

LOWER MANHATTAN DEVELOPMENT CORPORATION

**Partial Action Plan No. 6
for
Affordable Housing**

Overview

The Lower Manhattan Development Corporation (LMDC) has prepared the following Partial Action Plan with regard to the \$2 billion federal grant for the World Trade Center disaster recovery and rebuilding efforts administered by the United States Department of Housing and Urban Development (HUD). LMDC has received additional funding by a more recent \$783 million grant from HUD for damaged properties and businesses (including the restoration of utility infrastructure) as well as economic revitalization related to the terrorist attacks at the World Trade Center. This plan details the proposed expenditure of \$52,631,578.95 of the remaining amounts from the \$2 billion grant to fund the following items:

1. Affordable housing subsidy to the City of New York totaling up to \$50,000,000.00.
2. Planning and administration activities totaling up to \$2,631,578.95

To date, HUD has approved six Partial Action Plans totaling \$1,619,044,651.42. On June 7, 2002, HUD approved the Partial Action Plan calling for the expenditure of approximately \$306 million for the Residential Grant Program, the Employment Training Assistance Program, the Interim Memorial Program, and Administration and Planning. This Partial Action Plan was amended on September 25, 2002. On November 22, 2002, HUD approved the Partial Action Plan for Business Recovery and Economic Revitalization calling for the expenditure of an additional \$350 million for the WTC Business Recovery Grant Program, the Small Firm Attraction and Retention Grant Program, and the Job Creation and Retention Program. On June 14, 2003, HUD approved the Partial Action Plan calling for the expenditure of approximately \$24 million for Cultural and Community Development. On August 6, 2003, HUD approved the Partial Action Plan calling for the expenditure of \$156 million to fund capital short-term projects, long-term planning, and supplemental funds for the WTC Business Recovery Grant Program (BRG), the reallocation of funds from the Employment Training Assistance Program to the BRG program, and Planning and Administration. On September 15, 2003, HUD approved Partial Action Plan Supplemental Funding S-1 calling for the expenditure of \$33 million from the \$783 million grant for New York Firms Suffering Disproportionate Loss of Workforce and Partial Action Plan Supplemental Funding S-2 calling for the expenditure of \$750 million for Utility Restoration and Infrastructure Rebuilding. In addition to approved plans, on September 18, 2003 LMDC released for public comment Partial Action Plan 5 calling for the expenditure of \$2,421,052.63 for Tourism and Communications. This plan was submitted to HUD for approval on December 4, 2003. Versions of these Plans with public comments and responses thereto are available in the "Funding Initiatives" section of the LMDC web site: www.Renewnyc.com.

Future partial action plans will detail the projected expenditure of the remainder of funds available from the \$2 billion grant and will be subject to a public comment period with later submission to HUD. This Partial Action Plan proposes the allocation of up to \$50,000,000.00 out of the remaining federal grant to the New York City Housing Development Corporation to subsidize housing that is affordable for low, moderate, and middle-income households in Lower Manhattan. The Plan also proposes the allocation of \$2,631,578.95 for planning and administration activities of the LMDC.

Partial Action Plan Activities	Allocation from \$2 billion
Affordable Housing Program	\$50,000,000.00
Planning and Administration	\$2,631,578.95
Total	\$52,631,578.95

Any change greater than 5% in the funding committed to a certain activity, the addition or deletion of any activity, or change in the designated beneficiaries of an activity constitutes a substantial amendment and such amendment will be available for public review and approval by HUD.

National Objective

The Lower Manhattan Development Corporation was created in December 2001 as a subsidiary of the New York State Urban Development Corporation d/b/a Empire State Development to oversee the rebuilding and revitalization of Lower Manhattan. The activities contained in this Partial Action Plan have been designed to meet particularly urgent community development needs resulting from the September 11th World Trade Center disaster. These activities have particular urgency because LMDC has determined that existing conditions following the September 11th World Trade Center disaster pose a serious and immediate threat to the health or welfare of the City of New York and the individual residents of the City and other financial resources are not available to meet such needs. The funds allocated in this Partial Action Plan for disaster relief are used for longer-term recovery needs including economic redevelopment and revitalization of the affected areas. The activities in this Partial Action Plan also meet the national objective of benefiting low and moderate-income persons. The geographic areas of focus of this and future partial action plans are located in Manhattan, south of Houston Street.

Public Comment to the Partial Action Plan

This Partial Action Plan proposes to allocate funding to create affordable housing for low, moderate, and middle-income individuals and families and funding for planning and administration.

This Partial Action Plan is open to public comment. HUD requires that the public comment period extend for fifteen calendar days from the date of publication of this plan. This Partial Action Plan will be open for public comment for twenty-one calendar days from the date of publication of this plan. Public comment must be made in writing and may be delivered to the LMDC either by posted mail or by electronic mail, addressed as follows:

By post to: Public Comment on LMDC Partial Action Plan No.6
Lower Manhattan Development Corporation
1 Liberty Plaza, 20th Floor
New York, NY 10006

Electronically at LMDC's, web site www.renewnyc.com under Funding Initiatives-Partial Action Plans – Comments.

The deadline for receipt of public comment is February 21, 2004. Comments delivered by fax or telephone cannot be considered.

I. Public Participation

In the aftermath of September 11th, many members of the Lower Manhattan residential and business communities experienced challenges, including financial challenges. These challenges have augmented an existing need for affordable housing.¹ LMDC has received specific public comment on the need for affordable housing in Lower Manhattan. In July and August 2003, LMDC and the City of New York held seven Community Workshops in Lower Manhattan to determine the needs of residents, businesses, and other members of Lower Manhattan communities, and to discuss ways to meet these needs. At these Community Workshops, residents and community-based organizations voiced concern about a lack of affordable housing in Lower Manhattan. LMDC has also received comments relating to affordable housing via its Funding Application Process. To date, LMDC has received nine applications that propose to preserve or develop affordable housing in Lower Manhattan based on the perceived need and market for such housing.

The creation of affordable housing corresponds with LMDC's early *Principles and Revised Preliminary Blueprint for the Future of Lower Manhattan*, which recommends, "expanding the residential population to create a strong sense of community throughout Lower Manhattan." It also recommends that, ". . . this housing must be for a wide variety of income levels."

Elected officials, community-based organizations, and planning organizations have recommended the creation of affordable housing in Lower Manhattan. In *New York City's Vision for Lower Manhattan*, Mayor Bloomberg set forth a plan to create 10,000 new units of housing over the next ten years. The Citizen's Housing and Planning Council suggests in its "Report of the Citizens Housing and Planning Council on Housing Development in Downtown Manhattan," that residential Liberty Bonds² be used in conjunction with funding from federal disaster recovery appropriations for Lower Manhattan to develop a subsidy program that makes one-third of all new and converted housing units built with Liberty Bonds affordable to households earning between 100 and 200 percent of Area Median Income³.⁴

II. Affordable Housing Program

Background

The growth of a stable residential base is essential to the revitalization of Lower Manhattan, defined by the LMDC as the area south of Houston Street. Prior to September 11, 2001, the area

¹ For purposes of this partial action plan, "affordable housing" will mean housing that costs no more than 30 percent annual household income. For more information visit: <http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>.

² The federal Liberty Bond Program provides tax-exempt private activity bonds of up to \$1.6 billion for the renovation and/ or construction of residential developments in the Liberty Zone, which is defined as the area on or south of Canal Street across to East Broadway and then Grand Street from the Hudson River to the East River.

³ Area Median Income is the Family Median Income (FMI) for a particular metropolitan or non-metropolitan area. FMI estimates are based on 2000 Census dated, Bureau of Labor Statistics earnings and employment data, Census P-60 Median Income data, and America Community Survey data. To find out more information visit www.huduser.gov/datasets/il/fmr03/index.html.

⁴ Citizens Housing and Planning Council. "Report of the Citizens Housing and Planning Council on Housing Development in Downtown Manhattan." 19 September 2002: 15-16.

south of Chambers Street was the fastest growing residential neighborhood in New York City with occupancy rates of approximately 95%.⁵ Immediately following September 11, 2001, occupancy rates dropped to 60% in the areas closest to the World Trade Center. The LMDC Residential Grant Program (RGP) contributed significantly to the stabilization of the residential base in these and other affected areas by providing financial incentives and resources to individuals and families making a two-year commitment to live in certain neighborhoods of Lower Manhattan, and to individuals and families that remained in these areas after September 11, 2001.⁶ Low, rental vacancy rates in the areas south of Canal Street, which as of June 2003 ranged from .71% to 2.53%, provide evidence of the stabilization of the residential base. Additionally, over half of the residents in the area closest to the World Trade Center are new residents.⁷ While the Residential Grant program has strengthened the residential base in Lower Manhattan, affordable housing stock is needed to preserve and promote residential diversity.

Lower Manhattan has a variety of rental and homeownership options for low and low/ moderate-income individuals and families. These options include rent stabilized apartments and rent-controlled apartments regulated by the New York State Division of Housing and Community Renewal and by the New York City Department of Housing Preservation and Development, New York City Housing Authority affordable housing, loft apartments governed by the Loft Control Board, low and moderate income housing in 80/20 buildings, apartments subsidized by other programs including Section 8 vouchers and Mitchell-Lama, and the Senior Citizen's Rent Increase Exemption Program (SCRIE). Over 16,000 individuals and families, who received Residential Grants from the LMDC, identified themselves as low-income households and as living in rent-regulated or subsidized housing.

Lower Manhattan also has an abundance of luxury apartments, predominantly studios, one-bedroom apartments, and newly converted lofts. According to a residential housing survey conducted by Community Board 1, approximately 13,000 units were built or will be in the process of being built in the area south of Canal Street between the years 2000 and 2005.⁸ Many of these are luxury condominiums and cooperatives, such as condominiums and coops in Tribeca and Soho, which sell for approximately \$766.10 per square foot.⁹ In contrast to the availability of housing opportunities for low-income and high-income families, housing opportunities for moderate and middle-income families are limited.

Program

LMDC proposes to allocate \$50 million for an Affordable Housing program that will be administered by the New York City Housing Development Corporation (HDC). The program will require that 300 rental units developed on City-owned Site 5B, a City-owned parcel bounded by Warren Street, Park Place, Greenwich Street, and West Street in Lower Manhattan be

⁵ Alliance for Downtown New York. "Lower Manhattan Residential Community: Growth and Strength After September 11th." November 2002: 2.

⁶ The Residential Grant Program awarded grants based on three zones of eligibility. Zone 1, the area closest to the World Trade Center Site, is the area south of Chambers Street, and West of Nassau and Broad Streets. Zone 2 is the area north of Zone 1, south of Canal Street and southwest of Rutgers Street. Zone 3 is the area north of Zone 2, south of Delancey and Kenmare, and east of Lafayette Street in Manhattan.

⁷ Citi Habitats. "The Black and White Report: A Semi-Annual Report 2nd Edition." November 2002-April 2003: 5.

⁸ Community Board 1. "Community Board No.1 Post-Census Residential Study." July 2003: 1.

⁹ Citi Habitats. "The Black and White Report: A Semi-Annual Report 2nd Edition." November 2002-April 2003: 3.

affordable to low, moderate and middle-income households with annual incomes from below 80% and up to 135% of Family Median Income (FMI) for FY2002 for New York County, adjusted for family size. 100% FMI for FY2002 for New York County for a family of four is \$62,800.¹⁰ To accommodate families, at least 75% of the affordable units will be two bedrooms or larger. Residential Liberty Bonds and other sources will also finance the rental units in this development.¹¹

LMDC proposes the allocation of \$50 million to HDC in the form of a non-interest loan with a period of 30 years. .

Proposed beneficiaries

This project will benefit 300 low/ moderate and middle-income households including 75 low/moderate-income households with annual incomes of no more than 80% of FMI, 150 middle-income households with annual incomes of no more than 100% of FMI, and 75 middle-income households with annual incomes of no more than 135% of FMI. All households' annual income must not exceed \$85,000 in FY 2004, adjusted for inflation for each year of the project. The project will remain affordable for 30 years to low/ moderate- and middle-income households in the proportions stipulated in the paragraph above, and in accordance with a plan to be developed by HDC. Income verification will be completed prior to initial tenancy and upon vacancy and re-rental. The developer will be required to re-rent units to new tenants within the affordability framework stipulated in the original guidelines starting with the requirement that 25% of the units be provided to tenants earning no more than 80% of FMI, for the FY year in which the apartment is re-rented. This requirement will ensure that the intended balance is maintained based on current income of all households occupying the limits. Units will be subject to a regulatory agreement to be executed with HDC, which will require that rental increases mirror rent stabilization rules for the term of the loan.

Selection of beneficiaries

HDC will administer the subsidy program according to its established marketing and tenant selection guidelines for tax exempt 80/20 projects, with additional marketing and tenant selection procedures and eligibility criteria as specified by the LMDC and consistent with HUD regulations. The developer of Site 5B will be responsible for designing and carrying out a pre-marketing and marketing plan for the affordable rental units and for selecting tenants that meet the eligibility criteria set forth below for these units. The pre-marketing plan will include establishing an inquiry list, posting construction signs on the site, and identifying forms and methods of outreach. The marketing plan will involve developing a diverse applicant pool through various forms of outreach, including running advertisements about the availability of the units in citywide English, Spanish, and Chinese language newspapers, reaching out to those

¹⁰ Family Median Income estimates are based on 2000 Census data combined with updates of local Bureau of Labor Statistics data, Census American Community Survey State data, and Census Current Population Survey data. FMI is adjusted annually and for family size. As per HUD CDBG guidelines, 80% FMI is defined as low/moderate-income. To find out more information on the calculation of FMI visit: <http://www.huduser.org/datasets/il/fmr03/BRIEFING-MATERIAL-3-1-03.doc>

¹¹ Residential development that uses Liberty Bond financing must be built within the Liberty Zone, defined as the area on or south of Canal Street across to East Broadway and then Grand Street from the Hudson River to the East Rivers.

populations considered least likely to apply, and providing this information to community-based organizations, labor organizations, civic-based organizations, and government agencies. The marketing plan will also include a rental application that will be mailed out by the developer to all interested individuals at the commencement of the formal marketing period. Up until the formal marketing period, the developer will be responsible for keeping an inquiry list. **No applications will be available until the formal marketing period begins.** The formal marketing period should begin at least 4 months prior to expected occupancy of the first unit and must last at least 60 days. When applications become available, they will be available through the developer. All applications received at the end of the formal marketing period will be included in a lottery process, which will be overseen by HDC.

The developer will select tenants in accordance with HDC, LMDC, and HUD eligibility criteria and regulations. Eligibility criteria are as follows:

- Applicants' annual household income must not be more than 135% FMI, adjusted for family size and no more than \$85,000 annually, adjusted for inflation;
- Applicants must meet the most restrictive definition of a "continuing need" for below market housing; and
- Affordable units may not be occupied exclusively by students. ("Student is defined by the IRS as a full time student during five (5) calendar months of the calendar year at an educational institution, other than a correspondence school, with regular faculty and students.)

Tenants from the lottery will be selected in the order in which their applications are logged and in accordance with specific selection criteria including adjustments for family and unit size.

These selection criteria are as follows:

1. Preferences for 50% of the units will be given to individuals and families that live and /or work in Lower Manhattan, defined as the area south of Houston Street; and
2. 25% of affordable units will be given to applicants with household incomes of no more than 80% FMI; and
3. 50% of affordable units will be given to applicants with household incomes of no more than 100% FMI; and
4. 25% of affordable units will be given to applicants with household incomes of no more than 135% FMI; and
5. Preferences for 20% of the units will be given to government employees.

Project area

The project area consists of City-owned site 5B, Block 142/ Lot 110, in the Borough of Manhattan, located in Tribeca between Warren Street, Park Place, West Street, and Greenwich Street.

Federal and other resources

The estimated cost included in this partial action plan for the Affordable Housing Program is up to \$50,000,000.00. The source of funds for the \$50 million grant to the New York City Housing Development Corporation will be reallocated funds from the LMDC Residential Grant Program after amounts for **all** applicants have been totaled and allocated, and from the remaining LMDC CDBG allocation.

Other resources are expected to be available for this project to address the needs outlined in this plan. These other expected resources from private and Federal public sources may include, but are not limited to, Liberty Bond financing.

Total estimated cost

The total estimated cost for the Affordable Housing Program is up to \$50,000,000.00.

III. Planning and Administration

LMDC engages in broad planning and administration activities relating to the recovery, remembrance, and rebuilding efforts in Lower Manhattan, defined by LMDC as the entire area of Manhattan south of Houston Street.

LMDC's planning activities began with the site planning for the World Trade Center site and the areas immediately surrounding the site. This planning will continue over the next year and will include the planning for and implementation of the memorial and the cultural institutions at the World Trade Center site and an environmental review of the World Trade Center Memorial and Redevelopment Plan.

In addition to the aforementioned activities, the agency's planning activities include the other neighborhoods in Lower Manhattan that have been affected by September 11th and its aftermath. Specifically, LMDC's planning activities include analyses of Lower Manhattan's transportation, traffic, housing and related amenities, open space, and economic development capacity, needs, and potential. Based on the results of these analyses, LMDC will develop and propose concept plans for specific areas and projects in Lower Manhattan.

LMDC's administration activities include and will continue to include extensive public information and coordination activities relating to its LMDC planning work. As part of its coordination activities, LMDC serves as a facilitator of outreach and discussions between affected communities as well as the public at large and government agencies and officials. LMDC's public information work will continue to include large-scale public meetings and hearings; periodic printed newsletters and reports; an up-to-date, comprehensive, and interactive web site (www.RenewNYC.com); extensive electronic communications; and other public outreach and participation efforts. In addition, LMDC continues to maintain its network of community contacts through its advisory councils.

HUD has authorized the use of up to 5% of the total grant to LMDC for costs associated with planning and administration activities, including costs for overhead, personnel, and consultants. This Partial Action Plan proposes the allocation of \$2,631,578.95 towards LMDC's planning and administrative activities.