



MANHATTAN
INSTITUTE

A POLICY PLAYBOOK FOR
**NEW YORK'S
NEXT MAYOR**

GROWTH, OPPORTUNITY, AND SAFETY



HOUSING

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**A GROWTH-ORIENTED HOUSING PLAN
FOR THE NEXT MAYOR**

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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 Brooklyn²⁷ 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 timber³⁴—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 program⁴⁹ 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” threshold⁵¹—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 sunseting 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 housing⁵³ 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.



Endnotes

- ¹ NYS Dept. of Labor, Current Employment Survey, annual averages from 2013 to 2019 and one-year change from September 2019 to September 2020.
- ² NYC Dept. of City Planning, “The Geography of Jobs: NYC Metropolitan Region Economic Snapshot,” 2nd ed. (October 2019), 27–29.
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- ⁴ NYU Furman Center, “State of New York City’s Housing and Neighborhoods in 2018” (May 28, 2018) 24, 133.
- ⁵ Joint Center for Housing Studies of Harvard University, “The State of the Nation’s Housing 2019” (June 2019), 32–33.
- ⁶ NYU Furman Center, “State of New York City’s Housing and Neighborhoods in 2018,” 24.
- ⁷ Ibid.
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A POLICY PLAYBOOK FOR
**NEW YORK'S
NEXT MAYOR**

GROWTH, OPPORTUNITY, AND SAFETY

**AN EDUCATIONAL PLAN FOR
THE NEXT MAYOR**

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Introduction

New York City’s public school system unraveled last year in the face of the Covid-19 crisis. Before the pandemic, criticisms of the public schools typically centered on performance measures: Were enough students meeting state benchmarks? Was success evident across all racial, socioeconomic, and ability groupings? Those were simpler times.

Today, foundational concepts—such as the importance of compulsory school attendance and the collection and dissemination of basic measures of average daily attendance, class grades, and test scores—have been abandoned. A national study¹ found that the city’s hybrid approach to schooling (which the system began to move away from in late November) is delivering less than half the instructional time required by the state in normal years. Within even that limited offering, attendance was abysmal, and the quality of remote instruction was low.

The city has been reluctant to release data on the actual attendance (in-school) and participation (via remote learning) of students. Thanks to a subpoena from the city council, the Department of Education (DOE) did release numbers showing that in the first two days of the school year, overall participation was 77%—but according to its data, a single e-mail from a student was counted as participation for that day.² Regarding the quality of instruction being provided, a survey commissioned by Education Trust–NY found that just “just half (51%) of parents of remote learners rate it as successful.”³

The available data show that attendance numbers for black and Hispanic youngsters are poorer than those for white and Asian students. As a result, there seems to be no doubt that the city’s handling of its schools during the pandemic will widen the achievement gap between white and Asian students, on the one hand, and black and Hispanic students, on the other—a sad coda to the eight-year term of Mayor Bill de Blasio, whose educational program promised “Equity and Excellence for All.”⁴

The Seeds of Failure

The manifold problems of New York City’s schools began well before Covid-19. The de Blasio administration entered office defining the core problem facing the schools as one of inequity rather than overall performance, and it introduced a set of centrally planned program initiatives meant to address that inequity. Uniformity was emphasized over both responsiveness to local communities and nimble program design and operation. As many of these centrally mandated programs failed to produce the desired equitable results, the administration turned to a more redistributionist approach, in the belief that the success of some students was coming at the expense of others.

Thus, instead of seeking to increase the number of seats in high-quality schools, de Blasio’s administration seeks to allocate the short supply of such seats randomly to promote equity. The city’s selective high schools—designed around a meritocratic admissions process based solely on the results of a single entrance exam—became the first target, alienating the parents of the many immigrant, first-generation immigrant, and low-income students attending them. Middle schools that had been using academic screening in their student admissions policy in several local school districts became the second target, further alienating parents who want advanced opportunities for their children. In both cases, the main complaint has been that these schools enroll too few black and Hispanic students. But changing admissions policies in these schools will benefit small numbers of these students. The city’s real need is to increase the number of high-quality schools in these districts.

By attacking merit-based admissions, the administration not only alienated immigrant parents but also higher-income parents with the ability to choose options outside the district school system. And it ignored some clear facts of life: half the white children in New York City are enrolled in private and religious schools, and 30% of black children are enrolled in either public charter private or religious schools. In addition, the city’s current approach to “antiracism” has struck some as a return to the soft bigotry of low expectations in other cities where it has been followed.⁵

Charter schools have demonstrated the ability to provide black students with the advanced curriculum and high achievement levels desired by their parents. By the end of the Bloomberg administration in the 2013–14 school year, 183 charter schools⁶ were operating in the city, enrolling more than 72,000 students.⁷ Most had not yet reached their full complement of grades,

so continued enrollment growth was built in to their design. However, the size and success of the charter sector drew opposition from the United Federation of Teachers (UFT), which endorsed de Blasio in his first mayoral run. There was also a long-running disagreement between de Blasio and Eva Moskowitz, the head of the city's largest charter network, dating back to the time when they both served on the city council.

Early in his first term, de Blasio largely ended the practice of co-locating charter schools in DOE buildings, which Moskowitz had relied upon to grow her network. According to New York City Budget documents, this move is now costing the city \$68 million annually after the state legislature required the city to pay for leases for charter schools that the city refused to site in DOE buildings.⁸ The mayor's action, which disrupted parents' choice of schools, laid the groundwork for the mistrust that characterizes the broad response to de Blasio's efforts to reopen schools this past fall. Meanwhile, many charter networks have implemented remote-learning approaches that closely approximate the normal day-to-day interactions of students and teachers. Many religious and independent private schools have successfully reopened their school buildings with the necessary health and safety procedures for fully in-person instruction or a mix of in-person and remote learning.

The public school system, like the city and state governments, faces deep financial challenges. In the case of the schools, these challenges predate Covid-19 but proved disastrous with the onset of the pandemic. As a result of the union contracts of 2014 and 2018, DOE spending increased by 4.5% per year over seven years, compared with 2.6% under the last seven years of the Bloomberg administration. The 2014 contract, in particular, included huge retroactive payments to cover the years during which UFT refused to settle with the Bloomberg administration. Payment of that retroactive money was pushed to the final years of the de Blasio administration and resulted in the city having to pay out \$1.5 billion—between the spring of 2020 and the summer of 2021—for work performed between 2009 and 2011. The payments began while the schools were closed and the city's finances were reeling from the impact of the economic shutdown.

When the new mayoral administration takes office in January 2022, it will inherit a school system facing large-scale financial challenges and the glaring mistrust of many parents. The new mayor will also face large numbers of parents considering whether they can continue to raise their families within the city. On the positive side, New York City still has many fine-to-excellent district, charter, religious, and independent private schools; it just needs more.

Ultimately, New York's new mayor will need to respect and honor the educational choices made by parents who continue to see the city as a place to raise their children. He or she must also commit to addressing the very real problems of low-performing schools, not by redistributing the seats in good schools but by growing the number of good schools. Educational pluralism and growth should be the order of the day.

Recommendations

1. Educational Pluralism. The city's future depends upon its ability to convince families with school-age children that they can be assured of high-quality, safe schools. One lesson of the pandemic is that city schools must have backup plans in place for any necessary closures. This means a functional system of remote learning that replicates the school day as much as possible—a far cry from what DOE has been offering over the past year. The new administration must also recognize that families want schools that represent *their* priorities and values, and these vary across families and communities. The city should support good schools in all sectors—public, charter, and private/religious—that provide quality education.

The ability of charters, independent private, and religious schools to thrive and grow is largely in the hands of the state legislature; the new mayor should make support of them a legislative priority. Specifically, the next mayor should press the state legislature to lift the existing cap on the creation of charters in the city. Given the current political climate in Albany, this might require an incremental approach. At a minimum, the next mayor should press the legislature to allow the city to use the almost 100 charter school slots reserved under existing law for counties outside the city but unused by those counties.

The new mayor should also lift any restriction on siting charter schools in underutilized DOE buildings. Finally, the new administration should reinstate Bloomberg's "Small Schools Initiative," which allowed public school teachers, administrators,

and community members to design and propose new public schools, responsive to the specific educational needs of the children they will serve. De Blasio dismantled the program in his first year of office.

In opening up the city to new public schools, the administration needs to satisfy parental demands for different learning styles. Some parents seek middle and high schools designed to serve students who demonstrate their abilities on standardized exams. Other students can demonstrate their strengths by focusing on art, music, science, technology, and other areas; they need schools that allow them to do so. The city needs schools that allow for all types of talents and strengths to flourish. Students are not cut from the same mold; schools should not be, either.

2. Focus on Performance. New York City's next mayoral administration should commit to a fair and easily understood method of grading school performance; it should make school quality the core function of DOE. This means once again identifying schools requiring in-person, top-to-bottom review by teams of professionals to determine if they should be closed to make room for schools with new approaches and new staff. The new administration should review the specific design of performance-review methodology, but an analysis by the city's Independent Budget Office found that the Bloomberg-era methodology, while not perfect, largely attained its goal of identifying a school's effect on measurable achievement levels.⁹ A Manhattan Institute study found that de Blasio's removal of simple letter grades for schools removed an effective tool for identifying and improving failing schools.¹⁰ The focus on school quality and performance must come from the top of the school system; that means a schools chancellor who understands that increasing the supply of high-quality schools is DOE's single most important task.

3. Demand Flexibility from Unions. The new administration needs to stand up for students and strike a new tone with UFT. Given the city's dire financial situation, the teachers' union will need to participate in cost-cutting measures and greater economic efficiency within the school system, or its members will experience layoffs in large numbers. For the leadership of the union to work with the city on reasonable concessions, city hall must take a hard line in negotiations. Any future labor contracts have to allow administrators greater flexibility, particularly in a time of crisis such as the current one. This means, for example, that administrators must be able to require the live streaming of instruction. The absent teachers' reserve pool must be eliminated, and those teachers left in the pool must not be forced onto school staff over the objection of principals. The administration will also have to hold the line on any future wage increases until the city's finances recover from the economic shutdown related to the pandemic. In line with a general citywide review and rearrangement of pension and other postretirement benefits across the city, those agreements related to DOE require review and reform.

4. Contracts and Transparency. One important task for the new administration is a top-to-bottom review of all contracts within DOE's budget related to the failed Renewal Schools program, the Community Schools program, ThriveNYC, Pupil Transportation, and other costly agreements established by the de Blasio administration. Renewal Schools was a costly effort to avoid the hard work of closing failing schools and replacing them with better ones. It put the interests of the adults in the failing schools ahead of the needs of the students. Though the program nominally ended after having little impact on student achievement, expensive contracts between community-based and mental-health organizations continue under a new banner.¹¹ As for Pupil Transportation, the de Blasio administration has worked mightily to undo Bloomberg's attempt to introduce competition into the bidding process for school bus contracts—going so far as to create a nonprofit organization, to be funded by \$900 million, to buy out a failing bus company.¹² The new mayor should shut this organization down and put its routes out to competitive bidding. The new administration should also undertake a deep review of the school system's core labor agreements to determine where personnel costs can be reined in after their tremendous growth under the de Blasio administration.

5. Real Improvement, Not Virtue Signaling. The next administration should end the divisive practices of employee training segregated by race; cease undermining the importance of academic achievement in the service of antiracism; and stop the current efforts to rearrange school zoning in pursuit of a centrally designed racial mix in each school. Instructional practice and classroom materials should never be used to drive students apart or to pit communities against one another. Instead, New York should pursue real and lasting improvement in the quality of schools in the city's many underserved communities. Expanding the supply of charter schools in the face of demand from minority families is one of the needed improvement strategies. Creating a pipeline of selective middle schools in minority communities, along with intensive preparation

programs for the Selective High Schools Admissions Test, is another. Closing low-performing schools, attended almost exclusively by black and Hispanic youngsters, is yet another way to directly increase educational opportunity in the city.

Other Paths Forward

Many of the city's private and religious schools have benefited from the generous philanthropy of individuals and foundations. This support remains necessary, but recent rulings by the U.S. Supreme Court have opened new avenues for pursuing public support of religious schools on constitutional grounds. Those concerned about the future of private and religious education in the city should consider pursuing those legal avenues, no matter who is elected mayor.

A recent report from Nicole Stelle Garnett, a professor at the University of Notre Dame Law School and an adjunct fellow at the Manhattan Institute, lays out the possibilities for the establishment of religious charter schools made possible by the 2020 Supreme Court decision in *Espinoza v. Montana*.¹³ In this case, Chief Justice Roberts concluded: "A State need not subsidize private education. But once a State decides to do so, it cannot disqualify some private schools solely because they are religious." As Garnett's paper points out, it would take a well-thought-out strategy to get a state such as New York to follow the Court's lead. The political landscape for charter schools in the state capital is dire. For that matter, the legislature remains strongly opposed to any form of public support for private and religious schools in the form of tuition tax credits or vouchers. Meanwhile, the s

tate Education Department continues to seek ways to regulate curriculum content in all private and religious schools. Still, supporters of school choice may well consider an effort to get public support for religious charter schools.

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A POLICY PLAYBOOK FOR
**NEW YORK'S
NEXT MAYOR**

GROWTH, OPPORTUNITY, AND SAFETY

**A BUDGET PLAN FOR
THE NEXT MAYOR**

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Introduction

New York City Mayor Bill de Blasio took office amid an economic expansion and immediately increased spending—granting raises to tens of thousands of workers, adding new programs, and increasing the size of the city workforce by tens of thousands of new positions. He will leave office amid a titanic budget squeeze, thanks to the rapid growth of the city budget and the economic slowdown caused by Covid-19. It will be up to the next mayor to get the city’s budget back on stable fiscal ground.

This won’t be easy. New York is already one of the highest-taxed big cities in the country. There are widespread reports of residents, especially well-heeled ones, fleeing Gotham, making the prospects for further steep tax increases risky and probably counterproductive. But de Blasio’s spending spree has left room for cuts and realignment, if voters can elect a new mayor with the wherewithal to challenge the political forces that shape the city’s budget.

The Gathering Fiscal Storm

During his first seven years in office, de Blasio boosted spending by more than \$20 billion, a growth of 30% until the pandemic hit (**Figure 1**).¹ Among the biggest bills that he left taxpayers was a series of huge pay increases for workers, including awarding workers with bonuses for work that they had done during the term of the previous mayor, Michael Bloomberg, who had balked at employee demands.

De Blasio’s first budget deal with unions, many of which had heavily supported him, gave them retroactive increases that stretched as far back as 2009—that is, five years before he took over.² He awarded teachers, for example, a 4% “pay” increase for the year 2009, another 4% for 2010, and then a bonus for 2011.³ These pay raises, which came on top of the annual “step” increases that teachers get just for working additional years, added \$4 billion to payroll costs over the life of the contract. By the time de Blasio was done negotiating with other unions, the increases helped spur rapid increases in budget growth—by \$5 billion his first year in office.⁴

FIGURE 1.

Total Government Spending Under de Blasio (\$Billions)

2014	\$75.5
2015	\$80.5
2016	\$82.4
2017	\$85.3
2018	\$89.6
2019	\$93.4
2020	\$97.8
2021*	\$95.0

Source: NYC Office of Management and Budget, Financial Plan (by fiscal year)

*2021 projected spending based on January 2021 Financial Plan Detail, NYC Office of Management and Budget

Bloomberg had refused to agree to new union contracts because he was seeking savings from the unions in areas such as health benefits. At the time, these costs were already stratospheric, and they’ve only continued increasing rapidly. New York City, virtually alone among big cities these days, pays almost the full cost of health care for city workers and retirees. The benefits promised to retirees for health care amounted to more than \$100 billion in future costs that the city hadn’t funded.

During the de Blasio years, that debt increased by more than \$25 billion as the city continued to promise workers cost-free health care in retirement without putting aside the money to pay for it. Spending for retiree health care has grown to more than \$2.5 billion annually, which must be paid from the city’s everyday budget.⁵ Combined with the future benefits owed to current workers—which are increasing every year by another \$5 billion that the city isn’t saving for—future taxpayers, as well as mayors, face a grim future.

Even as pay increases and benefit costs made the price of employing the average worker soar, de Blasio sharply increased the size of the city’s workforce. Under his administration, the number of employees working for the city, including full-time workers and full-time-equivalent positions, has reached an all-time high: an increase of nearly 29,000 positions, or 11% (**Figure 2**).⁶

Among the areas where employment leaped the most is the school system, whose ranks have swelled by more than 13,000 positions, or 11%, because

of growth in teaching positions as well as administration.⁷ Those gains have spurred a nearly 50% rise in the schools' budget, to \$35 billion (**Figure 3**), a compound annual growth rate of almost 7%. The cost of salaries, fringe and other benefits, during de Blasio's time in office, has risen \$4.5 billion.

Other big areas of growth include mental health services, spurred by the mayor's ThriveNYC program, which dedicated several hundred million dollars a year in new spending. Personnel rolls in the city's health and mental hygiene department increased by 29%; children's services staffing rose by 20%.⁸

Meanwhile, despite booming tax revenues for much of the last eight years, the city's total bonded debt has increased by over \$17 billion since the start of de Blasio's tenure.⁹ Annual debt service—i.e., the cost of paying off the city's bonds—is scheduled to rise in four years by \$2.9 billion, to \$9.3 billion.

These numbers are part of what is helping put so much pressure on the city budget since New York's economy began to shut down in mid-March 2020. In June 2020, the city passed the fiscal year 2021 budget (which began on July 1, 2020), which the mayor downsized (from the \$95.3 billion that he said he wanted to spend) to \$88 billion, though the latest city financial plan shows New York again on track to spend \$95 billion this year. But the budget contains numerous short-time, one-shot reductions, and it swipes money largely from reserve accounts to balance the budget, leaving big questions about the future.¹⁰

Indeed, of the nearly \$9 billion hole punched in the city's revenue by the pandemic, expense cuts closed only half the deficit. Those included killing certain programs such as residential composting, unspecified labor savings (such as some \$336 million in NYPD overtime costs that it is unclear the city can achieve), and realizing savings from a reduction of services in a city that's been partially closed for much of the last half-year.¹¹

Tellingly, the city is also using some \$4 billion in reserve funds to close the gap. About \$1 billion comes from reserve funds built up in years when tax collections exceeded expenditures, but another \$2.6 billion is taken from the city's retiree health-benefits fund, which New York is supposed to be saving to pay for future health benefits of current workers. To be sure, the city has made a practice over the years of using money set aside for health benefits to close budget gaps during recessions, which is one reason that New York has a giant unfunded liability. Notably, the city has achieved little in the way of savings through better or more efficient operations.

Because the city has done little to reduce costs over the long term, New York faces bigger deficits in the years beyond 2021. In his proposal for next year's budget (FY 2022, which begins on July 1, 2021), de Blasio outlined \$92.3 billion in spending and projected a \$5.25 billion deficit that would have to be eliminated.¹²

The state's Financial Control Board (FCB), whose job it is to audit the city's finances, looked at Gotham's new budget and identified significant risks that the board thinks will exacerbate coming budget gaps. The board focused on the "unspecified" savings that the city must negotiate with labor unions, as well as hundreds of millions of dollars in overtime costs that the city hasn't previously been able to control but now says that it will cut. As a result, the FCB estimated that there's still a \$300 million budget gap in fiscal year 2021, which began on July 1, 2020, and that the city's budget gap in 2022 rises to \$5.4 billion in 2022, \$4.5 billion in 2023, and \$4.7 billion in 2024. Plans need to be developed now to deal with the risks, not just in the

FIGURE 2.

Headcount Up Sharply Under de Blasio (full-time workers)

2014	271,767
2015	277,173
2016	287,002
2017	295,455
2018	298,370
2019	300,442
2020	300,466

Source: IBO, Fiscal History: Actual Full-Time Positions, Citywide Summary

FIGURE 3.

NYC Education Spending Under de Blasio (\$Billions)

2014	\$23.6
2015	\$25.2
2016	\$26.8
2017	\$28.3
2018	\$30.9
2019	\$33.2
2020	\$35.0

Source: NYC Department of Education, Financial Status Reports

current fiscal year but, more importantly ... to deal with the growing outyear gaps,” the board said. “The city must develop a multi-billion dollar plan, with recurring savings.”¹³ A recent report by the city’s Independent Budget Office (IBO) projects smaller deficits, rising to \$2.3 billion in 2023, though the report also cautions that New York faces substantial economic risks that could exacerbate those numbers, as did FCB in its report.¹⁴ Although the city and its school system will receive billions of dollars from the recently passed federal stimulus bill, projected future deficits are so large that the next mayor will still have to work hard to balance New York City’s budget.

Recommendations

• *Accelerate the PEG (Program to Eliminate the Gap).*

De Blasio has seemed indifferent to the idea of increasing the efficiency of city government as a way to bank savings. Early on, he ended a program that had stretched over four mayors for more than three decades. Known as the Program to Eliminate the Gap, or PEG, it consistently challenged all city departments to find savings that eliminated projected future budget gaps as they became apparent.¹⁵ PEG required all departments to participate in a constant reevaluation of their spending. Although the savings could often be small, such as paring back outside contracting or reducing spending on marginal items like food services, the sustained momentum of PEG helped accumulate substantial sums—as much as \$24 billion during 2010–13, according to one study.¹⁶

De Blasio replaced PEG with a voluntary effort that has garnered much smaller savings generated by fewer city agencies. Much of the savings that the mayor has claimed arose from reestimating expenditures and declining debt-service costs, thanks to favorable interest rates. Less than 20% of projected reductions have come from the city operating more efficiently. Though de Blasio reinstated PEG last year, it will be up to the next mayor to ensure that PEG becomes a priority again.

• *Bring the cost of health care for employees and retirees in line with costs in other governments.*

The city pays the entire cost of health premiums for more than 95% of the workforce. It similarly pays for generous retiree health care with little or no contribution by retirees—something that is rare in both the public and private sector. This has made New York City government uncompetitive from a cost perspective with other big cities around the country, allowing them to operate with lower taxes. A big part of retiree health costs consists of full insurance benefits for workers (and their spouses) who retire before the age of 65. After they reach 65, workers join Medicare, but the city reimburses them for Part B premiums and the premiums for Medicare supplemental insurance.¹⁷

These costs are especially onerous in public safety departments, where there are more retirees than active workers. In essence, the city subsidizes full insurance benefits for the equivalent of two full workforces. The overall bill for retiree health care alone has reached \$2.25 billion annually. The next mayor needs to press for more cost-sharing. Worker health-care expenditures alone are slated to rise by 25%, or nearly \$3 billion, over the next four years, according to the city comptroller’s office.¹⁸

A study by the Citizens Budget Commission of other government workers in cities, states, and the federal government found that cost-sharing of premiums is now widespread for workers and retirees.¹⁹ Having New York City workers and retirees contribute 10% toward their health-insurance premiums—less than the average for big employers these days—would save more than \$500 million a year, the city’s IBO estimates.²⁰ Requiring early retirees to pay half their health-insurance premiums would reduce annual spending by \$420 million, and having those on Medicare contribute half the Part B premium saves another \$148 million. Retirees also get unprecedented full coverage for their spouses, at enormous cost. Reducing the subsidy for these premiums by half would save hundreds of millions more. Virtually all these reductions involve benefits where New York City provides far more subsidies than most other public-sector employers. The cuts simply bring the city into line with other big cities, at huge savings.

• ***Bring city pension costs in line with state costs.***

The city has experienced rising pension costs over the past 20 years because New York’s defined benefit system places enormous potential liability on taxpayers, who must make up shortfalls in investment returns within pension fund portfolios. The state constitution prohibits the city from altering the terms of pension plans for current workers. Nevertheless, New York City can institute reforms that would, over time, make its pension system affordable. One way to proceed is by offering employees more options, specifically a 401(k)-style, defined contribution plan that offers flexibility and portability to workers, and/or a hybrid plan that creates a combination of a small defined benefit plan with a tax-free defined contribution plan.²¹ The state already offers a defined contribution plan for employees at the State University of New York system, administered by TIAA-CREF, and up to three-quarters of professors at the SUNY campuses have opted in to the plan.²²

A survey undertaken by the Empire Center found that 26% of New York State’s public school teachers would favor the defined contribution plan, and 57% would consider opting for a hybrid model.²³ One reason is that a large percentage of teachers change jobs over time, often losing a substantial part of their pension benefits as a result because defined benefit plans make few contributions toward pensions until teachers have spent a decade or longer in the system. Contributory models, which make steady yearly contributions toward retirement accounts, are far more appealing to employees who might want to take their benefits elsewhere if they change jobs. Defined contribution plans work especially well for younger employees, who tend to be more mobile and hence benefit more from portability. Such a move would spur long-term city savings.

On average, public sector-employers contribute about 5% of salaries to defined contribution retirement plans.²⁴ By contrast, the \$10 billion annually that New York City is currently spending represents contributions that are 33% of salaries; and there is every likelihood that those costs will rise higher if the pension funds do not hit their long-term investment goals.²⁵

• ***Reduce the size of the workforce through cuts, attrition, and productivity gains.***

Increased employee compensation during the de Blasio years has accounted for nearly half the total rise in the city’s budget under his administration.²⁶ The rise in this budget item has come not just from salary increases but also from a robust hiring spree. In his recent budget proposal, de Blasio promised to use PEG to eliminate 7,000 to 12,000 city positions through attrition. However, that would still leave New York’s workforce far larger than when he took office. New programs account for much of the growth. ThriveNYC, a mental health initiative under the supervision of the mayor’s wife, is a favorite program of de Blasio but of dubious value and highly criticized for focusing on nebulous mental health problems of the general population rather than providing effective services for seriously mentally ill people.²⁷ A smaller, more focused, program using already-existing resources could save the city hundreds of millions of dollars annually.

The mayor’s other signature initiative was a universal prekindergarten program, originally supposed to benefit children of low-income households. De Blasio extended it to all households, at a cost now approaching \$1 billion a year, because, he said, it was a matter of equity. The program was originally designed for four-year-olds; de Blasio is expanding it to three-year-olds. Though the state funded much of the original program, the city now pays about half the cost and has been financing much of its recent growth, even as the state, facing its own budget problems, is cutting appropriations to the city.²⁸

In addition to downsizing programs of doubtful value, the new mayor needs to look at making the workforce more productive. City employees typically work 35–37.5 hours a week. Increasing that to 40 hours a week would provide a different way of racking up labor savings and reducing the size of the workforce. To avoid layoffs, it would, over time, allow the city to decrease its workforce through attrition. Over three years, IBO estimates, those savings would rise to over \$750 million annually.²⁹

• ***Accelerate the privatization of the NYC Housing Authority (NYCHA) and explore other avenues of privatization to boost investment in the city.***

Early in his tenure, de Blasio dismissed any efforts to spur private investment in the city and save money through privatization—i.e., the process of selling government property or other assets to private companies or contracting city services to outside enterprises—a strategy that many municipal governments use to save money. However, the mayor has been forced to consider

privatization as a means of bailing out the deeply indebted NYCHA, which, through years of mismanagement, has accumulated some \$40 billion in necessary repairs and capital work.³⁰

Today, the city's plans include leasing open space in housing projects to private developers, selling air rights over housing projects, and converting about 60,000 apartments in public housing to private management. The current chairman of NYCHA, Greg Russ, has said that he wants to explore further privatizations to raise even more money as the bill for fixing public housing grows. The next mayor should certainly retain Russ and endorse new efforts. A Manhattan Institute study identified significant commercial opportunities for further development on housing authority property.³¹ Such moves will not only bring more money into government coffers but will also increase private investments and services into local neighborhoods.

It took a grave emergency for the city to resort to private sources for NYCHA. Now the entire city budget faces a similar emergency, and it is logical for New York to look closely at other opportunities for privatization. Many municipalities across America, for example, have privatized residential trash collection. Previous studies have estimated that the city could save hundreds of millions of dollars by competitively bidding out its trash collection and employing other productivity savings.³² New York's next mayor could begin demonstration projects with private carters in selected neighborhoods to evaluate best practices and get accurate calculations on the savings. Former mayor Rudy Giuliani initiated such a program in the early 1990s but failed to aggressively pursue it after unions representing sanitation workers agreed to money-saving concessions. It is time to reconsider this strategy. A privatization commission could examine where it would work best.

• ***Ask the state to invoke the Financial Control Board to make cost-cutting easier.***

New York State's union-friendly laws make it difficult for mayors to cut benefits for workers once they've been granted—largely because even after a contract expires, current benefits stay in place. That gives union leaders an incentive simply to refuse to negotiate with a mayor who seeks worker concessions.³³ However, during the city fiscal crisis of the 1970s, the state created an oversight entity, the Financial Control Board, to monitor city budgets. FCB has the power to take control of city finances and impose money-saving measures.³⁴ It's a strategy that the next mayor should consider asking Albany leaders to invoke. Without the board's power, the unions' incentive is to stand pat.

Salaries and benefits today constitute over half of New York City's entire budget. Without the ability to reduce those costs—because of state restrictions on altering already-negotiated union contracts with workers—it will be impossible for the next mayor to balance the city's budget without such deeply extensive and widespread layoffs that they will hamper New York's ability to deliver services. The goal should be, instead, to find the best ways to achieve cost reductions that maintain essential services. To do that, the city needs FCB to suspend state laws that make changes to union contracts impossible to achieve.

Conclusion

A recent Manhattan Institute survey found that more than four in 10 residents said that they would like to leave the city to live elsewhere.³⁵ That same poll found that more than half of residents thought that services in the city were not worth the amount they paid in taxes, and 75% said that they approved of lowering taxes as one strategy to help revive the city. At the same time, 51% of residents endorsed limiting the collective bargaining rights of city workers to address budgetary problems, while only 25% opposed that as a strategy for helping balance the city's budget.

The next mayor faces a fiscal crisis unlike any the city has seen since the months after 9/11. The difference is that resolute New Yorkers then pulled together to save their city, and they collectively valued a strong police department and civic order. Now, however, the city faces potentially serious long-term trends, including a widespread move among high-income taxpayers to remote work, a decline in civic order, and a continuing fear of infectious disease as a disincentive to city living. New York's next mayor needs to understand that city government can't sustain itself for very long under these conditions unless it significantly changes how much money it spends and why it spends it.

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A POLICY PLAYBOOK FOR
**NEW YORK'S
NEXT MAYOR**
GROWTH, OPPORTUNITY, AND SAFETY

**A TRANSPORTATION PLAN FOR
NYC'S NEXT MAYOR**

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Introduction

The Covid-19 pandemic last year altered New Yorkers' normal transportation habits on a scale not seen since the subway first opened in 1904—ushering in an era of underground mass transit—or since the Triborough Bridge opened in 1936, and the city entered the automobile age.

A year into the Covid-19 disruption, subway, bus, and commuter-rail ridership remains near record lows. Auto traffic has rebounded more quickly but remains down significantly. On the other hand, bicycling has increased by double digits, representing a new way of getting around for workers and leisure travelers. At the same time, the city has stalled in its decades-long goal of reducing traffic deaths, with the number of motorist and vehicle-passenger deaths far higher in 2020 than in recent years.

It is unlikely that commuting and other travel will return to 2019 norms quickly, if ever. As of March 2021, public-health concerns—along with restrictions on activities such as in-person white-collar office work, leisure and business travel, and live entertainment—continue to stifle demand for transportation.

Even after the pandemic ends, it is unclear whether office workers will return to Manhattan five days a week. Likewise, it is not clear whether the city and the region will settle into new residential and leisure patterns, with more people choosing to live within cycling or walking distance of their workplace, for instance.

Despite this uncertainty, a return to some form of urban density is inevitable. Collaborative industries, such as architecture, design, and advertising, require daily spontaneous interaction. Recovery from the pandemic thus represents an opportunity for Mayor Bill de Blasio's successor, who will take office in January 2022, to build aggressively on the progress that the city made in the decades before the pandemic in providing more transportation options to local residents and regional commuters, as well as ensuring that all travelers move about in greater safety, no matter their mode of transportation. The state and federal governments also have a role in ensuring the viability of large-scale mass transit.

Background Data: Pre-Pandemic Success upon Which New York City Can Build

Before Covid-19 devastated New York, the city had achieved significant policy achievements in transportation across several mayoral and gubernatorial administrations.¹ Both subway ridership and cycling were near record levels, and traffic deaths had consistently fallen (**Figure 1**). Despite a decline in bus ridership and a new challenge posed by tens of thousands of for-hire automobiles, New York City was moving a record-large population and workforce around more safely and effectively than ever before.

FIGURE 1.

New York City Transportation Ridership and Safety Trends, 1980–2019

	1980	1990	2000	2010	2019
Population (000)	7,070	7,320	8,010	8,190	8,340
Annual subway ridership (000,000)	1,009	1,028	1,381	1,604	1,698
Annual bus ridership (000,000)	-	-	729	817	678
Daily cycling trips (000)	100	100	150	250	510
Daily free and tolled bridge crossings (000)	3,146	3,797	4,321	4,223	4,187
Daily motor vehicles entering Manhattan (000)	679	761	828	767	699
Annual traffic deaths - total	617	701	380	273	220
Annual traffic deaths - pedestrian	337	366	187	153	124

Source: New York City Dept. of Transportation, Metropolitan Transportation Authority. Bridge crossings are 2016 data.

The city was reaping the benefits of four decades of investment in mass-transit infrastructure² and, in particular, two decades of investment in protected bike lanes, pedestrian islands, and speed cameras and red-light cameras.³

Background Data: Pandemic Strains

Yet the pandemic and its aftermath threaten this long-term success. As of late February, subway ridership hovered around 30% of normal levels and has not progressed at all since early summer.⁴ Bus ridership hovered at 44% of normal levels.

The only bright spot was in cycling. Though citywide data are not yet available, a few data points demonstrate the boom. East River bicycle crossings increased by 21%, compared with last year, to more than 25,000 on an average weekday.⁵ The eight-year-old Citi Bike bike-share system, which has continued to expand during the pandemic, is experiencing record ridership, with 83,990 rides on an average day in September 2020, compared with 80,475 rides in September 2019.⁶ Citi Bike appears to be the only form of organized transportation that has regained its pre-Covid levels.

Unfortunately, with fewer cars and trucks on the road, many of the remaining drivers are speeding or otherwise driving recklessly, contributing to an increase in fatalities. In 2020, New York City saw 243 traffic deaths, a 10.5% increase over 2019, and the highest number during the seven years of the de Blasio administration.⁷

The increased death toll was not driven by more pedestrian and cyclist fatalities. Pedestrian deaths fell by 21%, partly a function of sparser foot traffic on the streets, and cyclist deaths remained flat despite the surge in cycling. However, there was a 76% increase in deaths of drivers and passengers in cars and motorcycles. The city needs to prioritize better road design and enforcement, in order to protect not only pedestrians and cyclists but also drivers themselves.

How Does New York Recover and Rebuild?

Mass Transit: Rebuilding Confidence

To regain its commuting population and to encourage travel to and within the city, the Metropolitan Transportation Authority (MTA) must keep the transit system running at full capacity. Though the mayor does not control the MTA, candidates can do more than simply pledge to stick up for transit riders when it comes to continued federal and state aid. They can lead by example by taking mass transit to and from (outdoor) campaign events and promise to continue using mass transit on a regular basis if elected, just as most of their constituents will have to if New York is to resume a future similar to the pre-Covid normal.

Because the state-run MTA depends on fares and tolls for roughly half its operating revenues, fallen ridership has created multibillion-dollar budget deficits for the agency. The good news is that the federal government has approved \$8 billion in operating aid to the MTA, covering operating deficits through most of 2021. Thus, financial considerations have receded as the single biggest immediate impediment to recovering ridership, although the MTA continues to face multibillion-dollar future-year shortfalls that, if unaddressed, will impede both operating spending and infrastructure investments in the long term.

Right now, the biggest challenge is that the public fears the transit system, even though these concerns are not supported by the evidence. Through the summer and early fall, for example, transit ridership modestly increased, with no corresponding increase in Covid transmission (**Figure 2**).

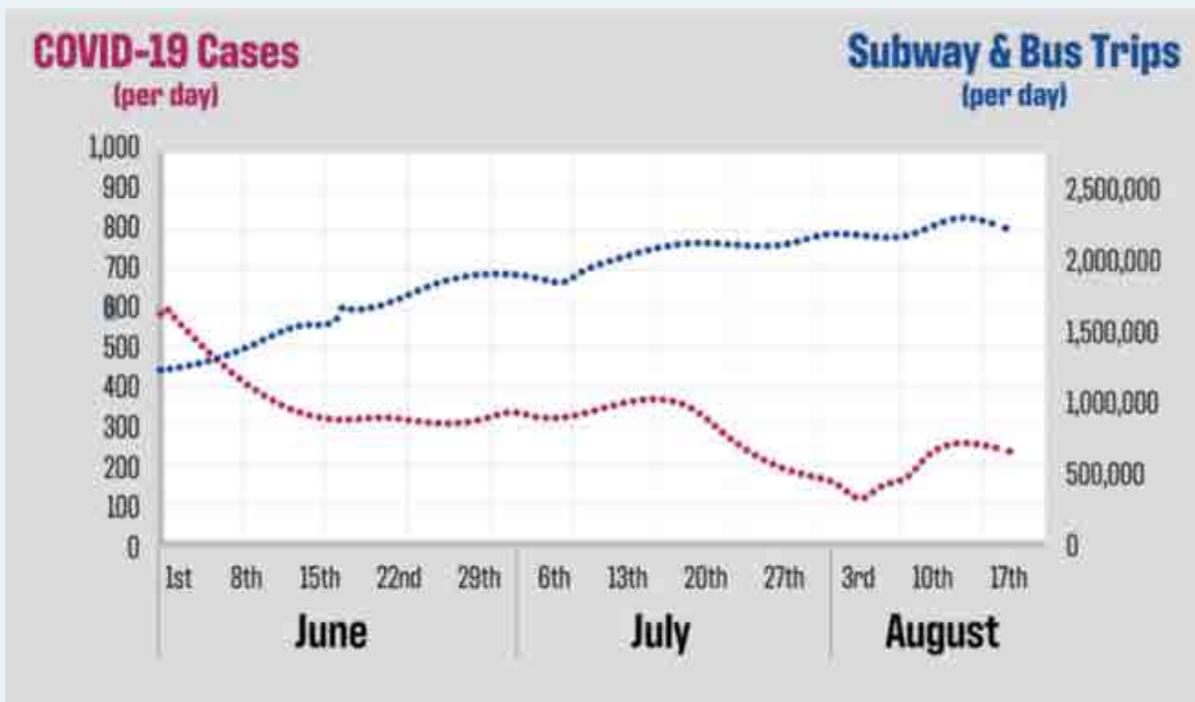
In a global survey, scientific research conducted by epidemiologists and public health experts concluded that there is little evidence of outbreaks across a number of transit systems, where mask usage ranges from 50% to above 90%.⁸ The lack of evidence for transmission on mass transit systems is understandable because, even if riders are in proximity to one another, they do not tend to speak to each other. Covid-19 transmission depends more on what people do at the ends of their trips, not on their mode of transit.

Although the MTA's mask mandate is not strictly enforced by police, the agency has had great success in getting passengers to wear masks voluntarily, even giving out masks at token booths and on trains. Compliance is above 90%. The MTA could further experiment with technology to monitor mask compliance by station location and route, publicizing the results to potential passengers. Such a measure could make potential riders feel confident that most people are wearing masks and could spur more people in stations or on routes where mask compliance is relatively low to comply with the mandate to wear a face covering.

To rebuild public confidence in transit, New York City leaders in the public and private sectors should lead by example, encouraging the use of transit by frequently riding subways, buses, and commuter rail and publicizing such trips through broadcast, print, and social media.

FIGURE 2.

2020 Covid-19 Transmission vs. New York City Transit Ridership: No Correlation



Source: Sam Schwartz, "Public Transit and COVID-19 Pandemic: Global Research and Best Practices," September 2020.

Mass Transit: Longer-Term Money Needs

Though federal aid means that the MTA's financial issues are not as acute as they were in the fall, they do remain. Even with new federal aid, the MTA faces at least a \$2 billion budget deficit for 2022, or more than 10% of its proposed \$19.3 billion 2022 budget. Again, the mayor does not control the MTA, and Albany lawmakers are unlikely to cede any authority over the agency.

The MTA controls both mass transit and tolled bridge and tunnel infrastructure within New York City. For several decades, both subway and bus transit fares, as well as bridge and tunnel tolls, have been increased by roughly the rate of inflation every two years. Given the pandemic, however, the authority plans to delay a previously planned subway and bus fare hike, but not a bridge and tunnel toll increase, of approximately 4%, effective this spring.

Because auto drivers are wealthier and can better withstand a toll hike, the MTA has the right approach in increasing tolls and not fares; the MTA could go even further with variable toll-rate policy, increasing the charges for Manhattan crossings by a higher percentage than for outer-borough-to-outer-borough crossings that don't touch Manhattan.

At minimum, if the MTA does increase fares later in 2021 or in 2022, poorer New Yorkers should be protected from higher subway and bus fares through the next mayor's aggressive promotion of, and pledge of continued funding for, the two-year-old "fair fares" program, through which the city subsidizes half-fare rides for adults who earn below \$26,200 (family of four).⁹ The MTA should also consider a lower fare structure for buses relative to subways.

Further, the MTA should move forward with congestion pricing. In 2019, the state legislature approved this program of tolls for motor vehicles entering core Manhattan (below 60th Street) to raise \$1.5 billion a year toward the MTA's \$53 billion, five-year program of planned investments in its physical infrastructure.

Lawmakers allowed for the program to begin in January 2021, but the MTA has pushed it to as late as 2023.¹⁰ During the Trump administration, the MTA claimed that the culprit for the slow rollout was the federal Department of Transportation's refusal to say whether it would require an extensive environmental review of the project. Under the new Biden administration, the MTA should explore whether it can use digital simulations of congestion pricing's impact on traffic, and thus on the environment, to speed up any environmental-review process.

Despite the holdup attributed to the Trump administration, the MTA itself hasn't done everything it can to speed congestion pricing. To wit: under its enabling legislation, the MTA must empanel a "traffic mobility review board" to implement the new tolls. Even with congestion pricing, however, the future of the MTA's capital plan will depend on a federal infrastructure package.

Motor-Vehicle Management ... and More Money

With car traffic still below pre-pandemic levels, the city has an opportunity to reshape how that car traffic returns. Much of this reshaping could be achieved by monetizing the streets, in ways beyond congestion pricing. Higher prices for street parking, too, could provide more revenues. The city could unilaterally implement, without state authorization, a more aggressive parking policy, raising street parking-meter rates. The city could also entirely eliminate employee parking placards, which allow public-sector workers to park free at legal spots (and, in practice, are often used to park in illegal spots and avoid tickets).

Without parking placards, the city would effectively require its workers to pay for municipal or private parking, as private-sector employees do. For the rare instances in which public-sector workers must use their private vehicles to conduct their job duties during the course of the workday, the city could implement Q-code or other technology to monitor parking workers' location and duration and ensure that employees are parking only to perform their work duties, not for commuting purposes. Ending parking corruption is not only a financial issue but also a fairness issue, as public employees who drive to work have higher salaries and more generous retirement benefits than most transit riders.

The city could also assert more control over its streets through measures that fall short of monetizing them. The mayor could take such measures as banning single-occupancy vehicles on bridges and in tunnels during the long-term Covid-19 emergency, as former mayor Rudolph Giuliani did after 9/11 and as former mayor Michael Bloomberg did after Hurricane Sandy.

Bus Travel: Go Where the Workers Are

Even before Covid-19, the city's bus ridership had stagnated, as riders grew frustrated with long boarding times and long waits in mixed bus, car, and truck traffic. The city, through the mayor's control of the physical streets, can do more to encourage bus ridership, which will also help alleviate any potential crowding on subways as people return to work, school, and tourist travel.

Both the MTA and the city can build on a decade's worth of progress in building better bus infrastructure. In the past two years, for example, new state-authorized cameras have deterred car and truck drivers from driving or idling in bus lanes, such as on Fifth Avenue in Manhattan. In 2019, the city converted much of Manhattan's 14th Street into a "busway," with priority given to bus passengers at the expense of car drivers and passengers and deliveries. Bus speeds increased between 22% and 47%, while ridership increased by 24% (and by 30% on weekends).¹¹

To further speed up bus travel, the city should work with the MTA on comprehensive bus-network redesign, with more protected bus lanes citywide that prohibit car traffic and delivery idling, emulating the success of the 14th Street Busway.¹² The MTA and city should also redesign bus routes to connect essential workers to their workplaces, making far more straightforward interborough routes that bypass Manhattan, for instance.

Riders will soon see improvement in the boarding process, too. Over half a decade, the MTA has been designing and implemented a contactless-payment system. Last fall, the authority completed the installation of this technology, OMNY, on all buses (and trains), reducing the time spent waiting for passengers to pay by cash or by card swipe.

More money should be allocated to bus service. Bus ridership dropped less than subway ridership during the pandemic, and the allocation of funds should reflect that. Bus frequency should be increased as people continue to return to work. The MTA should also consider more efficient and frequent point-to-point bus service via micro- or minibuses, possibly through contract with a service such as Via.

Cycling, Walking, and Scootering: Safer Spaces for More Vulnerable Travelers

New Yorkers nervous about taking the transit system have taken to bike rides, long walks, and scooter trips in record numbers this year, even as the weather has grown colder. This "micro-mobility"—that is, travel via foot, bicycle, scooter, or similar mode—is not only for the young and physically fit. Bicycling, for instance, should be a commuter tool that ought to be as straightforward and spontaneous as using the subway.

Here, too, the city can build on more than a decade of progress: thanks to the construction of protected bike lanes across the city as well as the 2013 rollout and subsequent expansion of Citi Bike, cycling has more than doubled since 2010.

Yet the bike-lane infrastructure falls short. Even with New York's progress in building out protected bike lanes, many lanes still run through truck routes and long stretches of high-speed bridge traffic. Traveling long distances with a bike is often unnecessarily complicated, even chaotic.

To encourage more cycling, the city could develop a system of subway-like maps showing how to get from one point to another via a bicycle. The subway map is iconic because of its ease of use, and there is no reason that the city couldn't develop a similarly distinctive and accessible map for cycling, integrated with water taxi routes to expand usability for long-distance travel. Bike lanes should not feature gaps where cyclists must merge with truck and auto drivers, an unpredictability that deters novice cyclists.

Even with protected bike lanes, cyclists need protection from speeding drivers, particularly on long stretches of bridges alongside high-speed cars. An expansion of speed-camera and red-light-camera coverage could help achieve this goal. Here, too, there is progress to build upon. In 2019, the state legislature approved an expansion of school-zone speed cameras, contributing to a 17% injury reduction within school zones since then. The de Blasio administration has asked for authority to keep these cameras operational when school is not in session, at night and on weekends.¹³ The state should approve this request.

The city should also do more to accommodate people who wish to use electric-powered vehicles to supplement physical exertion on their commutes. Many people would choose to commute by bike but need to look presentable and professional at the end of their journey, which often isn't possible if they pedal the entire way. Electric bikes, or e-bikes—newly legalized

by New York State and City—can make the last mile in a transportation network less physically arduous. Citi Bike is already supplementing its pedal fleet with e-bikes.

The city should consider building intermediate-speed lanes on roads and avenues for battery-powered scooters and e-bikes, which travel more slowly than motor vehicles but much faster than human-powered cyclists. For riders who wish to use their own e-bikes or e-scooters, the city should provide secure, attended parking for these valuable vehicles, either free or at a low price.

The next mayor can frame improvements to bicycle and e-mobility infrastructure not just as transportation improvements but as a key part of a public-safety program to reduce injuries and deaths.

Highways: Highest and Best Use?

Absent multibillion-dollar federal investments in a rail-freight system, New Yorkers will continue to rely on trucks over highways and local roads to deliver goods.

To better use the highway and road network and reduce congestion and wear and tear, the city, state, and Port Authority of New York and New Jersey should work better together to develop an analysis of the best use of the highway network.

Using new technology, agencies should collaborate to revisit authorized truck routes to determine whether they are the most efficient means of moving goods, updating decades-old truck routes where applicable. The city could consider allowing small commercial trucks on the Belt and Grand Central Parkways, for example.

The state and city should better work together, too, to use highways in coordination with the goal of getting car traffic away from the dense urban street network, including exploring the possibility of dedicated highway lanes for bus-only traffic.

State and city agencies can better coordinate enforcement of rules, as well. Government entities should find more effective ways to deploy truck-weight sensors and explore automated enforcement of overweight trucks. The region needs an interagency freight plan to coordinate truck-regulation enforcement, such as deterring overweight trucks.

The city should also prioritize truck access over car access on the Brooklyn-Queens Expressway, which forms part of the only heavy-truck route from Long Island to Manhattan and plays an outsized role in the movement of goods across the region. Meanwhile, rather than focus on new interborough passenger-rail service, the city and state should prioritize new interborough freight-rail service.

24-Hour Subway Service

The MTA ended 1 AM–5 AM service in early May, both to ensure that homeless individuals did not use overnight trains for refuge and to deep-clean stations and trains. In February 2021, the length of the nightly shutdown was reduced to 2 AM–4 AM. For the city's economy, particularly its nightlife, to recover, the MTA must reestablish 24-hour-a-day subway service. Mayoral candidates could seize on this issue as part of an economic-recovery platform as well as a fairness platform, as many overnight riders are poorer hourly wage earners.

Overnight service is necessary for the hospitality and restaurant industry to thrive. Before the pandemic, more than 80,000 New Yorkers regularly took the subways between 12:30 AM and 5 AM. There is no evidence that the MTA saves money by closing subways during these overnight hours, either in the short or the long term. Indeed, the MTA still must run trains during these overnight hours to move its employees and equipment around and because train-storage yard capacity is constrained.

Moreover, the MTA has never explained why it cannot deep-clean trains while keeping service running. Most trains are idle during the overnight hours even during normal times, and stations are sparsely populated. Finally, as evidence

emerges that Covid spreads more readily through air droplets, not through touching surfaces, the MTA may be able to ease up on cleaning surfaces.

Enforcement: Who Should Maintain Law and Order on the Streets?

Right now, the New York Police Department (NYPD) is primarily responsible for enforcing the rules of the road, with uniformed officers enforcing moving violations (such as speeding) and civilian traffic agents enforcing stationary violations (such as double-parking).

The city should move many traffic-safety enforcement functions away from NYPD and toward a civilian agency, most likely the Department of Transportation (DOT). Civilian workers reporting to DOT, not NYPD, could enforce parking and idling violations, for example. NYPD has not historically performed well on enforcement functions such as keeping bike lanes clear of motor vehicles and ensuring that government workers (including police officers themselves) haven't illegally parked their private cars.

Civilian enforcement of parked-vehicle violations was the practice from the 1970s through the 1990s. The city should also move toward more automated enforcement of moving violations, including more speed-camera and red-light-camera coverage, as well as exploring cameras to enforce no-standing regulations in bike lanes, a measure that would require state legislation. Just as with ending parking-placard corruption, the next mayor could frame civilianization of most parking and idling violations as a key part of public-safety and justice reform.

Finally, the city should deploy more neutral, passive, nonhuman enforcement of traffic rules and laws through physical means—for example, deploying barriers to keep faster-moving cyclists from slower ones and pedestrians from cyclists, as well as experimenting with pavement materials that discourage high vehicle and cyclist speed in mixed-use environments.

Conclusion

New York faces a formidable challenge in encouraging commuters to return to day-to-day travel, particularly travel to Manhattan. Yet the city has much pre-pandemic success upon which to build, including its partial network of protected bike lanes and speed cameras and red-light cameras or the tens of billions of dollars already invested in the mass-transit system.

In building out bus and bike lanes, New York must do what it had already been doing—just more of it, more quickly, and more thoughtfully and competently. When it comes to pricing of valuable street space as well as enforcement of traffic laws, however, the city must be far more aggressive and consider entirely new approaches.

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A POLICY PLAYBOOK FOR
**NEW YORK'S
NEXT MAYOR**

GROWTH, OPPORTUNITY, AND SAFETY

**A SMALL-BUSINESS AGENDA
FOR NYC'S NEXT MAYOR**

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Introduction

New York is a big city of small businesses. Out of some 236,000 firms in the Big Apple, 98% employ fewer than 100 employees.¹ Roughly 1.3 million New Yorkers work in a small business. Entrepreneurship is a crucial route to opportunity, particularly for historically marginalized communities.² Small business is an engine of growth and renewal that will be all the more vital after the Covid-19 pandemic.

Running a small business is hard, even in the best of times. In New York City, entrepreneurs face high costs, byzantine regulations, and cutthroat competition. And when there is a shock, such as a pandemic, small businesses lack the comfort of size to cushion the blow.

Not surprisingly, the past year has devastated New York City's small businesses. Nearly 3,000 permanently closed between March and June of 2020 alone,³ with thousands more left in limbo amid an uncertain recovery. The Partnership for New York City, a business group, estimated in July that one-third of small businesses might never reopen. By November 2020, small-business revenue was only half of what it had been in January.⁴

Hospitality businesses, such as restaurants and bars, were the hardest hit. More than seven in 10 workers in this industry were thrown out of work in April, leaving bare-bones crews behind in these often small shops.⁵ Some workers were able to return to the job by summer, thanks partly to the success of outdoor dining. But another wave of Covid-19 at the end of the year sent hospitality unemployment back up to 43.4% in December—more than four times higher than for the city as a whole.

New York City lost one out of every eight jobs in 2020 and is not expected to recover its pre-pandemic employment levels until at least the end of 2024.⁶ Many more New Yorkers have, or soon will, drop out of the job market entirely or find themselves chronically underemployed as the city struggles to recover economically. The city is in a precarious state fiscally, as is New York State.

The federal government issued unprecedented financial relief to businesses during the pandemic—totaling \$325 billion, mostly through the Paycheck Protection Program (PPP)—as well as other efforts like the Federal Reserve Main Street lending initiative.⁷ In New York City, half of all small businesses received a PPP loan in the first round of funding, though in the Bronx, where unemployment soared to Great Depression levels in 2020, only 40% received such relief.⁸ The city's micro-businesses, which employ fewer than 10 employees, received nearly two-thirds of all PPP loans but just 16% of the \$19 billion that went to all the city's businesses.⁹ The aid was necessary, but ultimately it was only a Band-Aid—good for stopping the bleeding but by no means a cure. There are deeper challenges for New York entrepreneurs that Washington cannot solve.

In the months since Covid-19 first struck New York City, small businesses have undergone the same “K-shaped” recovery as the economy generally, where the most well-capitalized and talented firms—particularly in technology and financial services—more or less survived and often thrived, while others, especially in the leisure and hospitality sectors, were decimated. Traditional or brick-and-mortar businesses that employ large numbers of less well-off workers were among the hardest hit.

Perhaps the one bright spot during 2020 was the remarkable surge in business formation nationwide after a four-decade slump.¹⁰ Roughly 1.6 million new business applications were filed in third-quarter 2020, nearly double the total from the same period in 2019. After first spiking in the spring, new firms were still being formed at a rate of well over a million per quarter as 2020 grew to a close. While it is too early to know whether this trend will continue, New York City's leaders should be doing everything in their power to take advantage of this trend and to ensure that entrepreneurial opportunity is available to all. Pre-pandemic, small businesses employed half of all workers nationwide, and the fastest-growing startups drove 20% of all gross job creation;¹¹ we should aim for such dynamism in New York City, as well.

New York's next mayor should have one aim when it comes to economic competitiveness: *making the city the best place to start and run a small business in America*. And that means: (1) giving entrepreneurs a helping hand now; and (2) making it easier for more New Yorkers to join their ranks and thrive. In this brief, I will discuss five ideas for how the city can help the entire spectrum of small businesses, from mom-and-pop shops to fast-growing startups, while making it easier to start and run a business. In order to bring growth and dynamism back to New York, the next mayor should: 1) lend a helping hand to

small businesses; 2) help create markets for “micro-loans”; 3) commit to zero barriers to starting a business; 4) create a one-stop shop for all business regulation, licensing, and permitting; and 5) appoint a Startup Advocate.

Lend a Helping Hand

IDEA #1: Connections over Cash

New York City government should help small business tap in to existing resources, placing entrepreneurs and the organizations that support them at the center of its economic development strategy. The city should cut through red tape standing in the way of aid and consolidate the public and private support that already exists.

This means helping entrepreneurs navigate the federal government’s small-business aid, including PPP, and pointing them to the state and local dollars already available. New York has a dizzying array of grants, loans, and tax incentives available to businesses, some of which can be consolidated and all of which require help navigating. The Small Business Resource Network, established during the pandemic, provides that support—and the mayor should support this effort, not reinvent the wheel.¹² Through a grant from the Peter G. Peterson Foundation, the city’s chambers of commerce teamed up with the city’s Economic Development Corporation (NYCEDC) and the Department of Small Business Services (SBS) to match founders with resources, from financing to legal and accounting services.

The city should also coordinate and consolidate other public small-business services outfits across the city. The resources available to small businesses include the city’s SBS, which includes the New Business Acceleration Team, targeting restaurants and bars, as well as the separate NYC Business Solutions Centers; the city council-backed Made in NYC, affiliated with the Pratt Center for Community Development, for makers and manufacturers; the state government’s Small Business Development Centers, located in several local colleges; the New York Public Library’s Small Business Resource Centers—and this is just scratching the surface. The new administration should look to streamline and coordinate these resources, while also ensuring that they are better targeted to the actual needs of businesses and communities.

New York’s next mayor should avoid the temptation to give more cash directly to businesses or deplete tax revenues in tight budget times. Financially, city hall can’t—and shouldn’t—compete with the private sector and the federal government’s resources. Moreover, local governments have a poor track record in selecting recipients: public servants may lack the right knowledge, force owners to jump through too many hoops, or choose nonbusiness reasons to award firms. Even then, the dollar amounts available to city government may be too small to make a discernible difference in a small business’s future. And if there is any city already flush with private capital and know-how, it’s New York City.

Tax incentives are tricky forms of aid. Mayors should prioritize making the tax code fairer and more efficient, not riddling it with expenditures and loopholes. New York State and City already have an absurdly large list of credits and incentives available to businesses¹³—likely too many, in fact, with questionable results—that require help navigating. Sales-tax holidays may very well drive extra business to retail establishments, but there is no guarantee that customers will “shop small” or spend big. This is not to say that tax reform is not important. High property taxes and pernicious lien sales, in particular, have been a barrier to brick-and-mortar business recovery. But the solution is to reform property taxes generally, not to riddle the tax code with more credits and exemptions aimed only at small businesses.

To support high-growth startups, mayors should play the role of connectors and champions, celebrating successful entrepreneurs and, in turn, acting like one themselves. Studies show that it is not so much the incentives or subsidies that mayors have at their discretion that drive small-business success but the mayor’s ability to connect the dots between entrepreneurs and the organizations that support them. This is a task for NYCEDC and the city’s local colleges, such as Cornell Tech and CUNY—but it should be coordinated by someone close to the mayor. Right now, NYCEDC is tasked with everything from site selection to managing a ferry system; instead, it should focus on an entrepreneur-led economic development strategy that aims to put founders in the driver’s seat, looking to the Startup Champions Network and SourceLink as national models.¹⁴ And local colleges are tremendous assets for mentoring, connecting, recruiting, and ultimately empowering entrepreneurs, particularly in marginalized parts of New York City.

IDEA #2: Markets for Micro-Loans

To small businesses, micro-loans—between \$500 and \$50,000—can make it possible to purchase inventory, pay wages, or just stay afloat. Micro-loans are often offered through smaller community-based lenders and are vital sources of funding for entrepreneurs who have trouble obtaining financing through traditional banking institutions. Low-income neighborhoods are particularly served by what are known as community development financial institutions (CDFI), including credit unions and small-business loan funds, 82 of which operate in New York City, with a typical loan totaling just \$41,696.¹⁵ Yet the demand for these small, risky loans typically exceeds the amount that community institutions have to lend, requiring philanthropic or public dollars to make up the shortfall.

The next mayor of New York can offer better capital access to entrepreneurs by encouraging the creation of an independent Entrepreneur Backed Assets (EBA) fund,¹⁶ which creates a secondary market for the loans originated by community-based micro-lenders. The fund purchases and bundles a portfolio of micro-loans and resells them to commercial banks. The money they receive goes back to micro-lenders, who then recycle those dollars and lend them back out—just as Fannie Mae and Freddie Mac do for mortgages.¹⁷ City government or nonprofit institutions could opt to put up their own cash in the EBA to multiply its lending power.

The strategy for an EBA was pioneered in the Midwest by Revolve Asset Management, which launched with nearly \$9 million in support from the Citi Foundation, Bill & Melinda Gates Foundation, and Robert Wood Johnson Foundation.¹⁸ The six micro-lenders that they are working with, as part of what is known as the Microfinance Impact Collaborative, provide 61% of their loans to low- and moderate-income founders and three-quarters to entrepreneurs of color. While EBA itself is new, a study of some of the micro-lenders that it works with reveals a strong track record: a 95% business survival rate, 92% repayment rate, 55% average increase in business income, and 2.9 jobs created or retained per loan.¹⁹

Lower Barriers to Doing Business

IDEA #3: Zero Barriers to Starting Up

New York ranks as the worst city in America for ease of starting a business, according to a survey by Thumbtack, an online marketplace for local professionals.²⁰ Arizona State University's *Doing Business* report reaches a similar conclusion, placing the Big Apple 69th across North American cities for starting a business, 80th for ease of doing business, and 88th in paying taxes.²¹ These barriers not only harm entrepreneurs, who are far better at coming up with new ideas than navigating bureaucracy; they also tend to benefit insiders who know how to work the system. They contribute to a form of regulatory inequality in which the well-educated, wealthy founder of a technology startup gets a green light, while an immigrant mother selling salsa from her apartment runs afoul of red tape.

Outdoor dining shows that there is another way. During the Covid-19 pandemic, the City of New York suddenly decided that a permitting process that once took six months to a year, at best—and usually involved hiring a lawyer, architect, and permit expediter—could be done in an instant. Making the approval process for sidewalk dining simple and immediate “turned out to be far more fair than the complicated and expensive former system for getting sidewalk dining permits,” observed the *New York Times*.²² A simple permitting systems means that a restaurateur in the Bronx can benefit as easily as one on Madison Avenue.

That is why New York's next mayor should commit to zero barriers to starting a business. There should be no fees or registration costs for at least five years from the establishment of a new firm. The city should initiate a regulatory review promising to halve New York City's 6,000-plus rules and regulations and about 250 business-related licenses and permits, as well as streamlining the “spaghetti map” of processes to comply with the remaining red tape.²³ For certain types of businesses with no clear public safety or health concerns and where clear templates can be established, such as for limited liability corporations (LLCs), setting up shop should be as easy as one-click shopping on Amazon.²⁴

The city also needs to drastically shorten the processing time for permits and licenses. Nearly a third of applicants report waiting six months or longer to receive all the approvals they need. That is why New York's next mayor should establish a 60-day “shot clock” for permits and licenses. Any applicant should receive a clear yes or no within that time frame, or an

approval is immediately issued; ideally, the criteria applied should be clear and unambiguous. Establishing a clear deadline ensures that no business or licensee is left waiting indefinitely. For the relevant city agency, a permit shot clock incentivizes bureaucratic streamlining and helps a new mayor hold agencies accountable for their customer service.

Better yet, as New York successfully did for health-care professionals during the Covid-19 pandemic, the city should push for the state to recognize occupational licenses issued in other jurisdictions that have been held in good standing for at least a year, or at least allow applicants to bypass the normal application process. Arizona now offers a “universal recognition” of licenses, as do seven other states;²⁵ a similar measure would benefit New York City’s small practitioners, from cosmetologists to barbers, while still upholding the Empire State’s standards.

The goal of zero barriers to start is hardly new: the Kauffman Foundation has spent years arguing for the “fundamental right to take an idea . . . and turn that into a business”;²⁶ former Kauffman executive Victor Hwang has turned this notion into the Right to Start campaign.²⁷ Their agenda should be a model for New York’s next mayor. At the very least, the city should consider trials within some or all of its 514 Opportunity Zones—or focus on those industries with the most regulatory inequality, i.e., where the biggest barriers to entry are entirely governmental creations, such as beauty and nail salons or cottage industries and home-based businesses. Achieving the zero-barriers goal will require more fundamental reforms in how New York City’s government does business with businesses. But small pilot programs will put the city on the right track and allow for an iterative process of improvement, just as startups do for their own products.

IDEA #4: One-Stop Shop

From zero barriers, New York should move to a one-stop shop for all business regulation, licensing, and permitting. Rather than making numerous trips to different agencies at varying times, small businesses should have to deal with only a single office, sited both physically and digitally, where all relevant agencies come together to achieve specific regulatory tasks, whether starting a business or receiving a particular permit. The ultimate aim is for a single agency—ideally reporting directly to the mayor, so as to coordinate the work of other agencies with some authority—that controls all permitting and licensing processes for New York City, rather than the alphabet soup that exists today.

As an interim step, this one-stop shop can serve as a regulatory concierge service within SBS that shifts the time-consuming burden of navigating government to the bureaucracy itself and centralizes all relevant information, forms, and know-how. Indeed, SBS already has a unit intended for this purpose—the New Business Acceleration Team (NBAT)—and it should be given more resources and authority. New York under Mayor Michael Bloomberg made some important tentative steps in this direction by creating not only NBAT but the NYC Business Express initiative, where residents could find links to every relevant regulatory step for doing business. The Business Express service is now defunct, replaced with the morass of business support services mentioned earlier, plus the ranks of Small Business Advocates who work in SBS²⁸—all helpful resources that are still empowered to do little more than create checklists. Needless to say, mayors face daunting challenges when trying to streamline bureaucracy; yet even a single regulatory concierge service that builds on past reforms would be an important step forward.

In short, while there are multiple offices functioning as one-stop shops, that ultimately defeats their purpose: to consolidate, coordinate, and streamline customer service for small businesses in a way that is both more efficient and equitable.

Starting a business should pass the smartphone test—able to be completed in a virtual city hall without leaving your screen. This is the stated aim of Miami’s eStart initiative and a target already achieved by Kansas City’s KCBizCare.²⁹ The end goal is to have a single digital portal for doing business in the city, paired with a centralized database and automated processes for permitting and licensing. One of the most common complaints of entrepreneurs in New York is the difficulty in understanding all the hoops that they have to jump through. With good reason, business owners learn to distrust or avoid interactions with the city at all, which, in turn, provides an opening for the private “fixers” and permit expeditors in New York who cling to businesses like barnacles. Rather than banning costly expeditors, the city can make them laughably unnecessary.

IDEA #5: Startup Advocate

Small businesses new and old are missing a powerful voice in government. While business groups often perform this role from the outside, and numerous public servants may find this in their job description, there is no one close to the mayor whose sole responsibility is to speak up for entrepreneurs. That is why the mayor should appoint a Startup Advocate, modeled after a similar role in Seattle,³⁰ not only to be the campaigner, connector, and convener for small businesses but to help the city meet ambitious benchmarks en route to making New York City the best place to be an entrepreneur in America.

All this requires a single person empowered by the mayor to ensure that the new administration's goals are being met. That person should actually be an entrepreneur who knows the difficulty of running a small business and has a sense of how government can help. At the very least, this will signal to the rest of the city that small-business success is one of the mayor's top priorities. The advocate will help in connecting entrepreneurs with one another and to the right resources across public and private sectors; using the inherent convening authority of the mayor's office to help turn talk into action.

Perhaps the most important reason for a Startup Advocate is that it means truly placing entrepreneurs at the center of the next mayoral administration, ensuring that the city is actually lending a helping hand and lowering barriers to entrepreneurship, as this report has argued, as well as infusing an entrepreneurial focus on everything from economic development strategies that are too often focused on large corporations to policies on housing, where home-based businesses may flourish.

Small businesses need the support of New York's next mayor; more important, the next mayor needs small businesses. Together, they can work toward a New York City reborn.



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A POLICY PLAYBOOK FOR
**NEW YORK'S
NEXT MAYOR**
GROWTH, OPPORTUNITY, AND SAFETY

**A PUBLIC SAFETY AND POLICING PLAN
FOR NYC'S NEXT MAYOR**

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Introduction

In 2020, New York City saw the biggest one-year spikes in shootings and homicides—97% and 45%, respectively¹—in more than a half-century; and 2021 is off to a discouraging start, as shootings across the city were up almost 42% through March 7.

While much of the most serious violence has been concentrated in a relative handful of the city's already-struggling neighborhoods, a growing problem of public disorder seems to be hitting even the city's most exclusive enclaves.

Crime control will likely prove one of the biggest challenges faced by the city's next mayor, who will be tasked with positioning the five boroughs for a return to the pre-pandemic normal. Whether the city can achieve that sort of recovery is much less certain in light of the growth of remote work, which makes it possible for a great many New Yorkers to relocate and significantly reduce their cost of living (and increase their living space) without having to sacrifice their jobs.

The willingness of current residents to continue paying a premium to live within the city limits will depend largely on the degree to which they feel safe—not just where they live but where they work, where they find entertainment, and on the trains and buses that they ride. A recent Manhattan Institute (MI) survey found that “[n]early half of those who claim public safety as their top issue rate it poorly” and that “[r]esidents for whom public safety is a top priority are also more likely to say that they would prefer to leave the city if they could.”² And, as MI's Nicole Gelinas has noted, a regular MTA poll in October 2020 showed that “only 42% of riders said they felt safe from crime on subway trains, a huge decrease from the 67% who felt secure the previous year.”³

The city's next mayor will have to commit not only to resecuring the city's streets and subways but will also have to adopt a successful approach to tackling this challenge. To that end, this issue brief offers four recommendations that the city's next mayor should consider incorporating into a comprehensive public safety improvement plan:

- Reinforce the ranks of the New York Police Department (NYPD) with a focus on attracting highly educated, motivated recruits.
- Recommit to a conception of community policing that addresses public disorder and other quality-of-life issues.
- Work diligently to address the misconceptions feeding legal cynicism—particularly in minority communities.
- Revamp the city's approach to serious mental illness with an emphasis on more (and better) supervision.

A Public Safety and Policing Plan for NYC's Next Mayor

1. Reinforce the ranks of the NYPD with a focus on attracting highly educated, motivated recruits.

Due to Covid-19, the NYPD canceled its March 2020 academy class. Throughout 2020—a year in which officers faced untold numbers of angry protesters, violent rioters, and emboldened looters—the department saw its senior ranks decline sharply as eligible officers filed for retirement at a much higher-than-normal rate. From January through September 2020, 72% more officers left the department than in the same period in 2019.⁴ The city council also passed a budget that significantly cut the NYPD's funding, resulting in the cancellation of its July 2020 academy class.⁵

By October 2020, the number of uniformed officers within the department was down 7%,⁶ accelerating a preexisting and troubling national trend.⁷ Between cutting the July academy class and officer attrition (which may or may not continue at an elevated rate), the city will need to develop a plan to put more cops on the street—something that the most rigorous empirical

analyses tell us is one of the most impactful things that any city can do to reduce crime. As Rafael Mangual noted in a recent MI issue brief:⁸

A robust body of research suggests that replenishing departments can and will have significant crime-reduction effects. Economists Jonathan Klick and Alexander Tabarrok found a strong causal connection between police presence and crime, showing that the latter declined when the former was boosted.⁹ In another study, Klick, along with criminologist John MacDonald and law professor Ben Grunwald, found that an increase in police patrols “decreased crime in adjacent city blocks by 43%–73%.”¹⁰ Criminologist Aaron Chalfin, along with law professor Justin McCrary, found “reduced victim costs of \$1.63 for each additional dollar spent on police in 2010, implying that U.S. cities are under-policed.”¹¹

In addition to hiring more officers, the department should be working to maximize officer time on the street by diverting more administrative tasks to civilian employees.

Providing reinforcements to the NYPD—which will take a significant financial investment—may prove politically difficult, given the persistent constituency for “defunding” the police.¹² One possible way to pursue plugging the hole in the NYPD is to deploy an experimental recruitment strategy to attract more highly educated officers who can be put on a fast track to fill investigative roles (which were hit particularly hard by the recent spike in retirements). This could serve two functions, the first of which—putting more cops on the street and more quickly filling the growing need for criminal investigators—is obvious. The second, which should help allay the concerns of some police critics, is illustrated by research suggesting that bringing more officers with college degrees or higher levels of educational attainment into a police department may help reduce use-of-force incidents and officer misconduct.¹³

One way to structure a recruitment strategy along these lines—which, again, should be done as a small-scale experiment and evaluated before it is expanded—would be to model it after how the U.S. military incentivizes those with four-year degrees to serve in the armed forces: allowing these men and women to commission as officers places them on a higher pay scale and a professional track with more leadership opportunities, as well as a higher ceiling for promotion. Applying this approach to the NYPD would result in officer recruits with four-year degrees or higher (if they meet certain requirements on the written exam and in their academy performance—requirements that should be developed in partnership with the department) being paid at a higher rate and placed on a faster, more direct, route to the rank of detective.

Ultimately, how the city’s next mayor chooses to address the shortage of NYPD officers on the beat is less important than that the problem gets addressed—and quickly.

2. Recommit to a conception of community policing that addresses public disorder and other quality-of-life issues.

In addition to the best available evidence pointing to the conclusion that more police lead to less crime, a growing body of evidence seems to support the proposition that the degree to which police can reduce crime is at least partly dependent on the degree to which they are proactive—that is, the degree to which they work to suss out and prevent crime, rather than merely respond to calls for service. For example, consider a recent study by Harvard economists Roland Fryer and Tanaya Devi, which found that federal pattern-and-practice investigations in five American cities led to just under 900 additional homicides and about 34,000 additional felonies over a two-year period. Pattern-and-practice investigations are carried out by federal officials seeking to determine whether the departments subjected to them are systemically racist. What does this have to do with police proactivity? According to Fryer and Devi, the “leading hypothesis for why these investigations increase homicides and total crime is an abrupt change in the quantity of policing activity,” such as pedestrian stops.¹⁴ What might explain the connection between this decline in police activity and the federal investigations? In essence, the heightened scrutiny of investigators (and the implicit accusation undergirding it) seems to feed a sense of fear among officers that any mistakes made in the field will be responded to with unjustifiable harshness. That fear, in turn, dissuades certain kinds of police activity, with detrimental effects on crime.

Of course, establishing that police should be proactive doesn't necessarily tell us how they should do so. The late George L. Kelling—a prominent criminologist, senior fellow at MI, and cocreator of the Broken Windows theory of policing—argued in his last article on community policing that the public safety gains made since the early 1990s “were achieved largely through dramatic innovations in policing, especially the adoption of an approach that,” among other things, “stressed order maintenance in communities.” “Community policing, properly understood,” Kelling continued, “reflects a department’s reorientation around public concerns.”¹⁵

A recent MI survey shows that one in five New York voters is currently concerned about public safety more than anything else.¹⁶ More important, 68% of the respondents “somewhat” or “strongly” supported “using a community policing model, where police actively collaborate with a particular community *and focus on disorder as well as on serious crime*”¹⁷ (emphasis added).

Fortunately, there are good reasons to believe that these dual focuses will reinforce each other; by focusing on disorder, police often discover and prevent more serious crimes. One example that Kelling pointed to was that, when New York City’s transit police undertook to address fare evasion, they discovered that one out of every seven fare evaders was wanted on a warrant, while one out of 21 was carrying a weapon.¹⁸ Another example comes from Kelling’s earlier work with William Sousa, which found that “[t]he average NYPD precinct could expect to suffer one less violent crime for approximately every 28 additional misdemeanor arrests made.”¹⁹

These findings are important because one of the rationales undergirding recent calls to shrink the footprint of urban police departments like the NYPD is that police resources are better spent on “serious” crime. This claim ignores the reality that serious crime can often be discovered or prevented by enforcement actions directed at quality-of-life offenses.

There is another reason, however, that police may not want to ignore low-level quality-of-life offenses: a large body of empirical evidence that has long linked the public’s fear of crime more closely to public-facing disorder and incivility than to serious crime itself.²⁰ Now that a substantial portion of the city’s taxpayers realize that they can be productive in home offices, a substantial uptick in their fear of crime may dissuade a great many of them from continuing to pay the substantial premium that one pays to live in New York (think income taxes, housing prices, and \$6 coffee drinks).²¹

3. Work diligently to address the misconceptions feeding legal cynicism—particularly in minority communities.

For a productive working relationship to exist between the NYPD and minority communities—particularly those most in need of police resources—a certain level of mutual trust must be achieved. This will be a challenge. Since 2014, a number of viral incidents of police uses of force—deadly force, in particular—against black suspects (including Michael Brown, Eric Garner, Breonna Taylor, and George Floyd) have led to mass protests, as well as episodes of rioting and looting in cities across the country. The past year seems to have seen more such unrest than any in recent memory. This sort of social unrest is particularly detrimental to minority communities.²² It also reflects a breakdown in trust between the police and the people in those communities.

The root of that distrust may be hard to pin down, but recent evidence suggests that a key driver may be the elevated rate of what researchers call “legal cynicism.”²³ One example of legal cynicism comes from a 2016 study published in the *American Sociological Review*, which found that, in the wake of a viral incident of police use of force, black residents were significantly less likely to call 911.²⁴

Additional evidence suggests that such cynicism might be driven at least in part by important misconceptions about the prevalence of police violence within communities of color. One example can be found in a 2016 Morning Consult poll in which twice as many black respondents reported worrying more about themselves or someone they knew becoming victims of police brutality than of gun violence in general.²⁵ Such a sentiment is held in complete contradiction to what the available data tell us. A recent study published in the *Proceedings of the National Academy of Sciences* put the odds of dying at the hands of police at one in 1,000 for black men.²⁶ Those odds are dramatically lower than the odds of being killed by gun assault for Americans of all races—which, according to the National Safety Council, are one in 298.²⁷ Given that black men

are more than 10 times more likely than their white counterparts to be the victim of a homicide,²⁸ their risk of death at the hands of police is far lower than criminal homicide more generally.

While there is no doubt that police do sometimes engage in abusive behavior, the prevalence of the sort of misconceptions highlighted above does not serve anyone well—even less so if those misconceptions drive support for increasingly radical reform proposals that put public safety at risk. History tells us that the burdens of violent crime increases will fall disproportionately on minority communities. In New York City, 95% of shooting victims every year over the past decade have been black or Latino.²⁹

Understanding racial disparities in rates of criminal victimization and crime commission is a prerequisite to understanding disparities in rates of enforcement; the latter can be fully understood only in context—much of which is provided by the former. Honestly engaging with these statistical realities is a necessary first step toward building an all-too-important sense of mutual understanding between the police and communities of color, which, in turn, is the best basis for the sort of collaborative relationship that can help reduce violence in the communities that have been hardest hit by the recent crime wave.

4. Revamp the city's approach to serious mental illness with an emphasis on more (and better) supervision.

Between Christmas Eve 2020 and Valentine's Day 2021, at least six people were shoved onto the tracks of New York City subways. According to police, the alleged perpetrators “were all strangers with mental health issues.”³⁰ In 2020, the NYPD reported 26 incidents of people being pushed in front of oncoming trains or onto the train tracks.³¹ That's more than half the incidents that were reported in New York during 1975–91. A 1992 study found that during those 17 years, 49 incidents of subway pushings occurred in the city, victimizing 52 people. The study was able to acquire data on 20 of the 26 offenders who had been referred for psychiatric evaluation and treatment. It found that “19 (95%) of these offenders were psychotic, and 13 (65%) were homeless” and that most offenders had “extensive histories of psychiatric hospitalization and several prior arrests and convictions, often for violent crimes.”³²

These data make clear that the city's current approach to serious mental illness puts New Yorkers at risk. The next mayoral administration should consider two policy proposals that can mitigate this risk.

First, the city needs to commit to increasing and improving the supervision of New Yorkers suffering from serious mental illness. More effective supervision would reduce the number of mentally ill people “falling through the cracks,” to use a phrase that seems to have been uttered with increasing frequency in recent years. City government spends more than \$1 billion on a sprawling array of mental health services.³³ Despite those efforts and numerous and expensive programs run by the state Office of Mental Health, every year tens of thousands of mentally ill New Yorkers receive no treatment for their condition.³⁴ A greater proportion of public mental health resources should be directed toward the neediest cases that are most likely to be involved in violent incidents such as subway pushings.

Inpatient psychiatric care may be provided as a first step and, on a short-term basis, in a general hospital ward run by NYC Health + Hospitals—a city agency—or a private nonprofit system like Montefiore. New York has lost more than 100 psychiatric beds in general hospitals in recent years, and Health + Hospitals is bearing an increased share of the inpatient burden.³⁵ The ongoing pandemic exacerbated pressures on the inpatient system as hospitals repurposed psychiatric beds for Covid-related needs.³⁶ The next administration should explore how it can provide incentives to nonprofit systems to cease reducing their bed counts, and it should also ensure that Health + Hospitals has the financial support that it needs (even if that means diverting resources from other initiatives such as ThriveNYC) to pick up the slack.

On a longer-term basis, supervision will have to be provided in a community setting in which patients will be stabilized both before and after they enter a state of crisis of the sort that would necessitate hospitalization. Examples of such community health services include Fountain House, probation-style programs like mental health courts, and Kendra's Law (which provides for outpatient civil commitment).

Second, the next mayor will have to come to terms with the reality that the NYPD is, at least for the foreseeable future, going to be fielding a large number of calls related to serious mental illness. A recent ABC News story reported that the NYPD currently fields an average of 175,000 calls for “emotionally disturbed persons” annually.³⁷ The city’s next administration ought to consider focusing resources on the development of an intensive training program aimed at a smaller number of NYPD officers who show an aptitude for, and interest in, dealing with such calls and tasking them with responding to high-priority calls while pairing other officers with trained civilians when responding to lower-priority calls.



Endnotes

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