

It Looks Like New York Lawmakers Want Higher Rents, More Homelessness

Budget proposals from New York's governor and its legislature were submitted a couple of weeks ago, and it seems that fixing New York City's housing problems is not important to a majority of our elected officials. The fixes are so simple, so easy to implement, would create jobs, increase tax revenue, and lower rents — yet none of the budgets address them.

If you are a regular Concrete Thoughts reader, you know that my perspective is that all of our housing woes can be solved with more supply. Plain and simple, more supply. How do our policymakers not realize this? Even if you believe an Economics 101 textbook is capitalist propaganda, look no further than the real world example that was the pandemic. During this period, many folks abandoned the city, vacancy rose and residential rents dropped approximately 30 percent. I don't think anyone disputes this, and I can't imagine that anyone disputes that higher vacancy is a proxy for additional supply.

So the simple fix is to create more housing. Yet every piece of legislation passed since 2018, or ignored since 2018, has not

done anything to increase supply and has, in fact, constrained supply and exerted tremendous upward pressure on rent. Is your rent too high? Look no further than your state senator or Assembly member.

The policies that would create more supply very quickly include: bringing back the 421a tax abatement, reinstating the Individual Apartment Improvements (IAI) and Major Capital Improvements (MCI) programs, lifting the 12 floor area ratio (FAR) cap on residential density, implementing a 421g tax abatement for the conversion of office buildings to residential, and not considering the implementation of Good Cause eviction.

The 421a tax abatement program is completely misunderstood and/or misrepresented by politicians that don't want it. There is no "giveaway" to the real estate industry here. It is simply a delay of a whopping increase in real estate taxes down the road, doesn't decrease taxes now, and doesn't require that a check be written to the developer. Without this program, the pipeline of new rental units has dried up. We are still selling condo land

but rental land is not selling, therefore rental units are not being built. None of the three budget proposals includes a 421a renewal.

There are anywhere from 40,000 on the low end to 80,000 on the high end of previously rent-stabilized units sitting vacant, as it is economically not feasible to renovate those units as the owner will not get any return on investment. When the IAI and MCI programs went into effect, they incentivized the private sector to invest tens of billions into the housing stock. Living conditions for tenants improved, real estate taxes went up, and tens of thousands of good-paying jobs were created. None of our elected officials are considering bringing these programs back.

To create more housing units, the 12 FAR cap on residential density needs to be raised. This would especially help with office-to-residential conversions as many office buildings are built to higher densities. It would also raise land values in zoning districts where FARs are increased. Every time zoning density increases, or changes occur, land values increase and many owners sell — sites are purchased and buildings are built. If policy reduces land values, no one sells and nothing gets built.

The 421g tax abatement program completely changed the nature of the Financial District. It incentivized conversion, and that market went from having fewer than 2,000 dwelling units to about 30,000. There is plenty of vacant space in Class B and C office properties. Conversion of these buildings would be good for the housing market and good for the office market.

Good Cause eviction was not part of the governor's budget but was essentially included in both the Senate and Assembly versions. This would kill the residential market and create inertia for tenants. This would be an impediment to new development as sites could not be vacated and would add to homelessness in New York. How? If you consider that the No. 1 reason people are evicted is for nonpayment of rent, those folks would have far fewer housing options and, unfortunately, many might end up without a home.

Rather than focusing on confiscating private property to "solve" housing issues, all policymakers need to do is create more housing. It's a simple fix, so to these policymakers: Fix the problem!

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