Residential Conversions of Office Buildings

This expansion of our testimony focuses on the economics of converting New York City's office buildings to residential uses with a mix of market rate and affordable housing. New York City's zoning resolution allows conversions of certain office buildings into residential use, but many buildings are not covered by those provisions. Further, some requirements of the state's Multiple Dwelling Law and of the city's Building Code make the cost of conversion expensive and prohibitive even when the zoning resolution allows the conversion. Pre-pandemic, this made conversions economically viable only for a subset of buildings in certain neighborhoods. Given the pandemic's effect on the occupancy of offices, many owners are revisiting the use of their buildings as a way of maintaining a buildings' profitability.

Given the housing shortage, this dynamic has created an unusual opportunity for policymakers to consider whether to allow conversions for a broader range of buildings and neighborhoods, and if so, whether and how to ensure those conversions produce mixed-income housing that includes some apartments with affordability restrictions. To facilitate conversions, the City and State will need to remove inefficient barriers to conversion in the city's Zoning Resolution and Building Code and in the state's Multiple Dwelling Law.[1] Making those changes provides a once-in-a generation opportunity to bring affordable housing to neighborhoods with buildings that are now less desirable as offices, such as neighborhoods in Manhattan, as well as in Downtown Brooklyn/DUMBO, and Long Island City. A good example of a Manhattan neighborhood is Midtown, where very little affordable housing has recently been built, even though the neighborhood is one of city's least diverse areas and has incredible access to excellent public amenities, and educational and job opportunities.

Because developers are unlikely to provide affordable housing in converted buildings voluntarily, policymakers must consider whether to require or incentivize the inclusion of income-restricted housing as they modify or eliminate regulations to facilitate conversions. If policymakers require affordability, some level of subsidy will be needed to ensure that requirement still allows conversions to be economically feasible. If policymakers look simply to only incentivize, even more subsidy may be required.

New York City has been a leader among American cities in requiring Mandatory Inclusionary Housing (MIH): the zoning resolution directs that as regulations are modernized to allow more housing, a portion of the resulting development must be reserved for low-income housing in order to ensure that the city's neighborhoods offer a diversity of housing choices.[2] Given that requiring buildings to have a share of affordable housing imposes costs on developers and can deter construction of new multifamily housing, the City and State have provided both as-of-right and discretionary subsidies to compensate for some of those costs. Similarly, to encourage or require conversions for affordable housing, the City will need to offset at least some of the costs of that affordable housing to ensure that conversions actually take place.

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[1] For examples of inefficiencies in the current regulations, see Office Adaptive Reuse Task Force, New York City Office Adaptive Reuse Study 20 (Jan. 2023), https://www.nyc.gov/site/planning/plans/office-reuse-task-force/office-reuse-task-force.page

[2] New York City Council. "Mandatory Inclusionary Housing," n.d. https://council.nyc.gov/land-use/plans/mih-zqa/mih/.

The consideration of whether or not to require affordability is especially important given the City's commitment to ensuring that new housing enabled by regulatory changes contributes to providing a range of housing choices in all New York City neighborhoods. Policymakers must take care that state legislative changes do not effectively preempt the city's framework for achieving mixed-income neighborhoods.

The following sections explore each of those issues in turn: we begin with a look at why conversions are appropriate, outline some of the concerns policymakers might have top of mind about conversions, explore whether and how affordability should be secured in conversions, and provide a preliminary analysis of how a property tax exemption could be structured to offset some of the financial cost of including affordable housing as part of conversions.

Why might conversions be beneficial to the city?

First, residential conversions could be a significant tool to help address New York City's housing shortage.[3] Facilitating conversions could be a cost-effective measure to bring new housing to areas of the city facing enormous demand, and thereby create a more competitive marketplace that would benefit both renters and homebuyers.

Second, if demand for commercial space going forward is lower than the existing stock of office buildings provides, there is a risk that commercial space will be underused and may even become abandoned. This would seriously harm surrounding neighborhoods. New York City must remain an attractive place for people to live and work in order to attract great talent and good jobs; thoughtful office to residential conversions could help make many areas more vibrant and livable than the pandemic has left them. Given the location and concentration of New York City's commercial space, which agglomerates in dense central business districts in several boroughs, any hollowing out of those areas could undermine the attractiveness of New York City to employers and people looking to relocate.

To explore the geographic distribution of office buildings, including those that fit the criteria of ones more likely to convert, we developed an interactive map of the buildings and their characteristics that can be found here: https://furmancenter.shinyapps.io/officehotelmap/

Our map shows a number of geographic concentrations of office buildings. The clusters show the parts of the city with the highest number of offices that might be converted, either at a project level, or as part of a larger neighborhood strategy. There are several clusters worth noting. While the majority of office buildings are located in Manhattan, there are other notable clusters in Queens, Brooklyn, and the Bronx. Here we focus on office buildings completed in 1990 or before given the unlikeliness of newer buildings converting. The Financial District in Manhattan is a good example of where a high concentration of office buildings is located (See Figure One), as is the Central Business District in "Core" Manhattan, but not especially along Manhattan's

[3] Been, Vicki, Jiaqi Dong, and Hayley Raetz. "Critical Land Use and Housing Issues for New York State in 2023." NYU Furman Center, n.d. https://furmancenter.org/files/publications/Critical_Land_Use_and_Housing_Issues_for_New_York_State_in_2023_Final.pdf

waterfront (See Figure Two). Outside of Manhattan, there are smaller, but still notable clusters. Long Island City, Queens (See Figure Three); Downtown Brooklyn/DUMBO (See Figure Four); the South Bronx; along 125th Street in Manhattan; and in Jamaica and Flushing, Queens (See Figure Five).

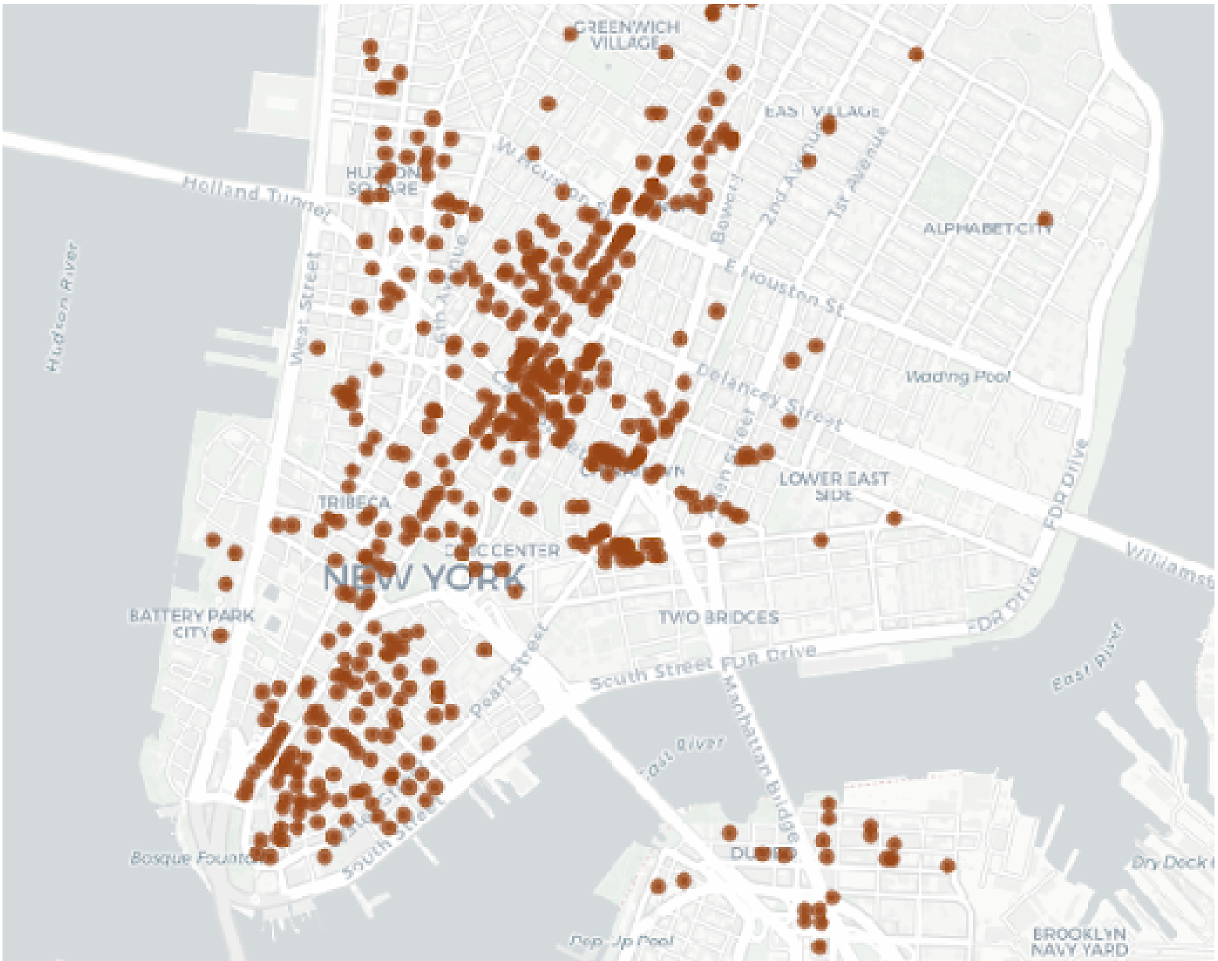

Figure One: *A significant number of office buildings that completed before 1990 are in Manhattan's Financial District. Notably, buildings cluster especially along large commercial corridors, such as Broadway.*

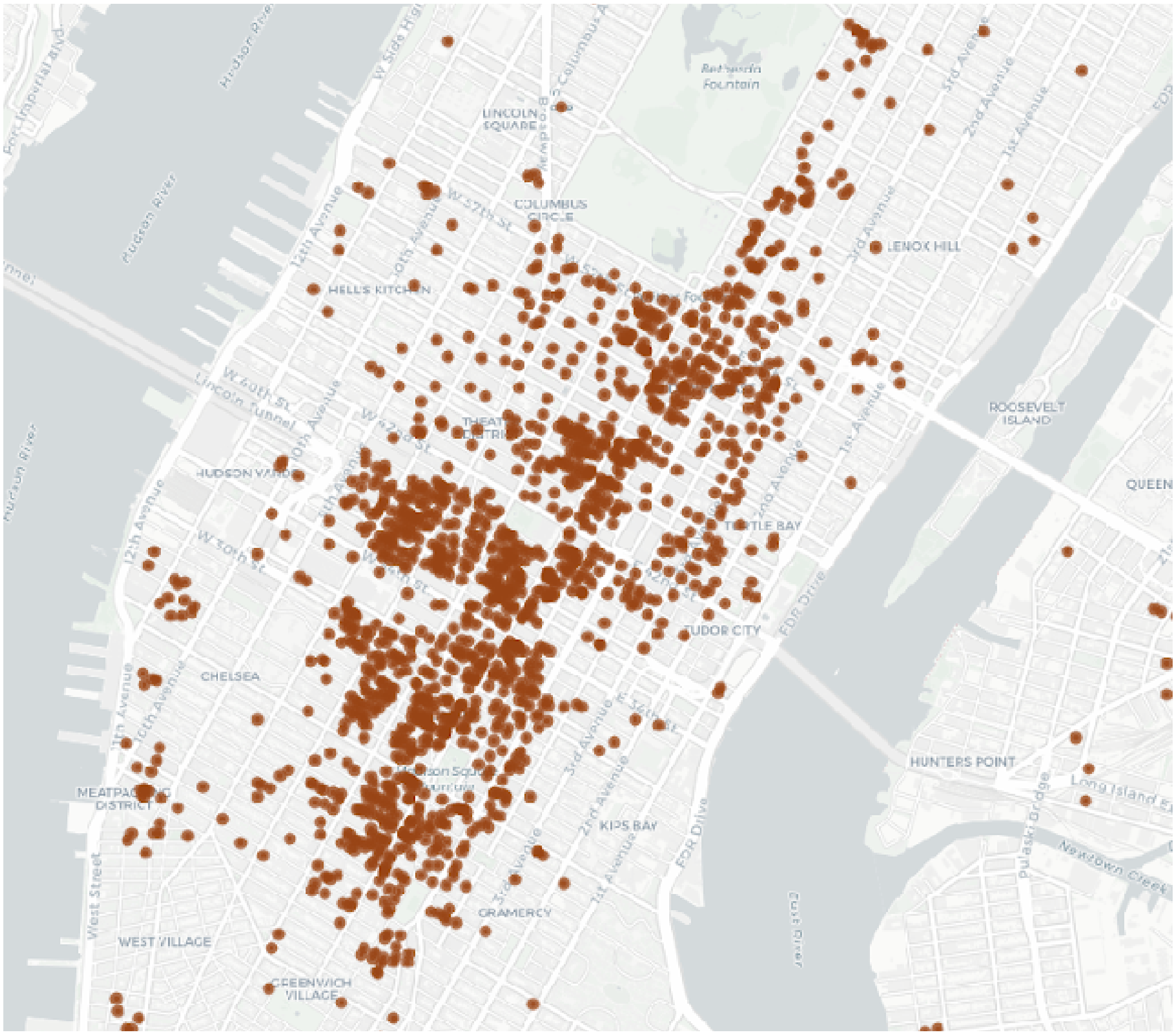

Figure Two: *Another notable cluster of office buildings built in 1990 or before in Manhattan are those in the central business district, especially in Midtown, NoMad, the Garment District, and Midtown East. Manhattan's waterfront is not home to a notable cluster of office properties.*

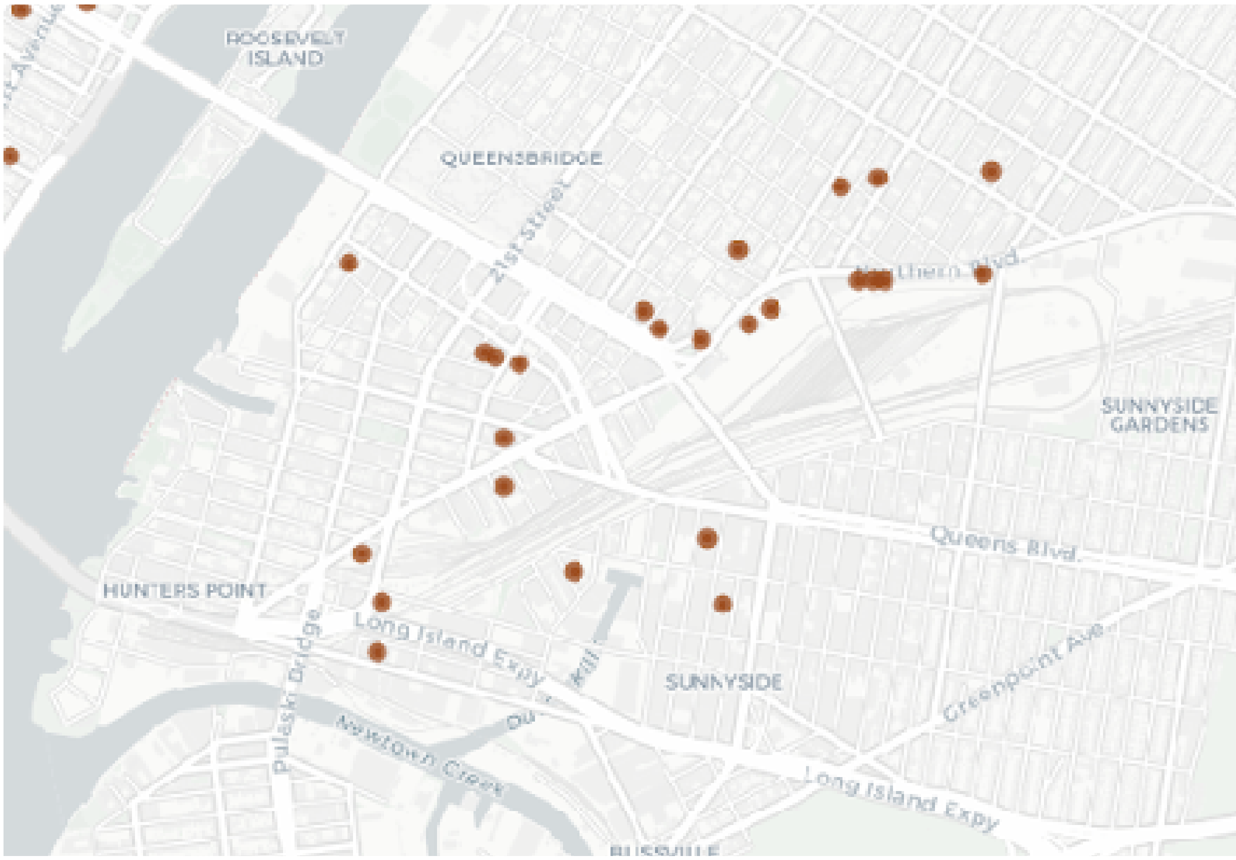

Figure Three: *A number of office buildings completed in 1990 or before also cluster in Long Island City, Queens, along Northern Boulevard.*

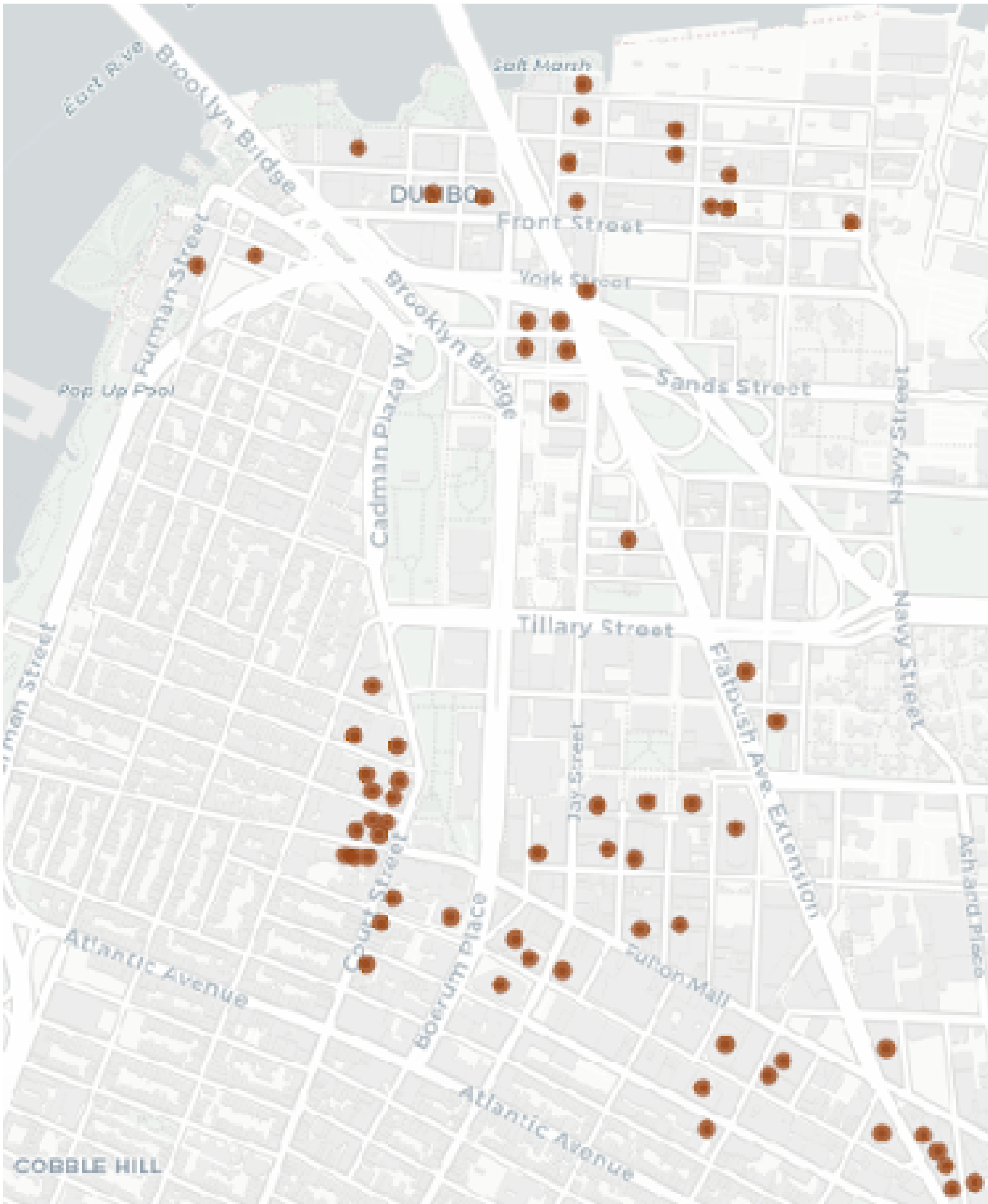

Figure Four: *In Brooklyn, office buildings built in 1990 or before cluster in Downtown Brooklyn, especially west of Court Street, and in DUMBO.*

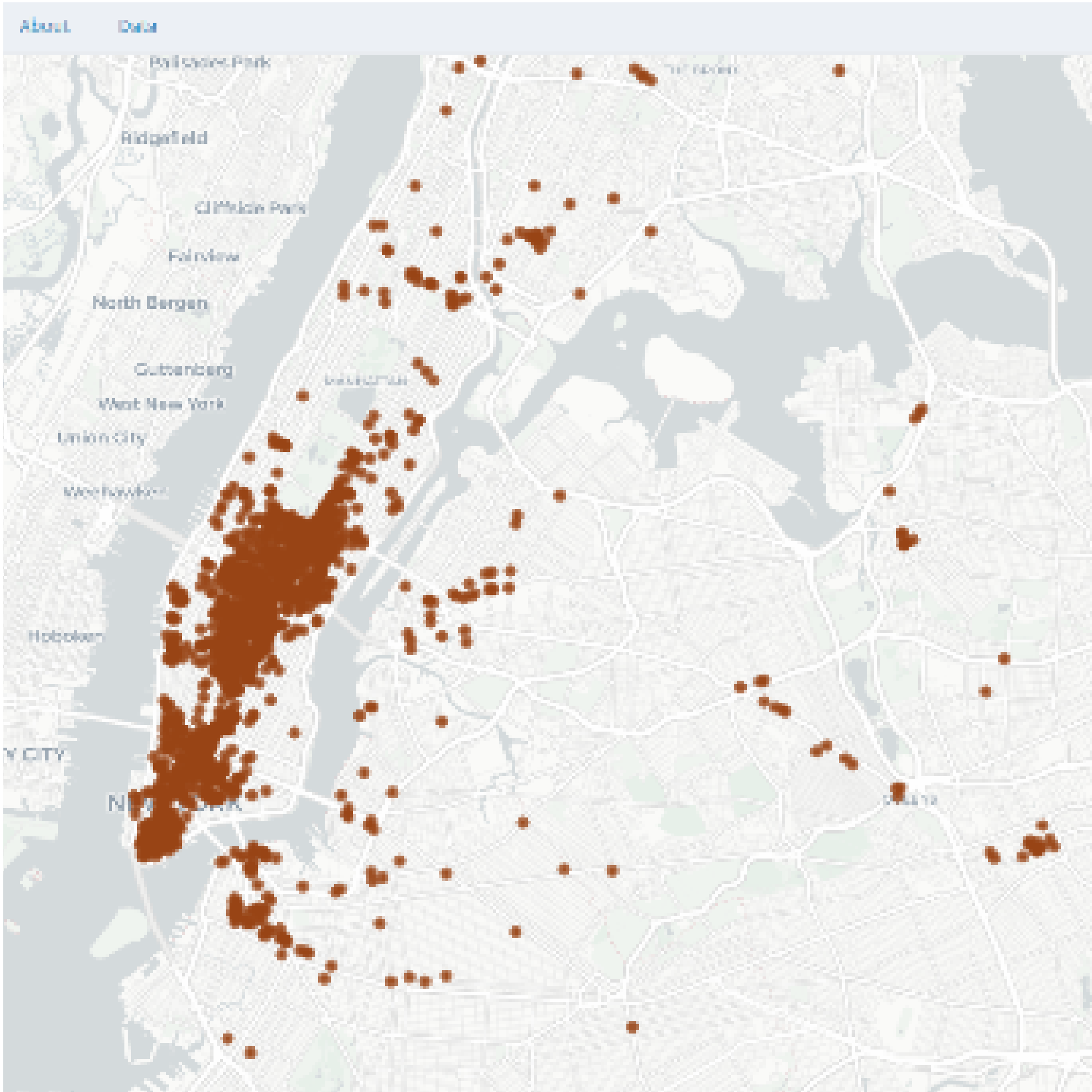

Figure Five: *Other notable clusters of pre-1990 office buildings include on 125th Street in Manhattan, in Flushing and Jamaica, Queens, and in the South Bronx.*

A third reason that converting office buildings that may no longer be desirable as offices would be efficient is that the underuse of office space would be a waste of the existing infrastructure in these commercial districts, particularly the extensive transportation system. Allowing these types of areas to go relatively underused forfeits the full benefits of these investments.

Fourth, allowing buildings to languish would unnecessarily weaken New York City's tax base. These properties pay taxes according to their reported net operating income (NOI). If NOI significantly declines, so too will property tax revenue. Converting those buildings to a use that produces positive net operating income would help shore up the city's revenue base. Even if some property tax exemption is needed to ensure the provision of affordable housing (as discussed below), an appropriate exemption would likely only apply to a subset of the taxes due, and would be limited in time.

Finally, the people who used to come to work in office buildings kept many local businesses going – the deli, food truck, and restaurant where office workers bought their coffee or lunch, the shoe repair shop they used, and all the other services and shops they depended upon for their daily needs. Allowing offices to sit empty harms many more people than just the owners of the buildings.

What role should the government play?

The weakness of the office market could be relatively short-lived as the local economy fully recovers from the pandemic and nation-wide pressures like inflation. It could also be that workers begin to prefer more time in the office, or, employers begin to insist that employees be in the office more days of the week. But none of those things may happen, or happen quickly enough to prevent harm to the city's neighborhoods. That risk would ordinarily suggest that the City and State should take steps to remove regulatory barriers that get in the way of solutions the market might want to implement in order to adjust to the new economics of office use.

The down-sides to lifting restrictions are basically two-fold. First, there may be instances in which conversions could harm surrounding neighborhoods, by making them less livable, unduly taxing the existing infrastructure (especially in areas like those shown above where there are significant clusters of office buildings), or making residents feel isolated in the midst of buildings that do not convert. Second, the city's ability to compete for jobs that require office space in the future could be jeopardized. If and when the market for office space returns to (or exceeds) its pre-pandemic levels, the city will need to have office space available to retain and attract businesses who need such space.

The shifts in demand for office space relative to the demand for housing will likely mean that conversions will take place without any specific government action other than removing less necessary barriers to conversion, simply because it will make economic sense for some owners to change the building's use. Indeed, even pre-COVID, the economics drove some commercial properties to convert to residential uses (we estimate that about 6,600 housing units were added to the housing stock from commercial conversions between 2010 and 2020).[4] These types of conversions have occurred when market demand for residential use exceeded that for commercial use by enough to justify the outlay of the significant capital needed to transform these structures.

Allowing the market to determine the rate of conversion, without regulatory barriers designed for a different time, but also without further government involvement, helps to address the concerns of those who worry about a loss of needed office space. In the absence of property tax exemptions or other forms of subsidies (other than those needed to offset the costs of providing a share of the housing as affordable apartments, as discussed below), owners will not be motivated

[4] Raetz, Hayley, Ingrid Gould Ellen, and Matthew Murphy. Rep. The Geography of New Housing Development, State of the City 2021. NYU Furman Center, 2021. https://furmancenter.org/stateofthecity/view/the-geography-of-new-housing

to convert those properties that are worth more as office buildings than residential buildings. Owners of buildings should be left to make the decision of which use of the building is more advantageous.

Rather than prejudge whether too many or too few buildings will be converted, the government should instead carefully monitor the rate and type of conversions that occur and intervene only if necessary to protect the city's broader interests. Given the complexities of conversions and the need to empty buildings of office tenants before conversions can take place, it seems likely that the pattern of conversions will unfold slowly, even with regulatory barriers removed. The relatively slow process should give the city time to evaluate whether the advantages of conversion continue and whether conversions are causing any harms to the surrounding neighborhoods that should be addressed. For example, if the city perceives that the market is shedding too much of the affordable Class B and Class C office space needed to house emerging small firms or non-profit organizations, or that additional infrastructure investments are needed to support new residential uses, then it could act accordingly to protect the city's competitiveness and its property and other tax bases. Alternatively, a rate of conversions that is too slow could result in large-scale vacancies and would call for additional government assistance to jump-start the process to create mixed-use neighborhoods (as was a motivation for the type of temporary subsidy as was provided by the 421-G tax benefit downtown in the 1990s). Given all the uncertainties about how quickly or how many conversions will happen, the government should simply monitor what is happening to see if and when additional interventions might be required.[5]

Should office conversions include affordable housing?

Up to this point we have described issues around conversions that could exclusively apply to 100 percent market-rate units, but policymakers should ensure that more than just high-end homes will be created, for numerous reasons.

First, missing this once-in-a-generation opportunity to bring affordable housing to areas of the city that have little such housing (despite having some of best public amenities and providing incredible proximity to employment, educational, and health care opportunities) would be an extraordinarily short-sighted pre-emption of the city's carefully constructed rules to ensure diverse neighborhoods. As noted above, the city's land use framework now requires permanent affordable housing whenever the City Council or the city's land use increase the capacity for residential uses. Under the city's Mandatory Inclusionary Housing (MIH) requirement, zoning lots in mandatory inclusionary housing areas must see that"no residential development, enlargement or conversion from non-residential to residential use shall be permitted unless

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[5] The city's successful efforts to allow conversions in the Financial District of Manhattan in the [years?], along with the results of its provisions to allow some buildings built before 1961 to convert, and its earlier, also productive, efforts to use tax incentive programs like J-51 to encourage conversions, provide case studies of how to achieve the right balance between the advantages and risks of conversions. See Office Adaptive Reuse Task Force. Rep. New York City Office Adaptive Reuse Study. New York City Department of City Planning, January 2023. https://www.nyc.gov/assets/planning/download/pdf/plans-studies/office-reuse-task-force/office-adaptive-reuse-study.pdf; Campion, Sean. Rep. The Potential for Office-to-Residential Conversions: Lessons from 421-G. Citizens Budget Commission, December 11, 2022. https://cbcny.org/research/potential-office-residential-conversions; Tamargo, Leonardo. "Residential Rising: Lower Manhattan Since 9/11." The Skyscraper Museum, 2022. https://skyscraper.org/residential-rising/

affordable housing . . . , is provided . . ."[6] Zoning lots are placed in MIH areas when "zoning changes encourage the creation of new multifamily housing"[7] as would be necessary to permit conversions that are not currently allowed under the zoning resolution. While the Governor's budget proposal includes legislation to authorize conversions through amendments to the state's Multiple Dwelling Law, state intervention need not circumvent the city's MIH program. Instead, the state legislation could be amended to mandate that MIH apply to any conversions that take place through that legislation. To ignore the city's MIH requirement would significantly undermine the hard-fought mandate that the City Council adopted to ensure that whenever housing capacity is added across the city, it must include a share of affordable units so that all of the city's neighborhoods offer diverse housing choices.[8]

Second, as the maps above show, conversions would likely be concentrated in Midtown Manhattan, Downtown Brooklyn/DUMBO, and Long Island City, all of which offer convenient access to excellent transit, cultural and park amenities, and job and educational opportunities, but all of which had a lower share of low-income housing units built between 2010 and 2010 than in other areas of the city. Between 2010 and 2020, in Manhattan as a whole, 49,094 new multifamily units were built, with 9,496 of those dedicated as low-income housing units (19%). Compare this to the Bronx, where 31,125 new units were built, with 31,886 dedicated as low-income housing units (70%), and to Brooklyn, where 15,127 of 70,851 new units were low-income housing (21%).

Moreover, focusing on the neighborhoods that have the highest concentration of office buildings built in 1990 and before, we find that in the Midtown Manhattan Community District (MN05) only 279 of 4,800 (6%) new multifamily units completed between 2010 and 2020 were dedicated low-income housing units. The Upper East Side (MN08), another neighborhood expected to experience conversions, only added 222 low-income units out of 2,188 total units (10%). Similarly, in the Stuyvesant Town/Turtle Bay Community District (MN06), 320 of 3,698 total new units were dedicated low-income units (9%). In the case of the Long Island City, Queens Community District (QN02), only 1,372 of 13,788 (10%) new multifamily units were dedicated low-income housing units, and in Downtown Brooklyn/Fort Greene (BK02), that share was 20.2 percent (3,064 of 15,164). Given that the city's overall rate of new multifamily units completed between 2010 and 2020 that were low-income housing units was 29 percent, these relatively low shares of new low-income housing development show how conversions present an unusual opportunity to add low-income housing in neighborhoods that currently provide little housing affordability.

Third, ensuring that conversions provide affordable housing is necessary to meet the city's obligation to add low-income apartments in what the federal Department of Housing and Urban Development (HUD) refers to as "high opportunity areas"[9] and thereby meet the obligation the

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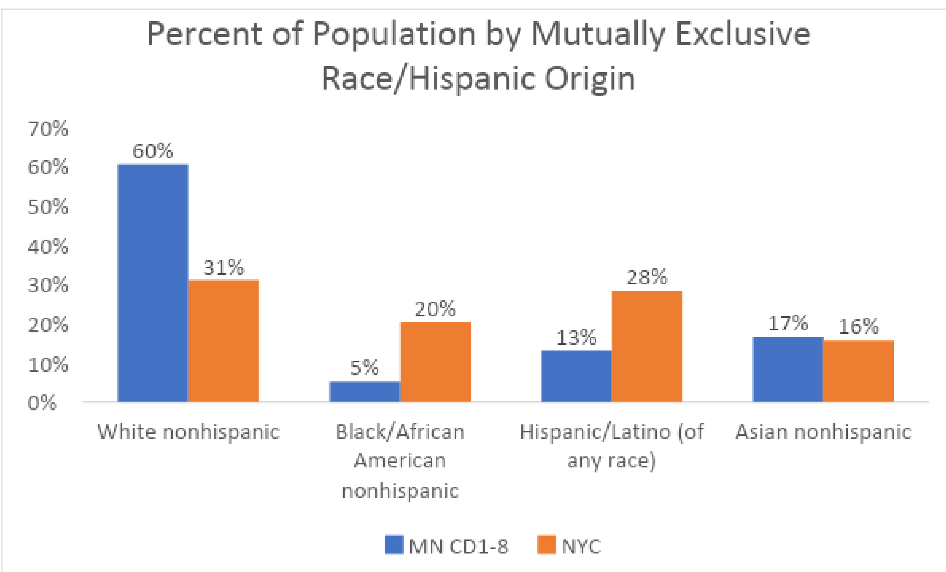
[6] NEW YORK, N.Y. ZONING RESOLUTIONS § 23-154(d) NYC Zoning Resolution Section 23-154(d).
[7] Report of the City Planning Commission on the Proposed Mandatory Inclusionary Housing Program 2 (Feb 3, 2016), https://www.nyc.gov/assets/planning/download/pdf/about/cpc/160051.pdf
[8] New York City Council. "Mandatory Inclusionary Housing," n.d. https://council.nyc.gov/land-use/plans/mih-zqa/mih/.
[9] U.S. Department of Housing and Urban Development, Affirmatively Furthering Fair Housing Rule Guidebook § (2015). https://www.nhlp.org/wp-content/uploads/HUD-AFFH-Rule-Guidebook-Dec.-2015.pdf

Fair Housing Act imposes on the city and state to “affirmatively further fair housing.”[10] HUD recently released proposed regulations that stress the need for every community to pursue fair housing through both “place-based” and “mobility-based” strategies. Both are necessary to “overcome historic patterns of segregation, promote fair housing choice, and foster inclusive communities free from discrimination.” The city recognized in its *Where We Live* analysis that additional affordable housing is needed in higher opportunity areas that are less economically and racially diverse than other areas of the city.[11] That is clearly a challenge in the areas in which there are significant numbers of office buildings that might convert to residential, as evidenced by the data provided above about those neighborhoods. The possibilities for conversion in those areas offer a chance to make progress towards securing more affordable housing, and greater economic diversity, across the city.

The chance to include affordable housing in buildings converted from offices also provides a once-in-a-generation opportunity to bring more racial and ethnic diversity to neighborhoods that are some of the city’s least diverse. The neighborhoods under discussion have a far higher share of total white population, and far lower share of non-Hispanic Black and Hispanic/Latino population than the city as a whole. According to the 2020 Census, whites made up 31 percent of all New Yorkers, but in Manhattan Community Districts 1-8, they made up 60 percent of the total population. Conversely, non-Hispanic Black New Yorkers made up 20 percent of the total population across the city, but only 5 percent of the population within the aforementioned community districts.



In short, because the neighborhoods most likely to experience new housing from conversions are among the best resourced, but also least affordable and diverse, of all neighborhoods in the city,

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[10] New York State Governor's Office. “Governor Hochul Signs Legislative Package to Combat Housing Discrimination.” Governor Kathy Hochul, December 21, 2021. https://www.governor.ny.gov/news/governor-hochul-signs-legislative-package-combat-housing-discrimination

[11] The City of New York. Rep. Where We Live NYC: Fair Housing Together, January 2020. https://www.nyc.gov/assets/hpd/downloads/pdfs/wwl-plan.pdf

passing up the opportunity to use conversions to secure greater affordability would run counter to the vision the City Council articulated in adopting Mandatory Inclusionary Housing, the goals the city set forth in its commitments to fair housing, and the priority both the city and the state have announced for making the city and state more affordable and livable.[12]

How can the state and city secure affordable housing in conversions?

The Governor's proposal to authorize conversions offers a tax incentive to developers that choose to provide affordable housing in converted buildings. But we learned from the experience in the Financial District of Manhattan that conversions will not provide affordable housing unless *required* to do so. To repeat those mistakes risks becoming a terrible waste a generational opportunity to provide affordable housing in neighborhoods that now offer very little affordability.

Further, as explained above, under the City's MIH requirement, whenever regulatory changes facilitate the creation of new multifamily housing, MIH should be triggered to require affordability in the new, rehabbed, or converted buildings. If the State authorizes conversions in such a way as to avoid MIH, the State will be undermining the City's carefully crafted MIH program and the City Council's commitment to neighborhoods that all new housing enabled through regulatory changes will include affordable housing.

Whether affordable housing is mandatory or voluntary, some form of subsidy to defray the costs devoting a share of the housing created by conversions to affordable housing would impose will be necessary for the effort to work. Where the city has required a share of housing to be affordable, it has provided a tax exemption in order to ensure that the requirement will not stymie appropriate development. It is therefore important to discuss whether some form of partial tax exemption should be available to make conversions to mixed-income residential buildings more attractive than 100 percent market rate housing, or keeping the building as an office, even if under-occupied. To compete with these scenarios, a subsidy would have to be sufficient to offset the effects of the loss of rental income on the building's gross revenue that a requirement would entail. For a voluntary program to actually work, even more subsidy would likely be required in order to compete with the baseline available use.

A detailed analysis, using projected conversion costs and assessments of how profitable a space would be if used for offices versus residential going forward, will need to be done to understand more fully how to provide a tax exemption for affordability that appropriately allocates the costs of providing affordability without subsidizing a conversion. Unfortunately, those costs are difficult to estimate because they are known to the owners of the buildings considering conversion, and not publicly available information. They also vary considerably depending upon the size, age and layout of a building, its ownership structure, its existing leases and those

[12] New York City Office of the Mayor. "Mayor Eric Adams Delivers Address on New York City's Affordable Housing Crisis and Holds Q-and-A." The City of New York, December 8, 2022. https://www.nyc.gov/office-of-the-mayor/news/896-22/transcript-mayor-eric-adams-delivers-address-new-york-city-s-affordable-housing-crisis-and ; New York Governor's Office. "Governor Hochul Announces Statewide Strategy to Address New York's Housing Crisis and Build 800,000 New Homes ." Governor Kathy Hochul, January 10, 2023. https://www.governor.ny.gov/news/governor-hochul-announces-statewide-strategy-address-new-yorks-housing-crisis-and-build-800000

tenants' willingness to leave, and a number of other factors. Thus, a more robust conversation about how to estimate the costs of using a share of the units as affordable housing should take place.

To begin to get an idea of the economics of whether conversion might be feasible, we employed a standard tool used by developers to analyze how much capital can be raised to fund the conversion. That amount of capital is a function of the projected net operating income (NOI) post-conversion (calculated by deducting projected annual operating costs from projected gross revenue) and of the return required to attract that capital. The tool we used is a simplified version of what is called a return-on-cost (ROC) model. If the projected capital raise is sufficient to cover both the physical costs of conversion as well as a price to the owner in excess of what the building is worth for offices, then conversion will be financially feasible.

For our analysis, we set our ROC at 5.5 percent, a level that might today be a little low given the significant increase in interest rates over the past year (setting it lower makes it a more aggressive analysis).[13] Using our criteria for offsetting the direct economic impact of an affordability requirement, we tested the share of property taxes that would have to be exempted to leave NOI unchanged. For the affordability requirement we mirrored MIH Option One, under which 25 percent of the units come to an average rent affordable to three-person households at 60 percent of AMI, or a monthly rent of $1,801.[14]

To test the impact of that level of affordability requirement, we ran the model with a range of market rents the converted units might be able to achieve on the open market. Within the broad range of market rents we tested,[15] an exemption of 50 percent from full property taxes appears to be sufficient to offset the direct economic impact of the affordability requirement.

While these estimates are based on a simplified ROC model and costs vary significantly according to the criteria we described above, they do provide a sense of what would be required to impose an affordable housing requirement while efficiently and fairly allocating the burden of meeting the public's interest in securing affordable housing. Whether conversion works for a

[13] Because of the nature of a ROC model and the simplifications we have made, our model does not explicitly take into account any property taxes during construction or effects over time from rent regulation or changes in interest rates. For example, we do not take into account any differences in the projected rate of rent increase between market rate units and those subject to rent stabilization and therefore limited by the annual guidelines/caps issued by the Rent Guidelines Board. In addition, when estimating the needed percentage of property tax exemption once the property is converted and generating rental income, the model implicitly assumes the exemption is permanent and so cannot be used to evaluate the impact of varying the length of the property tax return. Nor does this model allow for variations in projected rent increase between the market rate units and affordable units which are subject to rent stabilization.

[14] For the model it does not matter if the average rent is achieved on average across the restricted units or by uniform cap on the rent for those units. Note that we used the MIH requirement of 25 percent with an average rent of 60 percent of AMI; the Governor's less demanding proposal provides an exemption in exchange for 20 percent of the units being affordable to households making an average of 70 percent AMI.

[15] We modeled the effect of the tax exemption using annual rents per square foot of $100, $80, and $60 (for an 800 square foot apartment, those translate to a rent of $6,667, $5333, and $4000 per month respectively). Variations in market rents do affect the amount of capital that a developer can raise: the higher the rent, the greater the resources available for a developer to cover construction and acquisition costs. Thus, developers will be able to take on more expensive conversions in areas where residential market rents are strongest and office rents are weakest.

specific building depends not just on the market rent for residential but on the construction costs for the conversion and what the building is worth if it continues for commercial use.

Conclusion

There is no evidence that, save for re-assessing regulations that may be inhibiting conversion, the government needs to intervene at this time to facilitate conversions. Conversions made possible by the removal of existing regulatory restrictions, even if 100 percent market-rate, will help to address the city's housing shortage and thereby contribute to making housing more affordable in the long run. But unless some share of the housing created through conversions is required to be affordable, conversions will not help address the city's immediate need for mixed-income housing to be produced across the city's neighborhoods.

The cost of providing that affordable housing to developers should be offset to ensure that the affordability requirement does not prevent conversions that would help address the city's housing shortage and ensure that underused offices do not become a burden to the surrounding neighborhoods and the city as a whole. The city has traditionally made that allocation by providing some property tax relief in exchange for developers building and operating affordable housing. That same approach can be used to ensure that allowing more office buildings to convert to residential homes does not waste the once-in-a generation opportunity to secure affordable housing in some of the city's best-resourced, but least diverse, neighborhoods. Exactly how much tax relief is appropriate requires more transparency about the costs and benefits of conversion, and more analysis of the economics of conversion given those costs, risks, and potential profits. That analysis needs to be part of the legislative debates.

Given the difficulty of predicting how different types of office buildings in different neighborhoods will fare over the next few years, and over the longer run, the city will want to closely monitor how many buildings are being converted, in what neighborhoods, and in what types of buildings, in order to make the most of the opportunity to maintain an alignment of the amount of office space with the potential to add both market rate and affordable residential units. With that in mind, nimbleness should be a priority, which suggests that New York City should have as much flexibility as possible to adjust its taxing, zoning, and building code policies as more experience is gained and as the city's economy evolves, as it always has.

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