Where to Build

There is immense need for additional housing in New York City. In accommodating more housing, a fundamental question for city officials—and especially the mayor, who oversees the agencies responsible for land use planning—is where to allow that housing to be built. By increasing the size or density of building permitted to be constructed in certain neighborhoods, the city can guide new development into those areas. Where to allow additional housing is a crucial question facing the next administration. In particular, the pattern of rezonings over the last two decades (as well as the immense inequities flowing from the city’s history of residential segregation) raises the question of whether to prioritize new development in neighborhoods where a majority of residents are high-income or low-income.
Background

The Bloomberg Administration rewrote the land use rules for nearly 40 percent of the city’s 302.6 square miles, resulting in a sweeping rezoning of the city. These land use actions tended to follow a pattern, imposing new restrictions on development in the lower-density parts of the city (especially in the outer boroughs), encouraging development along major corridors, and especially allowing for large-scale residential development in a small number of formerly non-residential areas like Manhattan’s West Side, Downtown Brooklyn, Williamsburg/Greenpoint and Long Island City. A Furman Center analysis of the Bloomberg Administration’s early rezonings found that the net effect was to slightly increase residential capacity citywide.\(^1\) Upzonings were disproportionately located in neighborhoods with a higher share of Black and Hispanic residents, while whiter neighborhoods were disproportionately downzoned.\(^2\)

The de Blasio Administration has rezoned far less of the city (not counting the important citywide changes passed through its Zoning for Quality and Affordability initiative). Although it had a goal of pursuing 15 neighborhood-wide rezonings, the Administration has so far completed the rezoning of only six residential neighborhoods: East New York, Downtown Far Rockaway, East Harlem, Jerome Avenue, Staten Island’s Bay Street Corridor, and Inwood.\(^3\) Notably, none of these neighborhood rezonings has taken place in a high-income neighborhood, although two more proposed rezonings—in SoHo/NoHo and Gowanus—would be located in affluent communities.\(^4\)

Despite demonstrated demand for new housing, New York City’s current zoning patterns do not provide for substantial opportunities to build outside a few neighborhoods. Since 2010, new housing development has been highly concentrated in the same formerly non-residential neighborhoods rezoned under the Bloomberg administration, and almost no new development has taken place in the city’s lower-density neighborhoods.\(^5\)

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2. Id.
In some affluent neighborhoods, like parts of the Upper East Side, Upper West Side, and West Village, there has been a net loss in housing as residents have combined existing units into larger homes. As a result, New York City has approved substantially less housing, per capita, than most of its peer cities: one-fifth as much as Seattle; one-third as much as Washington, D.C., and just over half as much as Boston. At the same time, the City’s job base has expanded dramatically, increasing competition for the homes that do exist: between 2010 and 2018, New York City added five new jobs for every new housing unit. At least at a citywide scale, empirical evidence makes clear that this capping of new housing supply exacerbates the city’s affordability crisis.

6 Id.
8 Id.
Reasons to Focus Rezoning Efforts in Low-Income Neighborhoods

Both the Bloomberg and de Blasio administrations’ upzonings have been disproportionately located in lower-income neighborhoods with a higher proportion of Black and Hispanic residents. This reflects important opportunities rezonings can provide in these neighborhoods—though this strategy has carried with it substantial costs as well.

Most importantly, upzonings can help bring important benefits to neighborhoods facing the most acute housing challenges. An upzoning can spur the development of below-market-rate housing. Upzonings allow builders the opportunity to build more housing on a given site, in ways that were previously prohibited. This adds value and reduces overall development costs. With lower costs and higher revenues, new construction can “cross-subsidize” both the creation and long-term maintenance of affordable units, sometimes without public funding if market rents are high enough. Under the Mandatory Inclusionary Housing program, builders are now required to include affordable units in any rezoned area. Moreover, since subsidized housing development often requires an updated and expanded building envelope to be economically or practically feasible, a rezoning can unlock the potential for affordable housing development in neighborhoods that badly need it. By promoting new development, rezonings can also help improve housing quality in neighborhoods grappling with disinvestment, and provide a focused opportunity for public and private investments in amenities like new schools, parks, transit infrastructure, or other cultural institutions. The Inwood rezoning, for example, was accompanied with $200 million in new public investments for the neighborhood.10

In some cases, these lower-income neighborhoods have also had particularly outdated zoning, apart from questions of density. The East Harlem rezoning was intended to allow for ground-floor retail to improve walkability and access to amenities like fresh food; the Far Rockaway rezoning was centered around the redevelopment of a long-abandoned shopping center; and the Jerome Avenue rezoning was meant to shift the neighborhood away from auto-oriented uses.

Finally, upzonings have often been perceived to be more politically feasible in lower-income neighborhoods. Wealthy neighborhoods have less need for additional public investments, leaving less room for deal-making. Wealthy residents are more likely to sue, bogging down rezonings in protracted litigation over environmental review and other issues. And these same residents have additional avenues to exert political influence when they oppose new development. Whether or not this political calculus is correct, these considerations have helped shift upzonings into either lower-income areas or non-residential areas.

**Reasons to Focus Rezoning Efforts in High-Income Neighborhoods**

There are also important reasons to prefer upzoning higher-income neighborhoods. In general, residents living in more affluent neighborhoods have greater access to resources, such as transit, jobs, parks, or high quality schools—that are part of what attracts the affluent residents in the first place. Thus, building more housing in these neighborhoods ensures that more people can access those amenities, including both market-rate tenants and residents of affordable units in mixed-income projects. Often, this puts more housing in the neighborhoods where it is most in demand.

Upzoning wealthier and whiter neighborhoods can also potentially promote greater racial integration and fair housing, to the extent that the new development includes units affordable to a more diverse set of households. Where the existing housing is disproportionately high-rent, new development with below-market rent units can provide opportunities for
economic and racial diversity at the neighborhood level, as well as increasing access to opportunity.\textsuperscript{11} Given New York’s very high levels of racial segregation, this is an important benefit.

Finally, inclusionary housing is more effective in high-rent, high-demand neighborhoods. These programs encourage or require developers to set aside a portion of new buildings as below-market-rate units, with the market-rate units cross-subsidizing the affordable units. Higher market rents allow for a larger cross-subsidy, and higher overall demand means more projects will be built—and therefore more affordable units created. This also allows the city to allocate its valuable subsidy towards other development priorities, while still ensuring access to affordable housing in high amenity areas. While direct subsidies for affordable housing generally stretch further in lower-rent neighborhoods, these inclusionary programs tend to be most effective in high-rent areas.

\textbf{New Development and Gentrification}

In assessing where to allow more development, a central debate is whether and when that new development causes, or speeds, gentrification in the surrounding neighborhood. Many oppose new residential developments, especially of market-rate units, on the grounds that it will exacerbate displacement of existing lower-income residents.\textsuperscript{12} To the extent this is true, it pushes for prioritizing higher-income neighborhoods—where gentrification and displacement are less of a concern—for new residential development.

The empirical research as to whether new residential development causes gentrification—or instead reflects preexisting trends within a neighborhood—is not fully settled. That said, the bulk of recent studies indicate that increased housing production in a neighborhood tends to slow the increase of rents in the neighborhood and reduce displacement (although these findings may not


generalize to all neighborhood conditions). An important caveat to these findings are the effects of “cultural displacement”, feelings of alienation, and anxiety around rising rents and prices reported by residents of neighborhoods experiencing rapid growth and change. Evidence supports this lived experience, even as it confirms the economic and educational benefits of mixed-income neighborhoods.

Using a broader lens, there is general consensus that new housing supply, in all neighborhoods, helps mitigate upward pressure on rents at citywide levels. As such, land use law may best address concerns about gentrification by facilitating more housing construction and more affordable housing in all neighborhoods. Of course, additional tools outside zoning, like tenant protections and dedicated affordable units, also play important roles in shaping and preventing displacement.

Other Considerations

The demographics of a neighborhood are not the only consideration in where to allow for more housing, of course. Climate concerns support allowing more housing near the subway wherever it runs, for example. Historic preservation precludes increased development in many neighborhoods, especially in Manhattan, and must also be weighed in the balance. Rezonings also involve many additional questions of urban design, and there are important issues concerning non-residential uses.


Conclusion

Ultimately, New York City needs to continue producing housing: to alleviate affordability concerns, to provide new homes for those currently living in overcrowded conditions or who would like to move here from other cities and countries, and to offer more people the city’s low-carbon lifestyle. It is critical for the next mayor to figure out where that housing should go.