

Rezoning raises prices, housing study shows

Findings could provide ammunition to opponents of de Blasio's housing policy

February 19, 2019 12:00 AM

Courtesy of Department of City Planning (Crains New York)

A recent study on rezonings could prove problematic for the de Blasio administration the next time it tries to rewrite the rules for development to promote affordable housing.

The January report studied two citywide rezonings in Chicago and found that housing prices there increased shortly after the zoning changes went into effect, while permits for new construction didn't increase. That conclusion could bolster New Yorkers' fears that the city's policy of rezoning neighborhoods for greater density will simply raise housing prices and increase the risk of displacement without delivering enough market-rate and affordable units to ease pressure on the housing market.

The de Blasio administration countered that rezonings in New York typically have spurred serious amounts of construction. And because City Hall has instituted a policy requiring some of that production to be permanently affordable and has created protections for existing tenants, the city argues the 15 neighborhoods targeted by the mayor for greater density will ultimately be a net win for New Yorkers.

Both sides have a point.

"The funny thing about my study is that ... everybody is convinced that it proves their side of the equation," said Yonah Freemark, an MIT doctoral student, who authored the report.

Although rezoning for greater density seems like a logical way to alleviate housing crises in big cities, the effects on the neighborhoods themselves are not well understood. Most studies tend to take very broad views of housing policy to draw conclusions, such as cities with stricter zoning tend to have higher land-use costs. Studying the effects on a neighborhood level, however, has been more difficult. In New York, for example, many neighborhoods are rezoned precisely because they are already growing, making it difficult to attribute changes to pre-existing market forces or to the rezoning itself.

Freemark's report surmounted that obstacle by studying rezonings that applied to an entire city—low- and high-income neighborhoods alike. In 2013 and 2015 Chicago granted density bonuses to properties within a certain distance of a train station. Freemark found that housing prices, even for existing condos, increased in proportion to the density boost. That is a logical response by property owners who expect developers will pay more for land if a bigger building is allowed.

Prices rise, buildings don't

In addition, existing homeowners might expect that new development will bring more amenities to the area and so they jacked up their prices in response. Yet the study found that new building permits never materially expanded in any meaningful way after five years.

"If the product of upzoning is no change in construction levels but increases in property transaction values, including for some existing housing units," Freemark wrote, "this policy may have some negative

consequences in upzoned neighborhoods that rapidly become more expensive." In other words, a rise in housing costs without more supply could put existing residents at risk for displacement.

The study's application to other cities is limited, however. Markets and population dynamics in Chicago and New York are different. Local representatives in the Windy City have much more power over land-use decisions and easily could undercut the density bonuses offered near transit.

"There is still some uncertainty about what can be built, whereas in New York there wouldn't be," said Vicki Been, faculty director at the NYU Furman Center and the city's former affordable-housing czar.

Development in the five boroughs largely occurs as of right, meaning once the allowable density is increased, developers don't need further permission. A spokeswoman for the de Blasio administration said that is why nearly 40% of new housing construction in 2017 and 2018 happened in neighborhoods that were upzoned—adding to the supply.

And because rents have been rising anyway in many neighborhoods targeted for rezoning, City Hall argued that it was locking in affordability and creating protections for existing residents, such as representation in housing court and new measures to push back on speculation and tenant harassment.

"This administration isn't just increasing density through rezonings—we are using targeting investments and new protections to keep New Yorkers in their homes and strengthen neighborhoods," a spokeswoman said in a statement. "While the study's findings have limited application to New York, which has a dramatically different housing market, it does shine a light on why policies like this administration's Mandatory Inclusionary Housing program are so critical by ensuring permanently affordable housing is built in areas rezoned for growth."