City's real-estate policy: Not merely bad, but bizarre

Zoning, rent and landmark rules drive up housing costs BY JOSHUA STEIN

If a martian landed in New York City, tried to rent an apartment and then asked why it's so difficult and expensive, our extraterrestrial visitor would gasp at the explanation—and at the city's pathetic strategy to solve the problem.

No, I take that back. It is obvious that the martians actually did land many decades ago, took over New York City housing policy and have been running it ever since. How else to explain laws that seem like they're from another planet?

Every week headlines talk about the need to save the housing market by reviving the 421-a property tax break for new apartment construction. But we should dig deeper. To craft the right solutions, we have to understand what caused the problems. I'd start by taking a hard look at three major government programs.

● **Zoning.** What began as a great idea is today a maze of pitfalls and all-too-discretionary opportunities that substantially slow down development and increase its cost. Over the years zoning changes have often reduced permitted density and made large projects harder to build. The Bloomberg administration relaxed some rules, but we still have a long way to go.

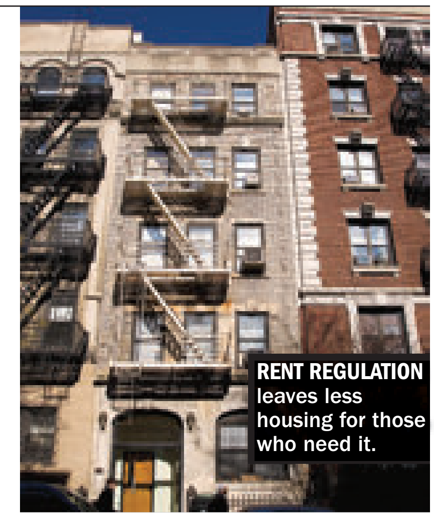
Large projects in particular typically need discretionary approvals. This allows local elected officials to block them—but based on politics, not planning. Replicated citywide, this dynamic creates a systematic obstacle to major projects. But the city needs those projects to house its growing population and hold down rents. We should loosen zoning and the need for discretionary approvals, or at least eliminate the de facto veto rights of local politicians.

● **Rent regulation.** This policy causes the overconsumption of housing, leaving less for others who need it. City Hall cares a lot about such things, if you believe the campaign against Airbnb. Rent regulation also makes it hard to assemble development sites to create denser and better housing. Tenants have lifetime statutory rights that, astoundingly, are better than home ownership. Phasing out rent regulation would help developers assemble sites and build new housing. The market, not an expensive government agency, would push down rents. This is actually happening now in the unregulated part of the city's rental market. We just need to extend this trend by phasing out the regulated part.

● **Landmarking.** Another program with good intentions, it also makes development harder and more expensive. Do we really need 139 historic districts and more than 35,000 landmarked properties? Every one represents a potential obstacle to an assemblage or, at best, an extra cost to fix up an existing property. Developers create almost no affordable housing in landmarked areas. So landmarking not only places extra burdens on property owners, but it also imposes severe costs and constraints on development, thus helping to keep rents high.

If New York City cares about housing affordability, we should make it easier, not harder, for developers to build. Whatever a new 421-a looks like, it will merely incentivize individual projects and increase land values while producing a few units of affordable housing at great but hidden cost. We should think bigger than that.

The suggested changes in these three areas, heretical as they may sound, would spur development citywide. Yes, new projects often target the high-end. That's no surprise: They're often the most expensive and highest-quality products on the market. In an ordinary housing market, though, people move. Reduction of pressure at the top eventually reduces pressure everywhere. If the city wants to do that cost-effectively, it must look critically at existing programs that hinder development. ■



RENT REGULATION leaves less housing for those who need it.

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About that Second Avenue subway…

Readers take dim view of the MTA; thankful for printed *Crain's*

REGARDING "Second Avenue subway's lesson—don't do it again, do it better" (editorial, Jan. 9):

The streets of New York City are paved over with many unfulfilled subway expansion projects. Time does not permit us to contemplate the wasted dollars, but let me name a few: the Archer Avenue expansion to eastern Queens; the Nostrand Avenue extension to Kings Plaza, Brooklyn, where not one station was added; and the Second Avenue subway tunnels that extend into Harlem—but alas, there are no trains there, or between midtown and downtown. In Brooklyn we tore down the Myrtle Avenue el but never tried to replace it—hey, it's a poor area, unlike the Upper East Side. We also tore down the connection between the Broadway line and the L train at Eastern Parkway, which might have served as an alternative for East New York and Canarsie commuters when the L train tunnel is shut down in 2019. And we wasted $500 million on the new South Ferry station, which was washed out by Sandy.

It's poor management, poor planning and lack of funding that account for the legacy of tunnels to nowhere, as empty as the Metropolitan Transportation Authority's broken promises. Maybe if the subways can reap all the revenue from MTA bridge and tunnel tolls, we can expand the subways to serve more "two-ride" neighborhoods.

AARON BILLER

THE SUBWAY WAS originally built by private concerns, including August Belmont, a representative of the Rothschild interests in America and namesake of the Belmont Raceway. Private industrialists of the 19th century, such as Belmont, were more imaginative and capable than today's government-employed engineers. Perhaps the chief lesson ought to be to privatize construction of future subways so that new thinking can add to the lessons learned. Recall that a latter-day Belmont, Donald Trump, completed the Wollman Rink in a few months, when it had taken the city under Mayor Koch years not to complete it.

Public construction in New York is disgracefully corrupt, riddled by the Wicks Law and by the ham-handed management of a long list of inept, bureaucratic agencies. Perhaps the one lesson that ought to be applied is to privatize the process, selecting the manager not on the basis of low cost but on the basis of competence, imagination and vision.

MITCHELL LANGBERT

STILL LOVING PRINT

I read your editorial called "The rules *Crain's* lives by" (editor's note, Jan. 9). I just wanted to tell you how much I look forward to *Crain's* every day and the weekly print edition.

I've been a *Crain's* print reader for at least 15 years—probably longer. I always find it to have news and views I couldn't get anywhere else. Now every morning I look forward to the *Crain's* Morning 10.

Keep up the good work, and happy New Year.

ERIC J. LOBENFELD
Partner
Hogan Lovells

I JUST WANTED to reach out and thank you guys for keeping a print edition. I've been reading *Crain's* for about a decade. It keeps me connected to New York City.

As someone who moved across the bridge two years ago, *Crain's* helps me still feel connected, even though I travel into the city less and less. As someone who has a retail store in Manhattan and an e-commerce operation in New Jersey, it's nice to still be able to be "in the know."

ANDREW JACOBS
Jam Paper & Envelope

BUCK ENNIS

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