (and who can afford them) in new or proposed developments. Each dot can represent 100 units, ten units, or so on – whatever scale makes sense for the development you’re talking about.

You’ll need information on the number of units in the building, as well as target rents. You should also get information about any affordable housing programs the developer is using to finance the building.

Let’s say there’s a new development with 100 units. Eighty will be market rate – at a target rent of \$5000 per month – and twenty units will be available to “very low income” families.

You could say that each dot represents ten units, and then put eight pink dots under the “high income” category and two red dots under the “very low income” category. That way, your audience can see what families the new development would bring to the neighborhood, and compare that with the families that already live there.

### Discuss

This part of the workshop is fun, because participants can use what they just learned to analyze an actual development coming to their neighborhood. Many developments will set aside, say, 20% of the units for lower income families in order to be eligible for





Lower East Side

financial incentives from the government. That leaves 80% of the units at market rate. In most new developments, those are affordable only for “high income” and wealthier “middle income” families.

That means that, all things considered, there’s usually a big gap between the rents a developer hopes to charge and the incomes of the families who already live in the neighborhood. Does the new development “fit” in the neighborhood?

Let the participants think about how the new development might change the neighborhood. Who will it bring? Beyond the new families, how might it change the character of the neighborhood? Who might want a fancy new development in the neighborhood? Why? Who might not want a fancy new development in the neighborhood? Why not?

New developments have direct effects – in terms of the new people they bring to the neighborhood. But they also have secondary effects – new people might bring new businesses, for instance. New people and new businesses might lead to rising property values. That’s great if you own your own apartment, but not always so great if you’re a renter.

Regardless, new developments can affect a neighborhood in many ways large and small. Using the chart to show which families might move in can be the start of a larger, more interesting discussion.



## Facilitating discussion

At the end of this exercise the conversation can take many directions. It's up to you, as the facilitator, to decide where to lead the discussion. Many individuals just want to start a conversation about rising rents, displacement, and "gentrification." Others want to get people riled up and interested in fighting for more affordable housing. Others want to use the chart to kick off a discussion about what kind of affordable housing they'd like to see in a new development, or to have a conversation about an affordable housing plan that someone else is proposing. Here are some quick tips for kicking off that discussion.

### Rising Rents and Displacement

One great way to start this conversation is to ask your group what they think the neighborhood will look like in 5 years, 10 years, 20 years. Which income categories will they see more of? If there is a big gap between rents and incomes, you might ask: How are low-income folks able to stay in the neighborhood now? Are those resources growing or shrinking? Why?

### Affordable Housing

This conversation is a little more complicated. Look at the program strips in more detail. Which programs are still alive (adding more units)? Which are "dying" (losing units)? What do the "dying" programs have in common? What do the "living" ones have in common? What would a good affordable housing policy look like? Whom would it serve? How many units would it create?

### Evaluating a Particular Project

This conversation is pretty straightforward. Look at the development dots. Who are these new units affordable to? Who do you think they SHOULD be affordable to? Who gets to make these decisions? Who should you talk to next?

### A Specific Campaign

This tool can be used with a specific campaign, and it can help your group know the facts and understand the policy. Take the conversation in a direction that gets people talking about your campaign. How does this new information relate?

## Glossary

Affordable Housing has a technical definition that comes from the government. It's housing that families in certain income categories can occupy for 30% or less of their income.

Affordable Rent Burden is 30% of your gross income, according to HUD.

Area Median Income, or AMI, is the old term for median family income. People still use it. It means the same thing as MFI.

A Bond is a way for governments and companies to raise money. Investors (called bondholders) give money to governments and companies (called bond issuers). In exchange, the bond issuer promises to pay the money back plus interest. See also: Tax-Exempt Bond.

Gross Income is what you make before taxes.

Fair Market Rent, or FMR, is a number calculated by HUD. In most areas, it's the amount of the 40th percentile rent on a standard condition apartment. That means 40 percent of similar apartments rent for less, and 60 percent rent for more. FMR varies by area and by number of bedrooms. HUD uses FMR to set reimbursement limits for programs like Section 8. In High Housing Cost Areas like New York City, FMR is used

to calculate the income limits for affordable housing programs.

A Family, according to HUD, is a group of people who live in a house or apartment and are related to each other by birth, marriage, or adoption. The NYCHA definition is broader – it also includes people living alone or people connected by domestic partnership, guardianship, court-appointed custody, or a “cohesive sharing relationship.” The definition of family is important because only families, not just any old household, can apply for programs like Public Housing and Section 8!

In a High Housing Cost Area, the normal relationship between area housing costs and area incomes is out of balance. In these areas, even families who earn typical area incomes have a hard time affording market-rent apartments. HUD adjusts the income categories upward in these areas. To see how this works, go to page 119.

A Household is just a person or group of people who live in a house or apartment. All families are households, but not vice versa.

A Housing Authority is a local agency that gets money from HUD to manage public housing and administer Section 8 programs. There are more than 3000 housing authorities across the country.

## WHAT

A HUD Metropolitan Fair Market Rent Area, or HMFA, is a subdivision of a Metropolitan Statistical Area. When a particular MSA is too big and economically diverse, HUD will break it up into smaller pieces called HMFAs and calculate separate income categories for each.

The Income Categories that HUD and local housing authorities use to determine eligibility for affordable housing programs are calculated from MFI:

Extremely Low Income:  
30% of MFI or Less

Very Low Income:  
30% to 50% of MFI

Low Income:  
50% to 80% of MFI

Moderate Income:  
80% to 120% of MFI

Middle Income:  
120% to 250% of MFI

High Income:  
250% of MFI or more

Income Demographics are statistical data that show how much individuals, families, or households in a given area earn. You can use the chart and included statistics to make an income demographic portrait of your neighborhood.

The Interest Rate is the price a borrower pays for a loan. The price is usually expressed as a percentage of the principal per year. So if you borrow \$800 for

## IS

one year at a 10% interest rate, the price of the loan is \$80. You will have to pay back \$880 at the end of the year.

Low Interest can refer to any rate that's below the market interest rate. Government loan guarantees for private borrowers, for instance, make loans less risky and lead to "low interest" loans.

Market Rate, in this context, refers to a totally unregulated rent that a landlord sets at whatever the market will bear. In New York City, that can be pretty high! The term can also be used in the context of interest rates. A market interest rate is one you'd get from a bank in the absence of government subsidies or other programs to lower the rate below what a borrower would normally be able to get.

The Median is the number in the middle of a series of numbers that goes from lowest to highest. It's not the average, it's just the number in the middle. The median of "1, 2, 3, 4, 5" is 3. The median of "1, 2, 3, 4, 99" is 3.

The Median Family Income, or MFI, in a given area is the income earned by the family right in the middle of the income distribution. Half the families earn more, and half earn less. The income limits for affordable housing programs are calculated from an area's MFI. Some people call MFI area median income.

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Metropolitan Statistical Areas, or MSAs, are regions that the government uses for various data-collection and budget-allocation purposes. It's the area over which HUD calculates MFI, and usually corresponds to the territory covered by a housing authority. Each MSA represents an urban core and the economically integrated surrounding area. There are about 1000 across the country (though the smaller ones are called "Micropolitan Statistical Areas"). New York City's MSA is so big and diverse that the government subdivides it into regions called HMFAs to collect statistics and administer affordable housing programs.

A Mortgage is the type of loan that people and companies use for property and buildings. A bank or other lender uses the property or building as collateral for the loan until the borrower pays it off.

Planning, aka urban planning, is when the government – city, state, or federal – gets involved in the physical development of a city or region. Governments use various tools to plan – laws and regulations, but also tax incentives and other subsidies that shape the ways that cities look and, to a lesser extent, who lives there.

A Real Estate Developer is the person who assembles the land, gets the financing (usually including subsidies from the government), and hires the

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architects and contractors to build (or rehabilitate) a building.

Sub-Borough Areas are regions that the city government uses for various data-collection purposes. There are 55 of them. They're clusters of neighborhoods with populations over 100,000.

A Subsidy is financial aid from the government to individuals or groups for activities that the government wants to encourage. The government gives money to farmers who grow corn, for instance, and so more farmers grow more corn than they otherwise would.

Subsidized Housing does not mean affordable housing. Any time the government shares the costs of housing with developers, landlords, tenants, or homeowners, it's subsidized housing. If we take the term at its most basic meaning – housing that receives some form of subsidy – it's hard to find housing that's not subsidized.

A Tax Credit is an amount that directly offsets what you owe in taxes. If you have a \$1000 tax credit, you can take \$1000 off your tax bill.

A Tax Deduction is an amount that offsets your taxable income. If you make \$20,000 per year and have a \$1000 tax deduction, then you only have to pay taxes on \$19,000.

A Tax-Exempt Bond is like a normal bond, except the investor doesn't have to pay taxes on the interest income. This means the interest rates don't have to be as high as regular bonds to attract investors. Lower interest rates means that they're a cheaper way for bond issuers to raise money. Under the federal tax code, bonds issued by cities (called municipal bonds, or "munis") are tax-exempt. New York City issues these bonds and then loans the money to developers to encourage them to create affordable housing.

A Tax Incentive is when the government encourages an activity by taxing it less, or discourages an activity by taxing it more. Developers build more affordable housing because the government gives them tax breaks. People don't make as many early withdrawals from their retirement accounts because the government taxes early withdrawal at a special, higher rate.

Unit is real-estate lingo for "apartment."

A Voucher, under the Section 8 program, is a coupon that the government gives to a landlord to cover a portion of a tenant's rent.

## Appendix: Adjusting MFI

### How does the government adjust MFI for family size?

The MFI for a family of four is the base. The MFI's for other family sizes are derived from it.

For smaller families:  
3-person MFI is  
90% of 4-person MFI.

2-person MFI is  
80% of 4-person MFI.

1-person MFI is  
70% of 4-person MFI.

For larger families:  
5-person MFI is  
108% of 4-person MFI.

6-person MFI is  
116% of 4-person MFI.

7-person MFI is  
124% of 4-person MFI.

And so on. Just keep adding 8%! Then those MFI's are used to calculate the income limits for families of that size.

### How does the government adjust MFI in a "High Housing Cost Area"?

The actual MFI for New York City is \$61,600, but the government adjusts that number to \$76,800 to calculate eligibility for affordable housing programs. That's because the government considers the New York Metro

Area to be a "High Housing Cost Area" where the normal relationship between income and rents doesn't hold.

Instead of generating the income categories directly from the MFI, the government uses a different number called "Fair Market Rent", or FMR, so that more people will be eligible for affordable housing programs.

### How does the adjustment work?

To find FMR, the government looks at the rents for two-bedroom apartments in the area, and then calls the one at the 40th percentile the "FMR." This means that 40% of all apartments rent for less, and 60% of all apartments rent for more. The FMR for a two-bedroom apartment in New York is \$1318. The government uses this number to calculate the "very low income" limit.

### How does this work?

It involves some math: Take 85% of the FMR: 85% of \$1318 is \$1120.

Find out how much a family would have to earn for this rent to be 35% of their income: \$1120 is 35% of \$3200.

Multiply \$3200 by 12 months to get an annual income of about \$38,400. The "very low income" limit in New York is \$38,400.

### What?

Here's the rationale. A two-bedroom apartment in New York that rents for 85% of FMR (\$1120) is

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probably not very nice, and there aren't very many of them. If a family of four is spending more than their affordable rent burden (35% rather than 30% of income) on that not-very-nice, hard-to-find apartment, they could probably use some help from an affordable housing program.

So, the government calls this hypothetical family "very low income" and then calculates the other categories from that one. Almost everywhere else, the government finds the MFI for an area and derives the income categories from that. Here, the government works in reverse: It derives a "very low income" limit and then just doubles that to come up with an adjusted MFI. We just discovered that the limit in New York is \$38,400. Double that to get \$76,800. That's the adjusted MFI in New York.



# This book is part of the Envisioning Development Toolkit



The chart



The online application



This book

This book, *What Is Affordable Housing?*, is part of the Envisioning Development Toolkit, a series of teaching tools that foster conversations and group learning about land use and urban development in New York City. The Envisioning Development Toolkit allows everyday New Yorkers to use the language that professionals use to describe land use processes and outcomes. It provides visual and tactile tools to facilitate discussions, describe and clarify problems, and propose and communicate solutions.

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