

# Rethinking Development Report



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## New York City's Housing Gap: The Road to Recovery

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## EXECUTIVE SUMMARY

New York City continues to experience a housing gap, i.e. an inability to build enough new housing to supply all of its residents with safe housing and to replace dilapidated housing stock.

Estimates of the housing gap made in prior reports have been adjusted downward to reflect the discovery during the 2000 U.S. Census of 370,000 new residential addresses that were either built during the 1990s or missed during the original 1990 Census. Nonetheless, even adjusting for this windfall, this study finds that the housing gap continued to grow between 1999 and 2002, rising to more than 111,000 units. When the amount of housing needed to replace degraded stock is added to this baseline, the "quality adjusted" housing gap climbs to over 370,000 units.

The core problem facing New York City is that housing production continues to lag well behind population growth, particularly in the outer boroughs. During the period 1999-2002 the housing gap grew by over 51,000 dwellings in Brooklyn; 36,200 in the Bronx; 22,400 in Queens; 8,700 in Staten Island. Although there is evidence that housing production is trending up (from under 9,000 units in 1999 to over 15,000 in 2002) it is still insufficient to keep up with population increase.

Indeed, compared to its peers among American cities, New York's housing market is the least advantageous, with one of the oldest and most expensive housing stocks in the nation. There are a number of forces restraining New York's housing production, but among the most significant are its onerous land use regulations and excessively high construction costs. The study finds that expanding housing production to adequately meet demand and maintain quality will require:

- Streamlining the city's complex zoning regulations
- Harmonizing the city's land use and environmental regulations with those of New York State
- Modernizing the archaic New York City Building Code
- Ending rent regulation

## ABOUT THE AUTHOR

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Salins has published articles in a wide variety of newspapers, periodicals and scholarly journals, including the *Journal of the American Institute of Planners*, *New York Times*, *The New Republic*, and *City Journal*.

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# NEW YORK CITY'S HOUSING GAP: THE ROAD TO RECOVERY

## INTRODUCTION

New York City, after 2-1/2 years of convalescing from the double shock of 9/11/01 and a severe recession, is roaring back—and should soon be able to reclaim the encomium “capital of the world” bestowed on it by its last mayor. While the city’s economy has so far only regained a fraction of the 189,000 jobs it lost over this period, New York is definitely on the mend—an assertion supported not only by anecdotes and casual observation, but any number of concrete statistics from municipal tax receipts and unemployment rates to the weeks needed to get a table at one of its tonier eateries. Further, to his credit, the current mayor has not only kept the city as safe and clean as it has ever been, but even managed to assert substantive control over the city’s troubled but intractable public school system, a feat that eluded all his recent predecessors.

In this monograph we pose the question of whether this trajectory of municipal recovery has also managed to encompass the one quality-of-life domain that has been glacially resistant to improvement—New York’s perennial housing shortage. Cutting quickly to the answer, it is my conclusion that, while noticeable progress is being made, the city’s housing market still has a way to go before it can be said to offer most New Yorkers access to affordable, high quality apartments or houses.

I last addressed this question in February 2002, in Manhattan Institute Civic Report 25, and before that in 1996 (Manhattan Institute Civic Report 2). Using an approach similar to that employed in these Civic Reports, I posit as the best measure of the severity of the housing shortage, a statistic I identify as the city’s “housing gap.” The city’s housing gap is defined as the difference between the volume of housing needed to offer all New York households a sufficient supply of decent, affordable housing units, and the

amount of housing actually available. As a dynamic variable, the housing gap is estimated during any time interval by determining the rate at which the city’s housing stock has grown relative to the growth in its household population. To the extent that the former falls short of the latter, there is an imputed increase in the size of the housing gap.

This time, I address more explicitly the extent of the housing gap by borough, reviewing housing construction and population growth for the most recent period, as well as housing quality indicators, availability of vacant land, and the extent of rent regulation. Putting New York’s housing market dynamics in a national context, I again compare the city’s housing production rates to those of a set of other major American cities, and make corresponding comparisons in rents and construction costs. While I take note of recent positive changes in New York City’s land use and regulatory policies, and the increased pace of housing development that can be found across the five boroughs, I also conclude that the city’s regulatory environment is not yet hospitable to residential development at the scale and affordability needed to close the housing gap.

## THE HOUSING GAP TODAY

Any determination of the adequacy of New York’s housing begins with an estimate of the size of the city’s total housing stock. Table 1 updates the components of New York’s housing stock from 1999 to 2003, extending the analysis of city housing conditions as presented in Civic Report 25. A key element of this update is an upward revision of the total housing stock in 1999, correcting for the undercount of housing units reported in the 1999 New York City Housing and Vacancy Survey on which the last housing gap estimate was based.<sup>1</sup> As in previous editions of this report, attention is called to the large stock of vacant units not available for rent

**Table 1. Components of Change in New York City Housing Stock (DU=dwelling units)**

Year	Total Housing	Completed New Units	Est. Rehab Vacant DUs <sup>1</sup>	Net Housing Increase	Vacant/Not Available <sup>2</sup>	Available Housing
1999	3,165,125 <sup>3</sup>	8,949	3,200	12,149	88,973	3,082,303
2000	3,177,274	11,382	3,300	14,682	88,285	3,095,140
2001	3,191,956	13,231	3,400	16,631	87,596	3,110,511
2002	3,208,587	15,267	3,500	18,757	86,907	3,125,831
2003	3,227,344	NA	NA	NA	est 85,000	3,148,495

Sources: NYC Department of Housing, Preservation and Development, Housing, 1996, 1999 Housing and Vacancy Surveys; NYC Department of City Planning, Certificates of Occupancy for Newly Constructed Buildings

1) Estimated, based on 1987-2002 data.

2) Dwelling units are vacant/unavailable when uninhabitable or withdrawn from market.

3) Revised to reflect undercount in 1999 NYC Housing and Vacancy Survey.

or sale (between 85 and 90,000 dwellings in a typical year)—an ongoing New York phenomenon that makes its housing market tighter than the unadjusted volume of housing would indicate. In Table 2, changes in the housing stock by borough are estimated from 1999 to 2002. The other key determinant of the housing gap is the corresponding change in the city’s population, more specifically, the change in the number of households. The growth in household population by borough from 1999 to 2002 is displayed in Table 3.

As in previous Housing Gap reports, the size of the city’s housing gap—and any increase or reduction in the gap—is calculated by comparing these trends, but in this report for the first time, this is also done by borough, as shown in Table 4. It should be noted that, in carrying over the city-wide housing gap estimate for 1999 from the previous analysis, the estimate incorporates a significant downward adjustment of the gap to reflect the apparent 1990

Census housing undercount. The basic citywide housing gap of 1999 is now estimated at having been about 17,700 dwellings, well below the previous estimate of 144,000. However, this still leaves a quality-adjusted gap<sup>2</sup> in 1999 of 278,700. But from this adjusted base the housing gap has continued to grow between 1999 and 2002, rising to slightly more than 111,000. This is because housing production in this period—about 43,500 units—has not kept pace with growth in the population of nearly 137,000 households. The overall trend for the city, however, masks significant differences among the boroughs. Because Manhattan has experienced a slight decline in its household population between 1999 and 2002, while having a much higher rate of housing construction than the other boroughs, its housing gap has declined significantly. At the same time, the housing gap in Brooklyn has grown by over 51,000 dwellings, followed by large increases in the Bronx (36,200) and Queens (22,400). (Staten Island is estimated to have a modest gap increase of 8,700).

**Table 2. NYC Housing Stock by Borough**

Year	Bronx	Brooklyn	Manhattan	Queens	Staten I	NYC
1999	483,308	922,874	781,420	815,079	162,443	3,165,125 <sup>1</sup>
2000	487,036	923,991	788,040	815,425	162,782	3,177,274
2001	489,102	926,747	794,660	815,339	166,108	3,191,956
2002	491,006	930,085	798,859	820,704	167,932	3,208,587
'99-'02 Inc	7,698	7,211	17,439	5,625	5,489	43,462

Source: 2002 NYC Housing and Vacancy Survey, U.S. Census

1) Revised to reflect 1999 HVS undercount.



**Table 3. NYC Household Growth by Borough**

Year	Bronx	Brooklyn	Manhattan	Queens	Staten I	NYC
1999	419,040	821,293	727,437	755,737	144,907	2,868,415
2002	462,878	879,557	720,071	783,735	159,078	3,005,318
'99-'02	43,848	58,264	(7,366)	27,998	14,171	136,903

Source: 2002 NYC Housing and Vacancy Survey, U.S. Census

Several positive trends can be observed in the changes marking the housing market since 1999. Despite the contribution it may be making to the city's housing gap, the apparent continued growth in the city's population since 9/11/01 is a very good thing. Population growth is one of the prime indicators of urban health, and it should be noted that New York is among the few large cities east of the Mississippi that has experienced any population increase in recent years. That it has done so in the shadow of 9/11 and a national recession is truly remarkable. As for the city's perennially inadequate housing supply, there is further good news—the rate of housing production appears to be trending up. The number of dwellings completed annually (as measured by certificates of occupancy awarded), has risen from under 9,000 in 1999 to over 15,000 in 2002, an annual rate of increase of approximately 20%. To the relatively hard number of new units with C of Os, one can—with educated guess-timates—add a reasonably large component of renovated vacant units. Based on NYHPD data for the period 1987-2002, the number of such apartments rehabilitated each year is estimated at approximately 3,000 to 3,500. The full extent of housing rehabilitation is obviously much

larger, but only the renovation of vacant units adds an increment to the aggregate housing stock.

### COMPARING NEW YORK TO OTHER CITIES

Welcome as these developments are, to properly gauge the health of the city's housing market one needs to look at its vitality in a national context (the way we evaluate the city's performance in other municipal indicators like crime and education). As in previous Housing Gap reports, this can be done by comparing New York in some key housing indicators with a set of peer cities, specifically the central cities of the next twelve largest U.S. metropolitan areas. In Table 5, recent housing construction rates are compared alongside the rate of population increase. As expected, housing construction rates generally correlate with population growth—except in New York. Among cities with growing populations like New York, only Los Angeles has a lower rate of housing production. Given the need to look at raw construction rates in the context of population growth, a “housing construction adequacy index” (HCAI)<sup>3</sup> is offered as a metric to compare New York with peer cities. The

**Table 4. Estimated Housing Gap Increase by Borough 1999–2002**

Borough	Additional Households	Net Housing Increase	Basic '99-'02 Hsng Gap	Cumulative Gap (2002) <sup>1</sup>	Cum Qual Adj Gap (2002) <sup>2</sup>
Bronx	43,848	7,698	36,150	NA	NA
Brooklyn	58,264	7,211	51,053	NA	NA
Manhattan	(7,366)	17,439	(24,805)	NA	NA
Queens	27,998	5,625	22,373	NA	NA
Staten I	14,171	5,489	8,682	NA	NA
NYC Total	136,903	43,462	93,441	111,100	372,100

1) Carried over from 1999 estimate and adjusted to reflect 1999 HVS undercount.

2) Including housing needed to replace 1.0 percent of NYC housing stock.

**Table 5. Comparative Housing Construction Rates—Large U.S. Cities**

City	Housing Permits/ 1000 DUs '00-'02	Housing Permits/ 1000 DUs '95-'99	Percent Pop Increase '00-'02
Atlanta	134.82	77.92	2.1
Columbus	83.18	92.46	1.9
San Antonio	76.42	108.19	3.7
Indianapolis	57.35	82.77	0.2
Houston	47.58	73.22	2.9
Chicago	26.28	19.49	-0.3
New York	22.22	15.89	0.9
Los Angeles	19.87	12.63	2.8
San Francisco	19.11	28.14	-1.6
Boston	14.74	11.46	0.0
Philadelphia	6.69	4.89	-1.7
Detroit	4.41	5.09	-2.8
Baltimore	3.85	3.04	-1.9

Source: U.S. Bureau of the Census: Census of Population; Housing Units Authorized by Building Permits, 1995-2002

index is based on the assumption that the optimal pace of housing production should accommodate household population growth and a reasonable rate of replacement of the most deficient existing stock (using 1% of total housing as a criterion).

In Table 6, differences among cities in the HCAI are displayed alongside rent levels and average dwelling age. Not surprisingly, compared to its national peer cities, New York's housing market is the least advantageous, generating one of the lowest HCAI coefficients, while exhibiting the oldest and third most expensive stock of housing. There are a number of key policy variables which might explain why New York's rate of housing production is so much lower than that of its national peers, but surely two of them include New York's onerous land use regulations, and the high cost of construction in the city. Table 10 (see page 8), using a few key indicators, compares the restrictiveness of New York's zoning rules with those of three of the next largest American cities: Chicago, Dallas and Los Angeles; and Table 11 (see page 9) looks at construction costs among the broader set of peer cities. In both cases, New York poses greater challenges to housing developers, making it harder for them to successfully navigate their residential projects through the regulatory

gauntlet, and more expensive for them to build even when they do. It should also be noted that, among comparator cities, only San Francisco and Los Angeles still share New York's distinction of having any form of rent regulation.

#### **HOUSING GAPS IN THE BOROUGHS— THE MISMATCH**

Compared to the near moribund state of the private housing market of the 1990s, housing conditions in New York today appear to be improving. The fact that the city's housing gap is smaller than a decade ago, while desirable, is not yet cause for celebration. First, in quality-adjusted terms, the housing gap is still too large. The housing quality adjustment assumes that, in order to retire the city's most deficient dwellings, the pace of housing development must actually exceed the rate of population growth by a small increment (housing construction rates in other cities suggest that increment should equal one percent of the housing stock). Perhaps of even greater significance, the housing gap varies widely by borough (see Table 4), with the result that the boroughs with the greatest housing need have experienced the lowest rates of housing production. The most seriously impacted boroughs are Brooklyn and the

Bronx. Brooklyn, the city's most populous borough with nearly 900,000 households, has also seen the greatest population increase in recent years (1999-2002)—over 58,000 families. At the same, its housing stock has only grown by 7,200 dwellings. Similarly, during this period the Bronx has also experienced substantial population increase—nearly 44,000 households—while adding only 7,700 units to its housing stock. Queens, the city's second most populous borough, has not grown as rapidly, but has had to cope with an anemic housing supply supplement—5,600 dwellings—that falls far short of its household population growth of nearly 28,000. The primary locus of housing development in New York has been Manhattan, where 40 percent of the city's new housing has been built. While housing construction anywhere in the city is welcome, Manhattan is the one borough among the city's five that has actu-

ally experienced modest household population decline in the most recent period.

Why should we care where in the city housing is built? Because the city's households are probably not mobile enough to follow the path of new housing development (especially if that path leads to the most expensive and smallest apartments in the city), and the deficiency in housing development may be reflected in inferior housing conditions. One would expect, for example, housing gap differences to be manifest in higher rents and rates of rent increase. Also, one might expect that apartment quality would suffer disproportionately in boroughs with more severe housing shortages. Table 7 looks at borough housing gap figures alongside rent levels and a few housing quality indicators for the 1999 to 2002 period. While there are many other factors—current and

historical—that impact rents and housing quality (not least, the impact of rent regulation), there appears to be some correlation between housing gap levels and rent/quality indicators. Manhattan, the only borough where the housing gap actually decreased, has among the most modest rent increases, and relatively low levels of maintenance deficiencies, building code violations and overcrowding. Brooklyn, with the highest volume of housing gap increase (and the second highest rate of growth in the gap), has the highest rate of rent increases, and high rates of code violations and overcrowding. The Bronx, with the highest percentage growth in its housing gap, has the most severe maintenance and code deficiencies. Queens, intermediate in its housing gap increase, displays intermediate level rent increases and quality problems.

**Table 6. Construction Adequacy and Housing Quality**

City	Hsg Constr Adequacy Index (HCAI) <sup>1</sup>	Med Apt Rent (\$) 2003 (est)	Med Apt Age (yrs)
Los Angeles	.21	748	40
Boston	.35	945	36
New York	.38	794	44
Houston	.53	606	37
Philadelphia	.67	637	42
San Antonio	.72	518	36
Chicago	.76	683	39
Baltimore	1.00	531	43
Columbus	1.12	534	34
Indianapolis	1.41	548	35
Atlanta	1.68	562	36
San Francisco	1.75	1001	39
Detroit	2.00	493	38

Source: U.S. Dept of Housing and Urban Development: *American Housing Survey: Detroit, Chicago, Los Angeles, New York, Philadelphia; 1999; Baltimore, Boston, Houston, San Francisco: 1998; Atlanta, Indianapolis: 1996; Columbus, San Antonio: 1995; all rents updated to 1999.*

1) The ratio of housing units constructed to the number of units needed to accommodate population growth and replacement of 1% of housing stock per year, computed for the years 2001 and 2002. An index of 1.00 would indicate a volume of construction adequate to house all new households and replace, on average, 1% of all housing per year.

Table 7. Housing Gap and Quality Indicators by Borough

Hsg Gap/Quality Ind	Bronx	Brooklyn	Manhattan	Queens	Staten I	NYC
Hsg Gap Increase '99-'02	36,150	51,053	(24,805)	22,373	8,682	93,441
Increase as % Hsg Stock	7.4	5.5	(3.1)	2.7	5.2	2.9
Median Monthly Rent ('02)	\$615	\$690	\$800	\$797	\$700	\$700
Rent Increase % '99-'02	3.9	6.8	3.5	5.8	1.9	1.6
% DUs/+5 Maint Def ('02)	5.8	3.5	2.6	0.9	0.9	2.8
Violations/1000 DU ('02)	229.5	196.3	118.7	125.5	67.7	162.4
% Crowded DUs ('02)	3.6	4.2	3.1	4.5	1.8	3.8

Source: NYU Furman Center, Data on New York City's Housing and Neighborhoods

### SIGHTINGS OF PROGRESS

Despite evidence of the continued shortage of housing across New York, and especially its exacerbation in the city's most populous boroughs, there have been numerous positive developments on the housing front, some resulting from changes in policy, others a tribute to the determination and creativity of private and non-profit housing entrepreneurs working under even the most challenging circumstances. With respect to policy, the city administration under the direction of the last and current mayors, has been selectively rezoning sections of the city, it has continued to divest itself of the properties it inherited over the years through tax foreclosure, it is recommending a liberalization of the construction code, and it has been encouraging development in transitional neighborhoods with a variety of municipal housing incentives. And New York State, having cautiously opened the door to "luxury decontrol" of Rent Stabilized apartments in the renewal legislation of 1997, has allowed these reforms to survive the most recent (2003) legislative reaffirmation of the Rent Stabilization system. All of these measures only untether the housing market at the margin, but they represent progress. On the other hand, the lead paint abatement legislation recently adopted by the New York City Council over the Mayor's veto is yet another example of the city's indifference to the housing market impacts of indulging its regulatory impulse; one that will almost certainly curtail housing development and rehabilitation in poorer neighborhoods.

Both in tandem with public policy reforms, and independently of them, residential developers—

private and non-profit—have accelerated their activities. Four kinds of developments stand out. In Manhattan, the heavily capitalized titans of residential real estate are building luxury rental and condominium projects, usually requiring—and receiving—some kind of municipal regulatory concession. In Brooklyn, the Bronx and Queens, many lightly capitalized private and non-profit developers are building (usually without explicit subsidies) small-scale infill projects—mainly two and three family homes—in empty or underutilized parcels in established neighborhoods. In Staten Island, on vacant land, medium scale builders erect suburban and semi-suburban homes for sale. And across the city's formerly bleakest neighborhoods, an eclectic assortment of development entities—heavily dependent on direct subsidies—rehab or rebuilds derelict structures, rescuing housing recently subject to abandonment, deterioration and tax foreclosure.

These various development activities are not only taking place in different parts of the city, they are targeted to different markets, a factor that must be recognized and incorporated into future housing policy initiatives. The luxury residential development of Manhattan (and a few isolated outer borough sites) is clearly designed for high income professionals, usually with small households (singles, couples, few children), often coming to New York from out-of-town (suburbs, college, elsewhere in U.S.). Targeting households at the other end of the city's socio-demographic scale, rehabilitation efforts typically serve existing residents in the city's worst neighborhoods—usually poor and minority—

heading households with children. Invariably, because such projects depend on some form of government subsidy, access to these units is means-tested. Aimed at New York's most numerous, but often overlooked, housing constituencies—the overlapping categories of immigrant families, and long-resident middle and moderate income native New Yorkers (of all ethnic backgrounds)—are the other two development prototypes, infill residential structures in Brooklyn, Queens and the Bronx, and new homes in Staten Island. It should be noted that, while they serve New York's largest demographic groups, these development types are to a large extent housing policy orphans, rarely benefiting from subsidies, while enduring the greatest harm from the city's regulations.

### WHAT IS TO BE DONE

As noted, New York's housing environment is improving, in some respects quite dramatically. The numerous luxury projects sprouting up all over

Manhattan, including those located in well-planned precincts such as Battery Park City, Riverside South (built on rail yards on the far West Side), and Roosevelt Island, reinforce Manhattan's primacy as the nation's—if not the world's—most cosmopolitan residential address. The extensive rehabilitation efforts have contributed to the revival of the city's most dismal neighborhoods, making New York the most “slum-free” of the nation's large cities. Both of these development paradigms are not only widely celebrated and publicized, they are to a large extent creatures of explicit city policy. In the former case, policy intervention has coupled close scrutiny of design issues with the bending of as-of-right zoning; and in some instances (e.g. Battery Park City), development is overseen by a quasi-governmental entity. In the latter, virtually all development has been guided by costly, detailed city housing plans dating back to the Koch administration. Adding to both the success and the publicizing of the rehabilitation endeavor is the role of some major non-profit development entities like the Community

**Table 8. Population Increase and Housing Development by Neighborhood**

Neighborhood	Population Increase 1990-2002	New DUs 1990-2002	Rehab DUs 1987-2002
Jackson Heights	40,875	1,316	24
Flatlands/Canarsie	31,676	1,294	0
OzonePark/Woodhvn	30,822	538	4
Elmhurst/Corona	29,675	2,236	3
Tottenville/Grt Kills	26,176	11,339	0
Borough Park	25,857	1,194	4
St George/Stapletn	24,949	5,062	51
Astoria	24,108	3,096	0
Flushing/Whitestone	24,089	3,096	0
Jamaica/Hollis	23,925	2,850	124
Upper West Side	-3,005	8,697	477
Crown Heights	-1,576	134	2,090
Greenwich Village	-769	1,891	0
Brownsville	40	691	1,557
Midtown	451	5,228	286
Bushwick	1,017	1,311	595
Clinton/Chelsea	1,879	8,461	376
Stuyvesant Town	2,865	3,796	0
Lower East Side	2,914	2,779	1,528
Upper East Side	6,242	10,803	52

Source: NYU Furman Center, Data on New York City's Housing and Neighborhoods

**Table 9. Vacant Land by Borough**

Borough	Land Area (000 SF)	Vacant Percentage
Bronx	35,200	4.4
Brooklyn	66,800	5.1
Manhattan	10,200	2.4
Queens	84,000	4.6
Staten I	221,500	18.0
NYC Total	417,700	7.5

Source: NYU Furman Center/ NYC Real Property Assessment Data

Preservation Corporation (funded by the city’s major banks) and the Partnership for New York City Housing Development Fund (formerly the New York Housing Partnership), an arm of the Partnership for New York City.

Yet, the housing gap persists, and the only way in which it will be closed is if the city pays greater attention to the broad swath of potential housing development aimed at neither the rich nor the poor. New York’s housing market is most deficient in providing fertile soil for unsubsidized development and redevelopment of modestly priced homes and apartments in all four of the outer boroughs, at a scale sufficient to close the housing gap. Looking at housing construction rates relative to population change in specific neighborhoods between 1990 and 2002 (Table 8), the scope of the problem can be clearly discerned. The city’s ten fastest growing neighborhoods (listed in the upper part of the table) are all in the outer boroughs; and all have seen population growth vastly exceed housing construction. In con-

trast, as the lower part of the table indicates, much recent housing development—both of new and rehabilitated units—has occurred in neighborhoods where population has been stable or declining; either in Manhattan’s most affluent areas, or the city’s poorest precincts.

If the goal is to focus new residential development on the outer boroughs, fortuitously that is where the city’s undeveloped land is located, as Table 9, indicates. By far the largest reservoir of vacant land (221 million

square feet) is in Staten Island, but there are also substantial pockets in Brooklyn (67 million) and Queens (84 million). Even the Bronx, with 35 million square feet, can support significant additional development, given its high density. Beyond such entirely vacant acreage, the outer boroughs also contain vast stretches of no longer viable industrial land that can be reclaimed (often necessitating “brownfields” remediation) as well as underutilized commercial and low-density residential sites.

Closing the housing gap will require robust construction rates in the outer boroughs that the city has not seen for decades (35,000 to 65,000 dwelling units annually). Although some component of this new development should be in large apartment complexes like Lefrak City (built in the early 1960s) and free-standing mid-height apartment houses, most of this housing will be in small structures. Further, it must be recognized that such an accelerated schedule of housing production won’t be realized by churning out more proactive housing plans and subsidies, a

fact that runs against the grain of longstanding city housing policy initiatives. Rather, all of the city’s policy energy must be dedicated to sweeping away barriers to development—with the focus less on facilitating luxury complexes in Manhattan south of 110<sup>th</sup> Street, and more on promoting large numbers of small

**Table 10. Zoning Factors NYC/Chicago, Dallas, Los Angeles**

City	Number of Zones	Specs per Zone
<b>New York</b>	<b>34</b>	<b>11</b>
Chicago	8	6-7
Dallas	16	7
Los Angeles	24	6

Source New York University School of Law, *Reducing the Cost of New Housing Construction in New York City*, 1999.

scale projects elsewhere. The barriers to be addressed are embedded in four regulatory rubrics:

### Zoning

As noted in Table 10, New York has a vastly more complex set of zoning rules affecting residential development than any other major American city. Encompassed within this complexity are: 34 discrete zones; overlapping requirements within and among zones concerning bulk (structure shape and height), "quality" (design rules), open-space ratios, and—as the main density constraint—floor area ratio; added rules govern parking, accessory structures, and building appurtenances. The myriad "as-of-right" rules are applied according to a city zoning map which is itself complex, idiosyncratic and—in many neighborhoods—out-of-date, or distorted by politically mediated "NIMBYism." Beyond the bewildering as-of-right domain, there are a growing number of special districts, products of well-intentioned efforts to fine-tune the zoning in specific locations to achieve certain social or design objectives. This zoning witch's brew is exacerbated by the fact that the code dedicates an unnecessarily large proportion of New York's land to manufacturing.

The impact of the city's zoning on the volume of residential development is almost impossible to deter-

mine with any certainty. What we do know, however, is that as the zoning code has grown more restrictive, the rate of housing construction has fallen. The Planning Commission under the current and previous mayoral administrations has, to its credit, selectively rezoned certain areas to promote development—or, more precisely, to promote particular kinds of development. At the same time, there are proposals before the Commission as this goes to press, to make the residential zoning in Staten Island—one of the last frontiers of city open space—more restrictive. If New York wants to promote high-volume residential development in the boroughs outside Manhattan, the single most constructive reg-

**Table 11. Housing Construction Cost—Large U.S. Cities**

City	Avg Construc Cost/Sq Ft (\$) 1-3 Story Bldg	Avg Construc Cost/Sq Ft (\$) 8-24 Story Bldg
New York	108.80	126.13
San Francisco	100.68	116.72
Boston	93.38	108.24
Los Angeles	87.69	101.66
Chicago	91.75	106.36
Philadelphia	90.94	105.42
Detroit	86.88	100.71
Baltimore	73.89	85.65
Houston	70.64	81.89
Atlanta	73.08	84.71
Large City Avge	61.34	88.89

Source: R.S. Means Construction Cost Data 2004 (25<sup>th</sup> Annual Edition)

**Table 12. Changes in the Regulated Stock 1996–1999**

Borough	Regulated Stock 1999	Regulated Stock 2002	Change 1999-2002
New York City	1,098,939	1,073,279	-25,660
Bronx	200,087	217,060	16,973
Brooklyn	291,629	287,975	-3,654
Manhattan	384,062	365,367	-18,695
Queens	211,130	193,988	-17,142
Staten Island	12,031	8,889	-3,142

Source: NYC Department of Housing, Preservation and Development, 1999, 2003 Housing and Vacancy Surveys

ulatory change would be a comprehensive—and liberalizing—overhaul of the zoning code.

#### *ULURP/Environmental Review*

In any other city, the easiest way to get by overly restrictive zoning provisions would be to grant waivers—variances—selectively, and to engage in piecemeal rezoning. In New York, this avenue is seriously compromised by the insidiously linked operations of the city's Uniform Land Use Review Procedure (ULURP), and City Environmental Quality Review (CEQR). If a residential project in New York requires any waiver of a zoning provision, however minor, it becomes subject to the costly and time-consuming gauntlet of ULURP where, among other hazards, it can be attacked by hostile anti-development community groups. Under most circumstances, ULURP review cannot even proceed until an environmental impact report is filed (whose accuracy provides another target for development opponents). Indeed, even zoning changes proposed by the Planning Commission itself need to clear these review hurdles—and often perish at their hands. ULURP exists nowhere else in New York State, and the environmental impact reports required under CEQR must meet much more stringent criteria than those required elsewhere in the state (e.g. New York's suburbs) under the statewide environmental review procedure (SEQRA).

Nevertheless, the large-scale developers of Manhattan luxury projects have been quite successful in navigating the shoals and rapids of these reviews—passing on the attendant costs to their high-end tenants and buyers. It is the army of potential small-scale builders, aiming to attract families from the middle and lower income market segments, who are most easily deterred by ULURP costs and delays. Development activity would almost certainly accelerate if the jurisdiction of ULURP were curtailed, and to the city's environmental review conformed to the state's rubric.

#### *The Construction Code*

Should a developer of moderately priced housing actually succeed in making it through the regulatory thicket and getting a project approved, he still confronts the high cost of building in New York. While the fact that New York's housing construction

costs are higher than in any other U.S. city (Table 11) can be attributed to a number of factors (e.g. density, building trade unions), many architects and builders blame the city's antiquated, restrictive and idiosyncratic construction code. This is another instance of a New York City regulatory artifact that differs from its statewide counterpart, applicable in every other New York State jurisdiction. Mayor Bloomberg's administration has already proposed replacing the city's current code with a nationally accepted—and far simpler and modern—standard, the International Building Code (IBC). If the administration succeeds in securing its adoption, the impact should become quickly manifest in the increased volume and lower cost of new homes in the outer boroughs, where the cost of construction is a much greater factor than in Manhattan.

#### *Rent Regulation*

One of the key regulatory elements targeted in previous Housing Gap reports, rent regulation—now almost unique to New York City—remains a serious impediment to residential development. Table 12 shows a modest reduction in the number of regulated apartments city-wide (25,000+) due to the effects of luxury decontrol, but a third of New York's housing (and half its rental stock) is still subject to its impact. Indeed, in the Bronx its reach has extended to an additional 17,000 apartments. The failure of the state legislature to alter the Rent Stabilization rules in June, 2003, when they were extended for another 8 years, makes any critique of their baleful impact on the housing market both moot and futile. So, herewith, I note for the last time that this regulatory dinosaur continues to distort the city's housing market. It makes housing for all but its already vested beneficiaries scarcer and more expensive, mainly to the detriment of the same New Yorkers—immigrants and moderate income households—who are also disadvantaged by the other regulatory contributors to the housing gap.

#### *Conclusion*

In concluding this third in the series of reports on New York's housing condition, again focusing on the causes and cures of its housing gap, I offer the following findings and observations. First, as noted throughout this piece, housing conditions in New York are improving. The housing gap is less alarm-



ing than it was a decade ago, and the most recent city-commissioned Housing and Vacancy Survey (2002) reveals that it may not have been as large as estimated in the previous report. The greatest gains appear to be in Manhattan, where luxury development—outrageously priced as it may be—is proceeding apace, and in the former housing wastelands of the city—upper Manhattan, southern and central Bronx, and central Brooklyn—where massive city subsidies operating through effective development entities have actually made a significant dent in reversing urban squalor.

What has not happened at a scale sufficient to the need is the development of housing for the vast majority of New Yorkers who are neither rich nor poor. These millions of New Yorkers, a growing number of them recent immigrants—belonging to every ethnic and racial group on the planet—have to struggle to find decent homes in the city's underperforming housing market. They are increasingly not beneficiaries of rent controls (a Pyrrhic benefit in any case) because they arrived in the city only re-

cently, or are newly formed households. They are usually not eligible for housing subsidies (or stand in long queues for the limited number for which they might qualify). And as the primary clients for privately built and financed, unsubsidized new development, they are also the primary victims of the regulatory obstacles the city interposes that make these kinds of homes more difficult and expensive to build.

The Bloomberg administration, commendably eager to improve housing conditions in the city, is preparing an ambitious set of new housing initiatives. Early indications are that, like the housing plans of its predecessors, they too are focused primarily on promoting development for the rich and the poor (or subsidy-eligible near-poor). It is time for the city to serve the vast middle of New York's housing market by unleashing the powerful forces of unfettered, unsubsidized private development, not through adding costly new plans and subsidies, but—politically difficult as it might be—subtracting regulations.



## ENDNOTES

1. The 1999 NYC Housing and Vacancy Survey, on which previous housing gap estimates were based, included a significant undercount of the housing stock. The undercount was discovered in the 2000 census, when NYC supplied the Census Bureau with 370,000 addresses added or missed during the 1990s.
2. The quality adjusted gap in a given period is defined as the number of dwelling units needed to house the increment of population growth and to replace one percent of all existing dwellings.
3. The Housing Construction Adequacy Index (HCAI) in a given period is the difference between the dwelling units built and the number needed to house the increment of population growth plus the number needed to replace one percent of all existing dwellings.

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