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A POLICY PLAYBOOK FOR

NEW YORK'S NEXT MAYOR

GROWTH, OPPORTUNITY, AND SAFETY

A GROWTH-ORIENTED HOUSING PLAN FOR THE NEXT MAYOR

Eric Kober
Senior Fellow

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Introduction: The Critical Importance of an Adequate Housing Supply

As New York City heads into the 2021 mayoral campaign, housing will be among the most important issues for candidates in the June Democratic primary. Given the sheer scale of the city's perennial housing shortage, local government is unlikely—in the constrained post-pandemic fiscal environment—to be able to mitigate the housing crunch primarily via public resources. Instead, this brief proposes a five-point housing plan that envisions a much more important role for the private for-profit housing industry than de Blasio—or, indeed, many of his putative successors—would support. The plan calls for broad deregulation of zoning and other rules and regulations to encourage more building, while at the same time targeting city subsidies and tax benefits more effectively and sustaining a safety net of rent supplements and public housing for the poorest families.

Supply-oriented policies to ensure affordable and available housing are critical to New York City's recovery from the pandemic-induced recession of 2020. The next New York mayor will want to return as fast as possible to the happy world of growing tax revenues and easily balanced budgets that characterized most of Bill de Blasio's two terms, before the pandemic. For the city to get back on that path quickly, it needs to resume rapid private job growth. Without an expanding housing stock, however, this will be difficult to achieve. From 2013 to 2019, New York City gained more than 100,000 private jobs each year, on average; but those gains were almost entirely wiped out in 2020.[1] Many of these job losses were in industries that have been effectively shut down or severely restricted by the pandemic—particularly in the leisure and hospitality sectors. These jobs may gradually recover as the pandemic is controlled. But other lost jobs are office-based and may be permanently lost as businesses and workers acculturate to remote work. Finally, some jobs, such as retail, will be permanently lost as the pandemic has accelerated the structural shift toward e-commerce. New York City will need to create new types of jobs, requiring a range of skills and education levels, to replace those that it has lost.

A 2019 city report found that in the economic upturn of the last decade, New York City was unable to match job growth with housing growth, as it did in the previous economic cycle.[2] Between 2009 and 2018, the New York metro area issued building permits for 0.5 housing units for every net new job added, compared with 2.2 units between 2001 and 2008. Within New York City proper, the mismatch was even worse, with only about 0.3 housing units for each net new job, compared with a three-to-one ratio in the previous period. The consequence was a crisis of housing affordability for all but the best-off households and a competitiveness challenge offsetting the region's many advantages. As New York City tries to attract new businesses and jobs, the likelihood is that renewed growth will quickly lead to a revived housing crunch that deters employers from continuing to add workers.

The supply crunch means that the city cannot house the essential service workers on which its economy depends. A 2018 report by the NYU Furman Center found that 53.9% of "low-income" renter households, defined as those with incomes at 50%–80% of the area median income (AMI), an income threshold established by the U.S. Department of Housing and Urban Development,[3] were "rent-burdened" in 2017—that is, paying more than 30% of income for rent. This figure was slightly lower than in 2016, but higher than in 2007. The applicable income threshold for a family of four was between $47,700 and $76,300 for a four-person household in 2017.[4]

Harvard's Joint Center for Housing Studies publishes comparable data at the national level. Nationally in 2017, 24.8% of renter households in the $45,000–$74,999 income range were rent-burdened. However, the problem was concentrated in the 25 highest-cost metros, where over 40% of such households were rent-burdened.[5]

Thus New York City, even compared with other high-cost metros, is a national outlier in the share of rent-burdened households, which results in costly efforts to fund new affordable housing for those who, in most of the country, are routinely served by the private market. The city's housing subsidies extend even to the moderate-income range, between 80% and 120% of AMI, and the middle-income range, 120%–165% of AMI, where lower (but still atypical nationally) levels of rent burden also persist in New York City.[6] For nonprofessional workers with readily marketable skills, moving away from New York to nearly any other metro area can result in an increased standard of living. To retain these workers, local employers must pay higher salaries, which impairs the region's competitiveness.

New York's housing crunch also leads to an ongoing crisis of housing affordability and instability among its lowest-income households, with incomes below 50% of AMI. The same Furman Center report finds that 85% of extremely low-income renter households (0–30% of AMI) and 79.1% of very low-income households (31%–50% of AMI) were rent-burdened in 2017. A large number of these households are severely rent-burdened (paying more than 50% of income for rent).[7] The Harvard study also finds high levels of rent burden nationally among households at these income levels.[8]

Severely rent-burdened households are often in danger of becoming homeless as a result of some adverse life event, such as illness or the loss of a job. As a consequence, the homeless population in city shelters has been on an upward trend since the late 1990s, and this trend noticeably steepened after about 2012. The family shelter population peaked at more than 48,000 in 2016, and as of August 2020 was just under 38,000; the single adult population in shelters continues to rise and, as of the same date, was just under 20,000.[9]

The city's efforts to address this crisis are extremely costly and, even when the city's budget was flush, represented a significant opportunity cost in terms of forgone services that could have improved New Yorkers' quality of life and the city's economic competitiveness. Operating expenditures in the Department of Homeless Services increased from $842.4 million in fiscal year (FY) 2012 to $2.183 billion in FY 2019.[10] That is in addition to substantial spending from other agencies (including the Human Resources Administration and the Department of Housing Preservation and Development, which provide rental assistance to prevent homelessness) and new affordable housing targeted at the formerly homeless or other very low-income households. In its current fiscally straitened circumstances, the city would benefit from policies that would tackle the problem more effectively—and at a lower cost.

Critiquing Existing Policies

New York City chronically fails to produce enough housing to meet demand. Current slack conditions in the city's housing market—due to massive employment losses, out-migration to locations perceived as safer during the pandemic, and the absence of a new cohort of in-migrants—are typical in recessions. But with economic recovery, a housing shortage is likely to reemerge, as it has in previous growth cycles.

In a well-functioning housing market, housing rents and sales prices would sort by age and amenities, with the oldest and lowest-amenity units having the lowest rents, newer and more amenity-rich units having higher rents, and, at the top of the market, high co-op or condominium sales prices. (Amenities can include not only specific features of buildings and housing units but also short commute times to the city's central business districts, where most jobs are located.) Under those conditions, low-income working households—the 51%–80% of AMI group—would mostly be able find apartments at affordable rents in older buildings outside those prime locations, particularly the five- and six-story New Law tenements built in the early 20th century along the city's new subway lines.[11] Many households in the 50%-of-AMI-and-below group would still need assistance to afford even low-amenity apartments, but the problem would be easier to solve because rents on these older apartments would be closer to actual operating and maintenance costs, rather than incorporating a scarcity premium. New York City, like other cities, would still use Low-Income Housing Tax Credits and tax-exempt bonds to produce new affordable housing and could use these resources to promote economic integration in high-priced neighborhoods. The city could also use tax incentives and inclusionary zoning tools, where economically feasible, to achieve the same goal. However, the city would not need a disproportionately large city-funded affordable housing construction effort, compared with other large cities.

While it's hard to know how much more housing would need to be built to create such conditions in a rising economy, it is easier to see that we don't have them now, and we are not getting closer to the goal. For example, a recent analysis by the NYU Furman Center finds that between 2000 and 2018, the percentage of recently available rental units affordable to households with incomes at 80% of AMI fell from 50.9% to 40.9%, while the percentage affordable to households with incomes at 50% of AMI remained very low, at 14.3%.[12] The city under Mayor Bill de Blasio has spent considerable sums to, at best, maintain conditions of housing scarcity. Capital spending by the Department of Housing Preservation and Development (HPD) has increased from $414 million in FY 2013, the last full fiscal year under Mayor Michael Bloomberg, to $1.681 billion in FY 2019.[13] The de Blasio administration takes credit for the construction and preservation of 167,300 housing units in FYs

2014–20, of which 66,848 were affordable to households with incomes between 51% and 80% of AMI and 73,087 to households with incomes below 50% of AMI.[14]

This colossal effort shows that increased public spending, in the absence of other important measures, cannot be the route to a well-functioning housing market in a city as large and dynamic as New York. In 2017, New York City had 497,825 households with incomes between 51% and 80% of AMI and 1,122,759 with incomes below 50% of AMI.[15] The city's low-income population is dynamic, so even where units are provided that are affordable to households in these groups, the units are not necessarily occupied by such households, as time passes. Because of the size of the target population and the shifts of households within it, it's unlikely that the city will have the resources in the foreseeable future to fully provide this population with publicly subsidized affordable housing.

The city needs an alternative strategy to harness the resources available to the private sector. Unfortunately, the de Blasio administration has been uninterested in maximizing the number of housing units produced without public subsidy. The administration has attached Mandatory Inclusionary Housing (MIH) requirements, which mandate that a certain share of new housing be affordable, to zoning changes that permit more residential density. However, because of the reluctance to rezone in the city's most affluent areas—where rents are high enough to make MIH requirements economically viable—or, alternatively, to permit the use of the more economically feasible MIH "workforce option" or allow flexibility as to affordable housing mandates where market conditions require it, MIH effectively became a requirement to subsidize any housing that ensues after a rezoning.[16]

As a result, rezonings in the current administration effectively created no new housing capacity, since the resources available to HPD are the binding constraint on housing production. Property owners often find that building commercial or community facility buildings in an MIH area is more attractive than building housing, even at lower floor area ratios (FARs)—the amount of floor area permitted in a building, expressed as a multiple of the lot area—because new nonresidential floor space is not subject to affordability restrictions. Despite the city's prosperity and de Blasio's huge expenditures, slightly fewer new housing units received building permits in the 2010–19 decade (206,860) than in the previous 10 years (231,228).[17]

A Five-Point Agenda for Reform

The next mayor can pursue better policies and produce better outcomes. What follows is a five-point agenda for the next mayor to attain—for the first time in decades—an adequate supply of housing to achieve both a prosperous economy and a decently housed population.

New Yorkers need to benefit from what, at the national level, is a golden age of reform of zoning and other restrictive regulations that prevent enough housing from being built to meet demand. The city's basic problem is that its zoning framework, dating to 1961, was based on the premise of a slow-growing city in an age of urban decline.[18] Reformers' efforts to enact zoning that is better adapted to housing the workforce that is needed to staff the city's high-powered economy have inevitably been pitched battles against well-organized opponents who want neighborhoods to remain the same, and thus have always fallen short.

The next mayor needs to address the city's zoning capacity problem with ambitious growth-promoting reforms to curtail the scarcity premiums that make land for development—and thus market rents and sales prices—so expensive in many neighborhoods where the private market is active.[19] Zoning capacity increases need to be citywide and appropriate to a range of land-use conditions, as New York City includes the nation's densest neighborhoods and more conventional single-family suburban-style communities—as well as a full range of contexts in between. Neighborhoods do not need to be obliterated to house the city's future population, but they do need to change.

Structural economic changes likely to ensue from the current recession will likely make retail space less valuable and free up significant opportunities for residential redevelopment. Every shopping center and one- or two-story commercial strip, widespread in the boroughs outside Manhattan, is a potential line of mid-rise apartments. The city needs to rezone for appropriate densities, lift off-street parking requirements that raise construction costs, and constrain its affordability mandates to economically feasible demands.[20] Beyond this evident opportunity, the city has a range of options from the lowest-density neighborhoods to the highest:

- *Permit accessory dwelling units* (ADUs)[21] in what are now single- or two-family homes. ADUs provide rental income to homeowners and rental housing opportunities for households that could not afford to buy a home. To institute a successful ADU program, many current provisions would need to be eliminated: single-family-use restrictions; off-street parking requirements for both primary and accessory units; density requirements limiting second units on small lots; the prohibition on dwelling units that occupy only cellar space;[22] and prohibitions on converting detached rear garages to dwelling units.

- *Encourage "missing middle" housing*.[23] These diverse low-rise housing types are cheaper to build than elevator apartment buildings and provide small-scale entrepreneurial opportunities. New York City has zoning that provides effective prototypes for low-rise, multiunit housing—in particular, R4 and R5 districts,[24] which allow two- and three-family homes and garden apartments and permit moderate-size walkups under regulations for "predominantly built-up areas."[25] However, the housing construction opportunities provided under these rules have been undermined since the 1980s by decades of "downzonings"—many of which were prompted by fears about new housing bringing racial and ethnic change—that effectively restricted neighborhoods to the older, already-existing, housing. As the city's demographics have continued to evolve, successor groups of residents may be more open to new housing. However, some neighborhoods in this category have high car ownership per household and poor transit options, so reform efforts may cause concerns about a scarcity of parking. Zoning reforms therefore need to be supported by transit upgrades, particularly faster and more dependable bus service connecting outlying areas with subways, commuter rail, and ferries, allowing households to keep fewer cars.

- *Come to terms with the decline of manufacturing*. New York City's economy is no longer dominated by manufacturing and hasn't been for a long time.[26] However, because manufacturing's decline postdated the 1961 zoning, the city retains widespread legacy manufacturing zones that do not play an important economic role today but could provide valuable housing opportunities, if housing were permitted. Late in the de Blasio administration, the mayor has warmed toward rezonings in two such areas, Gowanus in Brooklyn[27] and Soho/Noho in Manhattan,[28] which may proceed to the city charter–mandated land-use review process before the end of his term. The greater Long Island City area offers several additional opportunities to rezone obsolete manufacturing-zoned areas for housing.[29]

- *Facilitate microunits*. Similar to shared housing, which is discussed below, microunits are buildings where all units are small but have individual kitchenettes and baths. All-microunit buildings can have attractive common areas that facilitate social activity for their residents. Microunits are considered appropriate by housing providers for supportive housing for formerly homeless individuals and for senior housing, and New York City zoning allows these special types. However, an all-studio building targeted to the general population is impeded by density controls.[30] With more than 20% of the city's households in 2018 comprising a single person who is not over the age of 65,[31] making microunit buildings easy to build (by allowing an all-studio building with common space) could offer an attractive and relatively affordable housing option for many New Yorkers.

- *Allow residential buildings as large as office buildings*. New York City's Zoning Resolution and the state Multiple Dwelling Law (MDL) cap residential FAR at 12. The dual cap, which makes a change in the maximum residential density a state legislative—as well as a local zoning—matter, is an artifact of the negotiations to adopt the new zoning in 1961. One provision of the 1961 code was an increase in the percentage of the lot that could be covered by a new tall building, making the tall residential towers that characterize much of Manhattan south of 96th Street easier to build. In exchange, the city agreed to a size cap, so that new residential buildings could not exceed the practical maximum size of a residential building under the city's original zoning, enacted in 1916. New York City's high-rise areas tend to have the smallest average household sizes in the city, and whatever impacts were feared from larger apartment buildings have not come to pass. In 1981, MDL and the zoning resolution were amended to permit the conversion of older office buildings over 12 FAR to residences, without adverse effects. Were MDL to be amended for new construction, as well as conversions, the zoning could then also be amended in appropriate locations to permit new residential buildings larger than 12 FAR—as, for example, office buildings are permitted to be today in midtown and lower Manhattan.

In total, the city can draw on a zoning tool kit that will allow more housing in every neighborhood and each council district. The more geographically extensive the set of changes proposed by the city, the more likely they are both to be perceived as equitable and to lower the land-cost premium that makes housing needlessly expensive. Councilmembers, borough presidents, and community boards that object to specific proposals should be challenged to propose alternative zoning changes that would be equally effective.

Review Other Applicable Laws, Codes, and Procedures

Housing production in New York City is hindered not only by obsolete zoning, but by other laws, codes, and procedures. At the state level, a recent Citizens Budget Commission report points to the notorious "Scaffold Law," which significantly increases the cost of liability insurance for building contractors, and additional provisions of the Multiple Dwelling Law, which increase the cost of constructing a three-unit, rather than a two-unit, building, or adding a unit to an existing two-unit structure.[32] At the local level, the city has been slow and cautious in updating obsolete construction codes.[33] For example, the city is only now in the process of adapting the Building Code to bring it in line with the 2015 International Building Code (IBC), which allows the use of cross-laminated timber[34]—a relatively new product that is considered environmentally beneficial and lower in cost, compared with alternatives such as steel and concrete—in buildings up to six stories or 85 feet in height.[35] While New York City undertakes its time-consuming review process, IBC has moved on, with a 2021 version that allows timber-frame buildings up to 18 stories.[36] Meanwhile, the city's slow progress frustrated a proposal to construct a 10-story timber residential building in the Chelsea neighborhood in Manhattan.[37]

Another form of innovation is shared housing, which advocates believe can be an important source of new affordable housing.[38] Shared housing, in which individual tenants share kitchens and baths, is traditionally known as "single-room occupancy" housing. Such housing units, which were once prevalent across the city but came to be viewed as substandard, have been banned in new buildings by the city's Housing Maintenance Code since 1955.[39] However, HPD can allow certain exceptions, and in 2019 the department announced the selection of three proposals through the city's ShareNYC pilot.[40] The proposals approved by the city are managed by nonprofits, or by a for-profit developer with substantial city assistance. What HPD could not do under the law is approve a privately managed prototype that does not receive substantial city assistance, even if the developer is reputable and the agency has confidence that the housing will be well managed. Proposals to expand the scope of allowable shared housing projects, under appropriate regulations, could find support across a broad political spectrum.

In addition to outdated laws and codes, New York City needs to reconsider the procedural requirements that slow the progress of residential rezoning applications. Under state rules, applications to construct one-, two-, or three-family homes are exempt from environmental review.[41] Larger developments are not so fortunate. For example, on November 16, 2020, the City Planning Commission certified for public review an application by a private developer to rezone property at 68-19 Woodhaven Boulevard in Queens, in order to facilitate the construction of an eight-story building with 92 dwelling units, as well as commercial and community facility space. The developer was allowed to submit the "short-form" environmental review, for projects that do not have the potential for any significant environmental impacts and should be permitted to proceed to public review without the need for an Environmental Impact Statement. That short form, however, required 995 pages of supporting information.[42] Obviously, the need to prepare such voluminous documentation for an unexceptional proposal is costly and a major deterrent for applicants. To encourage private applicants to propose rezonings for denser housing, the environmental review process needs to be greatly simplified, if not eliminated entirely, for applications that do not have the potential to result in adverse impacts.

New York City needs to undertake a thorough review of all the applicable laws and regulations that affect the supply of housing. The city would no doubt find willing help from the private and nonprofit sectors to evaluate the full list of obstacles placed before potential housing developers and to determine those that have a bona fide public purpose and those that can safely be eliminated. The next mayor needs then to pursue aggressively, through the local and state legislative processes, the changes necessary to remove impediments that can no longer be justified.

Targeting Subsidies

While deterring potential help from the private sector, New York City spends lavishly on affordable housing. Like other cities, New York tries to maximize federal resources, and nearly every new affordable housing project sponsored by the city's HPD uses Low-Income Housing Tax Credits (LIHTC).[43] For example, in FY2020 the city's designated developers completed 26 new construction projects that utilized either 4% or 9% tax credits (4% tax credits are used in conjunction with tax-exempt bonds issued by housing finance agencies).[44] While these tax-credit projects require a specified percentage of the units to be affordable at certain income levels, the city often goes beyond those levels with its own resources to provide units affordable to "extremely low-income" households—currently an income of less than $30,720 for a family of three. A monthly rent of $598 for a two-bedroom apartment is considered affordable for households in this category.[45]

Some of the units are targeted to low-income seniors or to formerly homeless persons who need supportive services to remain adequately housed. These are specific housing types that meet needs that won't otherwise be met by the private sector. Moving elderly persons into housing units adapted to their current needs frees up other units that are often larger and can house families. Providing supportive housing for the formerly homeless enables the city to reduce its shelter population while providing a better living environment for its clients.

In contrast, while the city moves formerly homeless families from shelters into new extremely low-income affordable units, it also moves such families into private housing, with rent vouchers. Rent vouchers are far less costly than building and operating new housing units—provided that such units are available for rent. The city's rent supplement program, known as CityFHEPS, will pay a private landlord up to $1,580 a month, depending on the tenant's income.[46] Additionally, the city provides a portion of its more generously funded Section 8 vouchers to homeless households.[47]

The city should utilize the lowest-cost solutions to the problems of keeping the lowest-income households out of the shelter system and placing those that fall into the system in adequate permanent housing as quickly as possible. By aggressively tackling zoning restrictions, as well as other laws, codes, and procedures that stifle housing construction, and allowing a wider range of shared-housing options, the city can make substantial progress toward a fluid housing market with units available for rent at a range of prices. It will have less need to spend millions of dollars in capital funding to write down the cost of new affordable housing for extremely low-income households, save for special housing types such as senior or supportive housing. The city's extensive stock of older housing in non-prime locations should be able to meet the needs of most extremely low-income New Yorkers to a much greater extent, provided that a reasonable level of vacancy exists and that these households have sufficient rent supplements to compete for vacant units.[48] In summary, expanding supply should allow the city to meet targeted needs for disadvantaged households at lower cost, potentially freeing up budget capacity for other priority uses.

New Emphasis on Moderate- and Middle-Income Housing

HPD counts "moderate-income" (affordable to 81%–120% of AMI, or up to $122,880 annual income for a family of three) and "middle-income" housing (affordable to 120%–165% of AMI, or up to $168,960 for a family of three) toward the city's "affordable housing" production totals. However, the city produces relatively few such units in its sponsored new construction, due to its emphasis on LIHTC-eligible units, for which these income levels are not qualifying.

In contrast, the Affordable New York Housing Program—state legislation creating a successor to the Section 421a tax-exemption program[49] for newly constructed multifamily housing—provides an incentive to create "affordable" units in the moderate- to middle-income range. Under its most generous option for buildings under 300 units (except in Manhattan south of 96th Street), known as Option C, projects are eligible for a 35-year property-tax exemption, provided that 30% of the units are affordable at 130% of AMI (monthly rents of up to $2,700 for a one-bedroom and $3,235 for a two-bedroom are considered affordable). These rents are so high that, although ostensibly "affordable," they are well above market rents in many parts of the city where unsubsidized rental housing is routinely built with an as-of-right Affordable New York tax exemption. Nonetheless, the "affordable" units are required to be rented up through the NYC Housing Connect housing lottery.[50]

To ensure that units will rent, they are advertised at a small discount to market rents, well below the "affordability" threshold[51]—a bargain for relatively well-off households.

There's a good reason for the city to want to produce moderate- and middle-income housing at low cost to the public sector. Workers in such households are the backbone of the city's growing services sectors—such as professional and business services, education, and health care. The city and state, which both rely on the taxes that these businesses pay, have a shared interest in ensuring that moderate- and middle-income households have broad access to housing in the neighborhoods where they want to live, and the city's lottery system helps ensure that housing is marketed on a nondiscriminatory basis. However, the current Affordable New York Option C is unsatisfactory as housing policy, offering an excessive tax benefit that likely inflates land costs. The de Blasio administration's Mandatory Inclusionary Housing program offers a "Workforce Option" with slightly more demanding affordability requirements than Option C—the two were intended to work together—but the Workforce Option has been little used because of a lack of support by the mayor and the city council.[52] With the current Affordable New York Housing Program sunsetting in 2022, requiring new state authorizing legislation, the next mayor should advocate that the state legislature rationalize the tax benefits available in the wide areas of the city where a tax-exemption option is needed for new rental housing[53] but where feasible affordability conditions are limited to the moderate- to middle-income range. These areas are characterized as "middle market" in the city's 2015 report.[54] By shrinking the benefit period or targeting a lower level of income, the city can maximize the productivity of its tax exemptions and avoid inflating land costs, while aggressively rezoning—utilizing the MIH Workforce Option—to increase private housing production.

Safety Net for the Poorest Households

As New York's housing market has become tighter and the number of apartments with very low rents has plummeted, housing owned by the New York City Housing Authority (NYCHA) has become a critical resource for extremely low-income households (incomes below 30% of AMI). A 2018 NYU Furman Center report, analyzing 2017 New York City Housing and Vacancy Survey data, found that 61% of NYCHA units are occupied by such households and that these NYCHA units represent 57% of all units affordable to extremely low-income households.[55] Along with rental assistance programs, NYCHA represents New York City's housing safety net for its poorest households.

NYCHA is beset by management and financial problems. The agency has been engaged in recent years in a process of planning and public consultation to implement reforms pursuant to an agreement with the U.S. Department of Housing and Urban Development (HUD). The plan in its most recent form was published in November 2020 as *NYCHA's Blueprint for Change: Draft Transformation Plan*.[56] The plan includes conversion of 62,000 NYCHA-owned units to private management, under the Permanent Affordability Commitment Together initiative (PACT), with tenants protected by Project-Based Section 8 rent vouchers. HUD Rental Assistance Demonstration (RAD) funding would become available for renovations. The plan states that by the end of 2020, NYCHA will have converted more than 9,500 apartments through PACT, with an additional 12,500 units in process.

Additional components of NYCHA's plan include Build-to-Preserve (BTP), in which mixed-income infill development on NYCHA land helps fund renovation of adjoining projects, and Transfer-to-Preserve (TTP), in which NYCHA transfers development rights to private developers at high-value sites.[57] The current draft transformation plan sets a goal of 10,000–15,000 apartments renovated through these programs. Finally, the remaining units, approximately 100,000–110,000, are to be transferred to a public trust that would be able to access HUD Tenant Protection Vouchers (TPVs), the most lucrative vouchers that HUD offers. The TPVs would be used to raise capital for renovations. This concept would require the support of the Biden administration and additional congressional appropriations.

The city's next mayor has little choice but to support the HUD agreement, including the city's commitment to $2.2 billion in capital funds for critical repairs over a 10-year period ending in FY 2028.[58] However, the next mayor will also have the challenge of working on alternative mechanisms to secure rehabilitation funding for the tens of thousands of residual units continuing under NYCHA management, in the event that the proposed public trust is not funded fully or at all. The mayor must strike a delicate balance between the desire to keep promises to NYCHA tenants of renovated housing, while also not letting the federal government off the hook for its obligations to subsidize housing intended as permanently affordable. It is likely that the city will experience pressure for additional capital support, which will be an additional drain on its housing capital budget. These pressures can be offset by more aggressive efforts to monetize NYCHA's high-value land through new development or redevelopment, which has generated political controversy since the Bloomberg administration. NYCHA owns significant tracts of land in neighborhoods where new market-rate housing is economically supportable and development sites are scarce. The authority can realize market real-estate values through new development, although many public housing site plans make it difficult to insert new buildings without demolishing existing buildings. In some cases, development can be facilitated by reinserting former city streets that were eliminated to create public housing "superblocks."[59] In other cases, peripheral streets surrounding NYCHA sites that were widened at the time of development can be restored to their original width, also creating new sites for housing within the former right-of-way. As NYCHA buildings deteriorate and federal subsidy options remain inadequate, revisiting the development potential of high-value NYCHA sites while protecting existing tenants will make sense.

Conclusion

The five components of a housing plan for the next mayor outlined above represent a shift in approach from the previous administration. The approach would be more favorable to private real-estate development and less reliant on massive public subsidies for new affordable housing. The focus of the plan would be to make more older existing housing available to the neediest households with rental assistance, rather than building extremely low-income new housing. The approach would question many of the well-meaning regulations that have been put into place over the years that cumulatively make housing hard to build. Finally, it would commit the city to preserving the safety-net public housing system, while recognizing that a viable solution can't forgo maximizing the revenue that can be generated from the system's own valuable real estate.

In the coming months before the June 2021 Democratic primary for mayor, New Yorkers will hear different arguments from many candidates—arguments for more spending and more regulation of the private housing market. New Yorkers should ask how these proposals can solve the city's chronic housing crisis when the very aggressive efforts by the de Blasio administration—at the height of an economic boom that made funding new and expanded housing programs relatively painless—could not. The straitened post-pandemic budgeting environment will probably force more careful spending choices on the city, but by adopting this different approach, the city can still advance in the 2020s toward more available and affordable housing for all New Yorkers.

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16 See Eric Kober, "De Blasio's Mandatory Inclusionary Housing Program: What Is Wrong, and How It Can Be Made Right," Manhattan Institute for Policy Research, Jan. 18, 2020.

17 NYC Rent Guidelines Board, "2020 Housing Supply Report" (May 27, 2020), 17.

18 Eric Kober, "Zoning That Works," Eye on the News, City Journal, Oct. 1, 2020.

19 BAE Urban Economics et al., "Market and Financial Study: NYC Mandatory Inclusionary Housing" (September 2015), 20–22. The city's 2015 consultants' report on the financial feasibility of a Mandatory Inclusionary Housing program includes an interesting snapshot of land costs in areas classified as "very strong," "strong," "middle," "moderate," and "weak" housing markets. These 2013–14 figures only increased during the subsequent years of rapid economic growth, as development sites became scarcer.

20 Eric Kober, "Barrier to Recovery: How New York City's Obsolete Zoning Prevents Property Owners from Reusing Land and Buildings," Manhattan Institute, July 15, 2020.

21 See American Planning Association, "Knowledgebase Collection: Accessory Dwelling Units." The American Planning Association provides this definition: "An accessory dwelling unit (ADU) is a smaller, independent residential dwelling unit located on the same lot as a stand-alone (i.e., detached) single-family home…. ADUs can be converted portions of existing homes (i.e., internal ADUs), additions to new or existing homes (i.e., attached ADUs), or new stand-alone accessory structures or converted portions of existing stand-alone accessory structures (i.e., detached ADUs)." In NYC's more diverse land-use context, an ADU should also be permitted in a semidetached (connected on one side) or attached (row house) home.

22 See Citizens Housing and Planning Council, "Basement and Cellar Regulatory Reforms," December 2020. A basement has more than half its height above adjoining grade and presents fewer fire-egress issues than a typical cellar. A cellar has more than half its height below adjoining grade. However, because many lots slope downward from the street, cellars in small homes often have full-height windows in the rear and could provide safe egress in a fire.

23 "Missing Middle Housing is a range of house-scale buildings with multiple units—compatible in scale and form with detached single-family homes—located in a walkable neighborhood." See Opticos Design, "Missing Middle Housing."

24 NYC Dept. of City Planning, "Zoning Handbook: 2018 Edition," chap. 3, "Residence Districts," 86, 90.

25 These rules permit higher FARs in R4 and R5 districts on lots of less than 1.5 acres, provided that specific conditions are met. See NYC Zoning Resolution, §12-10.

26 Services became the dominant sector in the city's economy in the 1960s. NYC Dept. of City Planning, "Employment Patterns in New York City," July 2016, 12.

27 NYC Dept. of City Planning, "Gowanus Neighborhood Plan."

28 NYC Dept. of City Planning, "Soho/Noho Neighborhood Plan."

29 Eric Kober, "Long Island City, Without Amazon," *City Journal*, August 2019.

30 NYC Zoning Resolution, §23-22.

31 NYC Dept. of City Planning, DP02: Selected Social Characteristics in the United States, 2018 American Community Survey 1-Year Estimates, New York City and Boroughs.

32 Citizens Budget Commission, "Strategies to Boost Housing Production in the New York City Metropolitan Area," Aug. 26, 2020.

33 Ibid.

34 APA—The Engineered Wood Association, "Cross-Laminated Timber (CLT)."

35 Alex Ulam, "Mass Timber Going Mainstream," *Oculus* (Fall 2019).

36 "The State of Timber in NYC," Ensight by Entuitive, June 25, 2020.

37 C. J. Hughes, "Log Cabins? No, These Wooden Buildings Are High-Rises," *New York Times*, Jan. 1, 2019.

38 Lucy Block, "A Resurgence of Single Room Occupancy Housing for Affordability," Association for Neighborhood & Housing Development, Oct. 25, 2019.

39 NYC Housing Maintenance Code, §27-2077.

40 HPD, "City Reveals Selected Shared Housing Development Proposals," press release, Oct, 8, 2019.

41 New York Codes, Rules and Regulations, §617.5 (c)(11).

42 68-19 Woodhaven Blvd Rezoning, Environmental Assessment Statement (EAS) Short Form.

43 See Tax Policy Center, "What Is the Low-Income Housing Tax Credit and How Does It Work?" updated May 2020. Low-Income Housing Tax Credits are allocated to the states by statutory formula and further allocated within states by state housing finance agencies. Investors receive the credits in exchange for equity contributions to qualifying affordable housing projects.

44 For an explanation of these terms, see ibid. HPD data from NYC Open Data, "Housing Development Projects Receiving City Financial Assistance (Local Law 44)."

45 HPD, Area Median Income.

46 NYC Dept. of Social Services, "CityFHEPS Frequently Asked Questions for Landlords and Brokers."

47 Giselle Routhier, "State of the Homeless 2020," Coalition for the Homeless, March 2020.

48 See Joe Biden, "The Biden Plan for Investing in Our Communities Through Housing." President Biden's campaign manifesto on housing proposes "full funding" for all households eligible for Section 8 vouchers, a major expansion. While it is yet unclear as to what extent such a plan will have support in Congress, any expansion in federally funded vouchers would relieve the city of the cost of supporting its own rental assistance.

49 Confusingly, Affordable New York is also known as "new" 421a, in contrast to "old" 421a, the tax-exemption program, also provided in state legislation, which sunset in 2015. See HPD, 421-a.

50 HPD, NYC Housing Connect.

51 See MGNY Consulting, "The 130% AMI Conundrum," Oct. 16, 2018.

52 See Kober, "De Blasio's Mandatory Inclusionary Housing Program."

53 The tax exemption is necessary to neutralize the unequal treatment of rental and ownership multifamily housing in the city's tax system.

54 BAE Urban Economics et al., "Market and Financial Study."

[55] NYU Furman Center, "NYCHA's Outsized Role in Housing New York's Poorest Households" (December 2018), 3.

[56] NYC Housing Authority (NYCHA), "NYCHA's Blueprint for Change: Draft Transformation Plan," Nov. 16, 2020.

[57] These options are described in NYCHA, "NYCHA 2.0 Part 1: Invest to Preserve," 12.

[58] New York City Council, Finance Division, "Notes on the Fiscal 2021 Executive Budget for the Committee on Public Housing" (May 29, 2020), 9.

[59] Howard Husock, " 'Re-Streeting' the Projects," *City Journal*, Spring 2019.

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