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Testimony on State Policies and Housing Development in New York City

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Good morning, and thank you for the opportunity to testify on state policies that affect the development of housing in New York City. My name is Sean Campion. I am a Senior Research Associate at the Citizens Budget Commission, a nonpartisan, nonprofit think tank devoted to influencing constructive change in the finances and services of New York City and New York State government.

CBC has long seen housing affordability as a key factor affecting New York City's long-term competitiveness. Troublingly, CBC's most recent review of the New York metropolitan region's competitiveness showed New York's high housing costs and long commute times are key disadvantages in attracting and retaining residents and businesses.¹ Due in part to worsening affordability, our analysis found that other regions are attracting young and highly educated workers at a faster rate. Census data also show that in a reverse of recent trends, the city's population growth rate has slowed and perhaps even declined over the last year.²

These challenges result in part from three interrelated housing problems affecting the New York City region:

- **The first is affordability.** Our analysis of the 2017 New York City Housing and Vacancy Survey found more than 920,000 renter households in New York City were rent burdened, paying at least 30 percent of their incomes in rent, and that half of those were considered to be severely rent burdened, paying more than 50 percent. The vast majority of the severely burdened households, over 90 percent, were low income. This suggests that not only are rents high, but also that household incomes have failed to keep pace with rising housing costs.³
- **The second is supply.** A forthcoming CBC report will document that New York City has issued building permits for substantially fewer housing units relative to its size than nearly every prosperous American city, and that our housing stock, after taking demolitions, conversions, and alterations into account, is failing to keep pace with record-setting population and employment growth.

While a small number of neighborhoods are undergoing a building boom, most neighborhoods have seen little growth over the last decade, largely due to the cumulative impact of past rezoning efforts that reduced the areas where it is possible to build new housing. Since the Great Recession, neighborhoods zoned for high-rise development like Downtown Brooklyn, the far west

side of Manhattan, and Long Island City have produced the lion's share of new housing built in New York City. A recent City Planning analysis showed that 40-plus story buildings accounted for 22 percent of all units produced in 2017, and that 23 percent of units in those buildings were income-restricted.⁴ Those that secured "downzonings" or other zoning changes to reduce development potential have housing production rates that are among the lowest in urban areas in the country.

Another part of the development problem is New York City's high property tax rate on multifamily rental buildings makes it difficult to finance new construction without an increasingly expensive and complex set of tax incentives.

- **The third is regionalism.** New York's extensive transit system connects the region's suburbs to the central city and has the capability to support a much more vibrant regional housing market. However, unlike New Jersey, Westchester, Nassau, and Suffolk Counties have some of the lowest housing production rates in the country. The State can play a role to ensure that the downstate counties build more housing and ensure a regional response to a regional housing crisis.

Lifting the cap on floor-area ratio for residential buildings would help address some of these issues. City officials would need to negotiate how and where these zoning changes would be implemented, but eliminating the cap on density would allow property owners to build both more market rate and affordable units. Many of these new units could be built in high-opportunity neighborhoods with strong transit access, allowing the City to advance its sustainability and fair housing goals.⁵ Recent research also has shown that building more housing in upper-income neighborhoods can help to mitigate price increases and displacement pressures in other housing submarkets, as well.⁶

Enacting policy to encourage more housing production for more people should be a top State policy priority. Lifting the FAR cap would give New York City and potentially other cities an important tool. However, we cannot rely just on a handful of buildings in the neighborhoods already seeing development to solve New York's housing crises. City and State lawmakers should continue to look for solutions to boost housing production across the New York region by: ensuring that zoning codes match the needs of a growing region, reforming New York City's property tax system to make it easier to build rental housing without the need for substantial subsidies, and finding ways to incentivize the suburbs to build sufficient housing to meet the regional demand.

¹ Maria Doulis and Riley Edwards, "New York City's Competitiveness in Attracting Talent," Citizens Budget Commission (September 28, 2016), <https://cbcny.org/research/new-york-citys-competitiveness-attracting-talent>

² Sam Roberts, "Is New York City's 'Remarkable Growth Story' Ending?," *New York Times* (April 18, 2019), <https://www.nytimes.com/2019/04/18/nyregion/new-york-city-population.html>.

³ Sean Campion, "Think Your Rent is High? Documenting New York's Severest Rent Burdens," Citizens Budget Commission (October 11, 2018), <https://cbcny.org/research/think-your-rent-high>.

⁴ New York City Department of City Planning, "Info Brief: Housing Production and Building Heights" (May 2018), <https://www1.nyc.gov/assets/planning/download/pdf/about/dcp-priorities/data-expertise/housing-production-building-heights-info-brief.pdf>.

⁵ Vicki Been, Ingrid Gould Ellen, and Katherine O'Regan, "Supply Skepticism: Housing Supply and Affordability" (NYU Furman Center for Real Estate and Urban Policy, November 2018), <https://furmancenter.org/research/publication/supply-skepticism-housing-supply-and-affordability>.

⁶ Evan Mast, "The Effect of New Market-Rate Housing Construction on the Low-Income Housing Market" (W.E. Upjohn Institute, July 2019), https://research.upjohn.org/up_workingpapers/307/.