

# Section 1:

## The Built Environment

As a result of the housing crash and recession, real estate development in New York City nearly ground to a halt in recent years. The number of new building permits issued by the city dropped to the lowest level in decades and, after the pipeline of existing projects dried up, the number of residential units being completed each year steadily declined. However, construction activity now appears to be recovering.

The first part of this section describes residential construction activity in the city since 2000, a period that includes the run-up to the peak of the real estate boom, the subsequent bust, and the beginnings of a recovery. Throughout this period, city officials continued to shape the city's longer-term development trajectory by rezoning neighborhoods and designating more landmarks and districts for protection. The second and third parts of the section review those regulatory changes.

### 1.

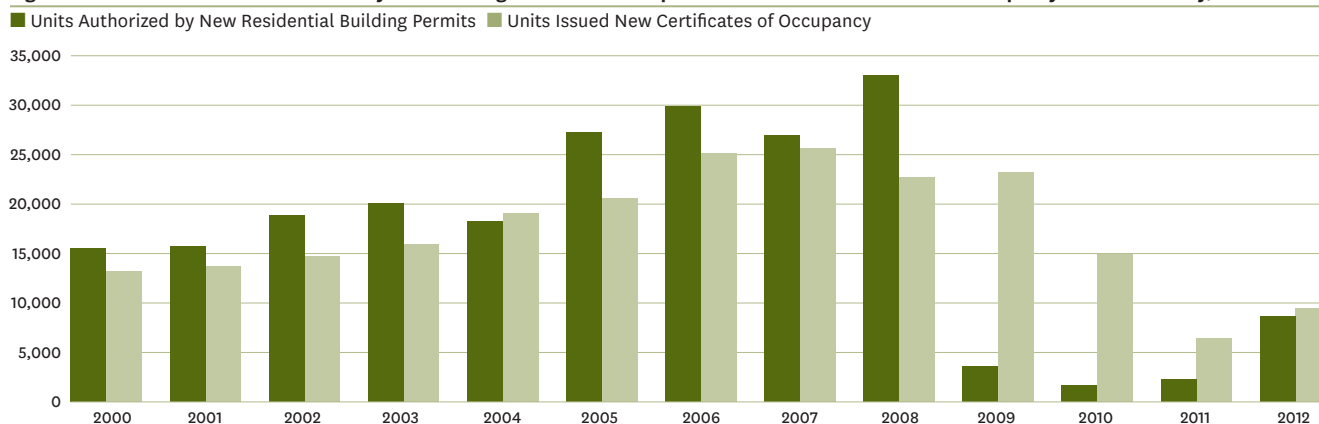
#### Housing Starts and Development

##### A. New housing construction is beginning to rebound.

The decline in property prices during the bust was milder in New York City than in other cities (as discussed in more detail in Section 2: Homeowners and Their Homes), and apartment rents remained high or even continued to rise (as discussed in Section 3: Renters and Rental Units). Nevertheless, new

housing construction in the city plummeted following the housing market crash. The number of residential units authorized by new building permits indicates planned residential development. Figure 1.1 shows that between 2008 and 2009, this number dropped by almost 90 percent, from more than 33,000 to fewer than 3,600. In 2010 it dropped even further; developers obtained permits to build just 1,700 units, the lowest level in at least 20 years. Since 2010, however, the number of units authorized by new permits has rebounded modestly. From 2011 to 2012, the number of units authorized by new permits more than tripled, to almost 8,700. Although this number is low compared even to the years immediately before the recent boom, this growth in permitting activity could signal a return to more robust development. The recent increase in permits for the city overall was due to Manhattan, Brooklyn, and—perhaps surprisingly—the Bronx, each of which experienced more than a ninefold increase in units authorized by new permits between 2011 and 2012. Permitting activity in Staten Island and Queens, in contrast, barely changed from 2011 to 2012.

**Figure 1.1: Residential Units Authorized by New Building Permits and Completed Units Issued Certificates of Occupancy in New York City, 2000–2012**



Sources: New York City Department of City Planning, New York City Department of Buildings

While obtaining a building permit marks the early stages of a construction project, receiving a certificate of occupancy marks a project's completion.<sup>1</sup> Because development projects were already under way when the housing market crashed, the number of completed residential units receiving certificates of occupancy declined more gradually than permit filings. The number of completed units peaked at about 26,000 in 2007, and remained high through 2009. In 2010 and 2011, however, the development pipeline began to slow. The number of units completed fell to about 15,000 in 2010, then to just over 6,000 in 2011. In 2012, it rebounded slightly, to almost 9,500.

## B. Many construction sites are still stalled.

In 2009, New York City's Department of Buildings began tracking construction sites where work had "slowed significantly" or stopped completely, so that it could better monitor safety conditions at those sites and enforce code requirements.<sup>2</sup> These sites include cleared land, partially completed new structures, and unfinished building renovations. The city identifies these "stalled sites" through inspections and complaints received from community boards, residents, and other members of the public. The city also established a voluntary program that allows developers to register stalled sites and submit plans for keeping the site safe in exchange for automatic renewals of construction permits that would otherwise expire. Through the end of 2012, the city had identified about 1,200 unique construction sites that were stalled at some point since it began its tracking in 2009. These sites not only signal distress in the development industry, but also can be significant nuisances to the communities where they are located, especially if not properly secured or maintained.

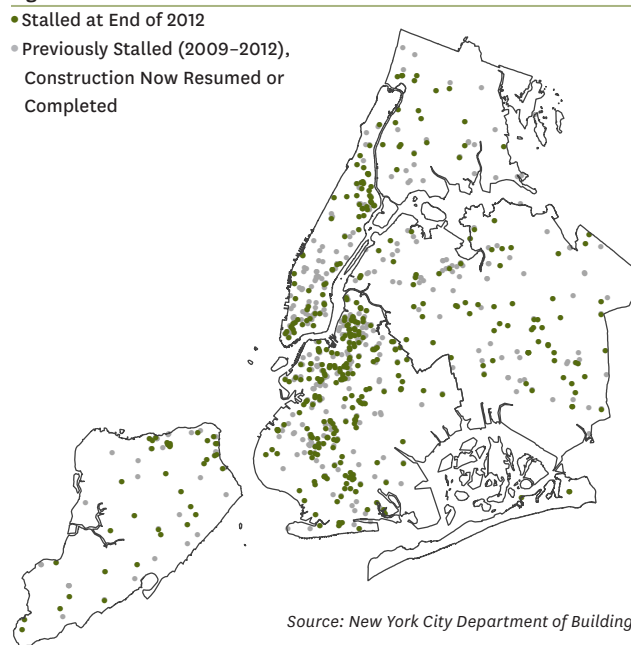
Table 1.1 shows that 648 of these sites were stalled as of the end of 2012. Although every community district except for BX 02 (Hunts Point/Longwood) had at least one construction site that was stalled as of the end of 2012, they were particularly concentrated in certain parts of the city, as Figure 1.2 illustrates. Table 1.1 shows that nearly half were in Brooklyn.

**Table 1.1: Number of Sites Stalled at Year End**

|               | 2009 | 2010 | 2011 | 2012 |
|---------------|------|------|------|------|
| Bronx         | 22   | 27   | 27   | 28   |
| Brooklyn      | 232  | 325  | 281  | 307  |
| Manhattan     | 83   | 130  | 117  | 103  |
| Queens        | 138  | 162  | 127  | 163  |
| Staten Island | 34   | 57   | 46   | 47   |
| New York City | 509  | 701  | 598  | 648  |

Source: New York City Department of Buildings

**Figure 1.2: Stalled Construction Sites**



Source: New York City Department of Buildings

Community District BK 01 (Greenpoint/Williamsburg) led the city with 70 stalled sites at the end of 2012, while QN 14 (Rockaway/Broad Channel), BK 02 (Fort Greene/Brooklyn Heights), BK 12 (Borough Park), and QN 12 (Jamaica/Hollis) each had more than 25. In contrast, 25 community districts had five or fewer stalled sites at the end of 2012.

Table 1.1 also shows that the citywide number of construction sites that were stalled at the end of 2012, though lower than the peak in 2010, was eight percent higher than at the end of 2011. And despite the uptick in building activity suggested by recent permit filings, the number of newly identified stalled sites jumped from about 120 in 2011 to more than 200 in 2012.

On the other hand, construction appears to have resumed on many once-stalled sites. Of the 509 construction sites stalled at the end of 2009, construction had resumed on more than half by the end of 2012.

<sup>1</sup> New (and substantially altered) buildings can be legally occupied once they receive a temporary certificate of occupancy, which is the measure we report. Developers are obligated, however, ultimately to obtain permanent certificates of occupancy by completing all construction activity in compliance with the city's development regulations.

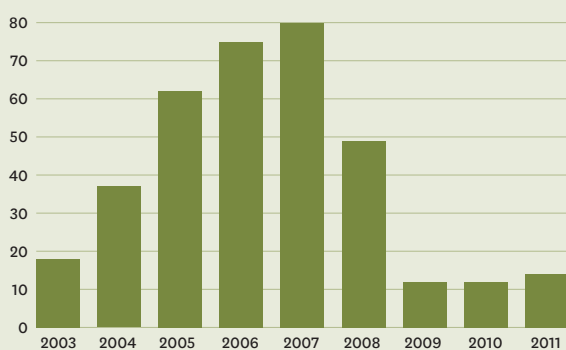
<sup>2</sup> For more information from the Department of Buildings, see [http://www.nyc.gov/html/dob/downloads/pdf/csw\\_stalled\\_sites\\_042610.pdf](http://www.nyc.gov/html/dob/downloads/pdf/csw_stalled_sites_042610.pdf).

## Decline in Development Rights Transfers

Before developers file for construction permits, they must first assemble their development site. For particularly large projects, this often includes purchasing development rights (known as transferable development rights or TDRs) from other lots. Indeed, a Furman Center analysis of recent development in Manhattan below Central Park reveals that about 22 percent of all projects with more than 10,000 square feet of floor area completed between 2003 and 2009 involved the purchase of TDRs. Because site assemblage precedes building permits, TDR transactions are an early indicator of future large-scale development.

During the recent real estate boom, as Figure 1.3 shows, the number of TDR transactions (including zoning lot mergers<sup>3</sup>) peaked in 2007. That year, more than 1.5 million square feet of development rights changed hands, primarily in Manhattan community districts 1–6. The number of TDR transactions then declined precipitously in 2008 and 2009 following the real estate market crash. As of 2011, our most recent year of data, the number of TDR transactions, and the amount of square footage transferred, had not rebounded to any significant degree.

**Figure 1.3: Number of “Arm’s Length” TDR Transactions in New York City, 2003–2011**



Source: Furman Center analysis of documents in the New York City Department of Finance’s Automated City Register Information System

<sup>3</sup>Most TDRs are transferred through a “zoning lot merger,” a legal procedure that allows developers to purchase unused development rights from adjacent lots on the same block. A much smaller number of development rights are purchased through special programs designed to preserve landmarks or protect certain areas from development (for example, the High Line and Broadway theaters).

## 2. Neighborhood rezonings continue.

Starting in 2002, when Mayor Bloomberg took office, the city’s Department of City Planning (DCP) began an ambitious series of zoning changes, aiming to reshape development patterns in various neighborhoods. Through 2011, DCP had initiated about 118 such rezonings that together affected thousands of city blocks.<sup>4</sup>

In 2012, the city adopted four more neighborhood-sized zoning map changes (see Figure 1.4). About 140 blocks were rezoned in northern Bedford-Stuyvesant, Brooklyn. According to DCP, that rezoning was intended primarily to prevent development thought to be incompatible with the neighborhood’s historic character.<sup>5</sup> Similarly, in Woodhaven/Richmond Hill, Queens (QN 09), about 230 blocks were rezoned to direct development away from low density residential areas and instead to major thoroughfares.<sup>6</sup> In western portions of Harlem, about 90 blocks were rezoned to protect the existing built character of the neighborhood from out-of-context development, and provide new opportunities for development on existing corridors and in manufacturing areas.<sup>7</sup> Finally, on the Upper West Side, new restrictions were adopted on commercial spaces to encourage “diverse retail and service opportunities,” and preserve the existing retail character of the neighborhood.<sup>8</sup>

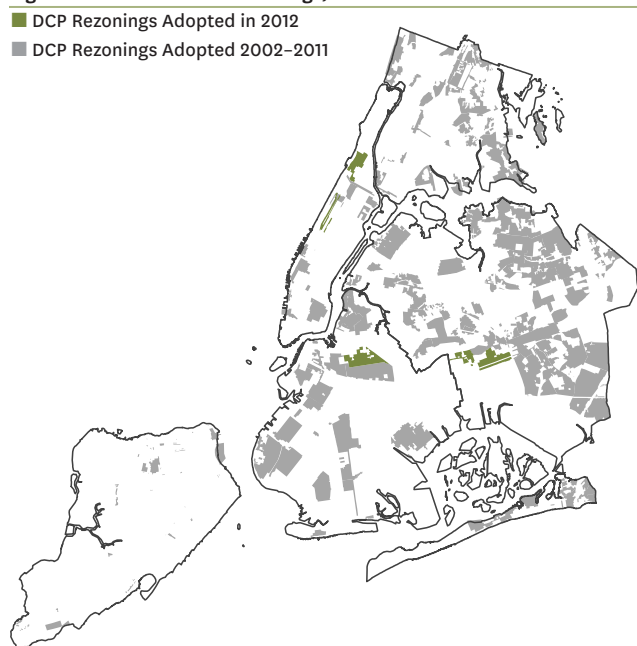
<sup>4</sup> The Furman Center analyzed the rezonings adopted between 2003 and 2007 in a 2010 Policy Brief: “How Have Recent Rezonings Affected the City’s Ability to Grow?,” available at [http://furmancenter.org/files/publications/Rezonings\\_Furman\\_Center\\_Policy\\_Brief\\_March\\_2010.pdf](http://furmancenter.org/files/publications/Rezonings_Furman_Center_Policy_Brief_March_2010.pdf).

<sup>5</sup> For more information from DCP, see [http://www.nyc.gov/html/dcp/html/bed\\_stuy\\_north/index.shtml](http://www.nyc.gov/html/dcp/html/bed_stuy_north/index.shtml).

<sup>6</sup> For more information from DCP, see [http://www.nyc.gov/html/dcp/html/woodhaven\\_richmond\\_hill/index.shtml](http://www.nyc.gov/html/dcp/html/woodhaven_richmond_hill/index.shtml).

<sup>7</sup> For more information from DCP, see [http://www.nyc.gov/html/dcp/html/west\\_harlem/index.shtml](http://www.nyc.gov/html/dcp/html/west_harlem/index.shtml).

<sup>8</sup> For more information from DCP, see <http://www.nyc.gov/html/dcp/html/uws/index.shtml>.

**Figure 1.4: DCP-Initiated Rezoning, 2002–2012**

Source: New York City Department of City Planning

In addition to the four large-scale zoning map changes, the city also changed the zoning text in two noteworthy ways in 2012. First, minimum parking requirements were reduced in downtown Brooklyn (BK 02), allowing developers to build fewer new parking spaces per housing unit.<sup>9</sup> As described in a recent Furman Center policy brief, many critics of the prior rules had argued that excessive minimum parking requirements unnecessarily increase construction costs and encourage car ownership, even in dense, transit-accessible neighborhoods.<sup>10</sup> Second, the city approved a series of citywide “Zone Green” amendments intended to encourage more environmentally friendly construction and retrofits by changing restrictions on wall width, sun control screens, and rooftop amenities such as green roofs, greenhouses, and wind turbines.<sup>11</sup>

DCP also began the initial review process for a major rezoning it proposed for Midtown East (CDs MN 05 and MN 06) to create new opportunities for office development.<sup>12</sup>

9 For more information from DCP, see [http://www.nyc.gov/html/dcp/html/dwn\\_bk\\_ped\\_park/index.shtml](http://www.nyc.gov/html/dcp/html/dwn_bk_ped_park/index.shtml).

10 Furman Center, “Minimum Parking Requirements and Housing Affordability,” 2012. Available at [http://furmancenter.org/files/publications/furman\\_parking\\_requirements\\_policy\\_brief\\_3\\_21\\_12\\_final\\_1.pdf](http://furmancenter.org/files/publications/furman_parking_requirements_policy_brief_3_21_12_final_1.pdf).

11 For more information from DCP, see <http://www.nyc.gov/html/dcp/html/green-buildings/index.shtml>.

12 For more information about DCP’s proposal, see [http://www.nyc.gov/html/dcp/html/east\\_midtown/index.shtml](http://www.nyc.gov/html/dcp/html/east_midtown/index.shtml).

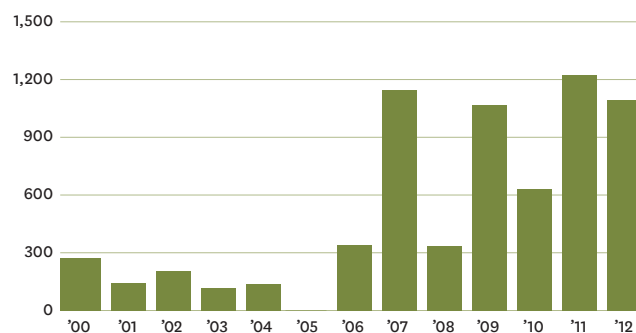
### 3. The city designated new landmarks and historic districts.

In 2012, the city’s Landmarks Preservation Commission (LPC) designated five new areas in Manhattan and Brooklyn as historic districts, including portions of the East Village and Lower East Side and various blocks of Park Slope, which were added to existing historic districts. The additions increased the number of historic districts citywide to 127. As Table 1.2 shows, historic districts now cover almost 26,000 city lots, making up about three percent of all of the city’s land area (excluding airports, parks, cemeteries, piers, beaches, public rights of way, and waterways). Historic districts now cover about 17 percent of Manhattan, by far the most of any borough. The number of lots protected by historic district designations has been growing especially rapidly in recent years. Figure 1.5 shows that in each year from 2000 to 2006, fewer than 400 lots were added to historic districts.

**Table 1.2: Historic Districts as of December, 2012**

|               | # Lots | Share of Total Land Area* |
|---------------|--------|---------------------------|
| Bronx         | 830    | 1.9%                      |
| Brooklyn      | 11,477 | 3.6%                      |
| Manhattan     | 10,361 | 16.9%                     |
| Queens        | 2,721  | 1.4%                      |
| Staten Island | 219    | 1.6%                      |
| New York City | 25,608 | 3.1%                      |

\*Excludes airports, parks, cemeteries, piers, beaches, public rights of way and waterways. Sources: New York City Landmarks Preservation Commission, New York City Department of City Planning

**Figure 1.5: Number of Lots Added to Historic Districts in New York City, 2000–2012**

Source: New York City Landmarks Preservation Commission

**Figure 1.6: New York City Historic Districts**

■ 2012 Historic District Designations ■ Earlier Historic District Designations



Note: Additional historic districts in eastern Queens and northern Bronx are not shown on map. Source: New York City Landmarks Preservation Commission

In four of the past six years, however (including 2012), more than 1,000 lots have been added. Figure 1.6 shows the location of all historic districts in the city.

The LPC also designated 20 new landmarks in 2012, two-thirds of which were in Manhattan. The designations included three firehouses, several historic homes, and the Rainbow Room at Rockefeller Center. Table 1.3 shows the number of designations in each borough in 2012 and the total number since the LPC was established in 1965. Figure 1.7 shows the location of all landmarks.

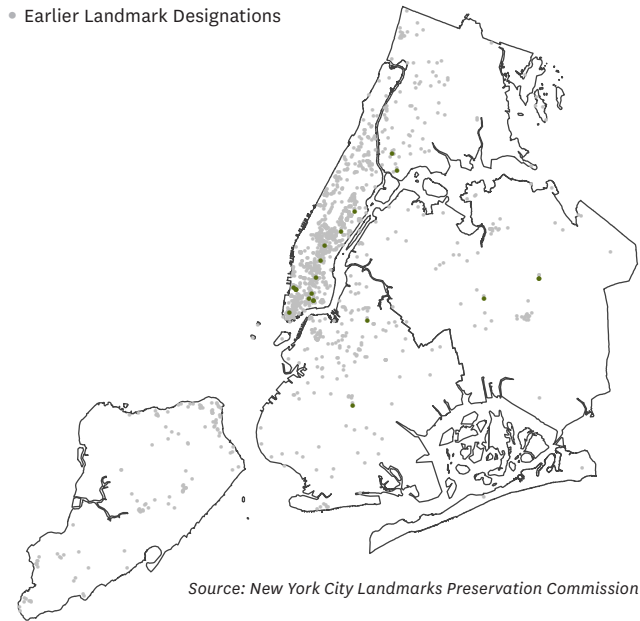
**Table 1.3: New York City Landmark Designations**

|               | 2012 Designations | Total (as of Dec., 2012) |
|---------------|-------------------|--------------------------|
| Bronx         | 2                 | 96                       |
| Brooklyn      | 2                 | 182                      |
| Manhattan     | 14                | 896                      |
| Queens        | 2                 | 70                       |
| Staten Island | –                 | 133                      |
| New York City | 20                | 1,377                    |

Source: New York City Landmarks Preservation Commission

**Figure 1.7: New York City Landmarks**

● 2012 Landmark Designations  
● Earlier Landmark Designations



Source: New York City Landmarks Preservation Commission



Newly designated landmarks in Community District MN02 (Greenwich Village/SoHo).

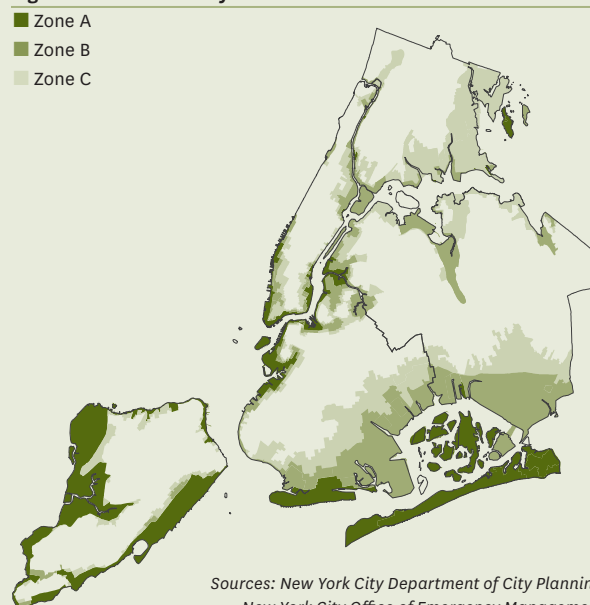
## The Challenge of Reforming the City's Land Use Regulations & Building Codes to Make the City More Resilient

Superstorm Sandy made disturbingly clear that a substantial portion of New York City is vulnerable to coastal flooding. A recent Furman Center fact brief found that the storm surge reached about one-sixth of the city's land area containing nine percent of the city's housing units.<sup>13</sup> How to amend the city's zoning and building codes and other regulations will be a crucial planning (and political) challenge in 2013 and beyond, as public officials debate how to better protect the city from future storms and the long-term risks of climate change.

The evacuation zones designated by the city illustrate the scale of the challenge. Prior to the most recent storm, the city had designated three evacuation zones, as Figure 1.8 shows: Zone A encompasses areas that have a high potential of flooding from any hurricane, Zone B covers areas that are likely to flood from a Category 2 or higher hurricane, and Zone C represents areas that would be susceptible to flooding if a Category 3 or 4 hurricane were to hit New York City. As Table 1.4 shows, 30 percent of the city's total housing stock is located in one of these evacuation zones.

<sup>13</sup> Furman Center, "Sandy's Effects on Housing in New York City," 2013. Available at <http://furmancenter.org/files/publications/SandysEffectsOnHousingInNYC.pdf>.

**Figure 1.8: New York City Evacuation Zones**



**Table 1.4: Housing Units in Hurricane Evacuation Zones**

| Evacuation Zone | # Residential Units | Share of NYC Residential Units |
|-----------------|---------------------|--------------------------------|
| A               | 182,616             | 5%                             |
| B               | 261,841             | 8%                             |
| C               | 580,400             | 17%                            |
| <b>Total</b>    | <b>1,024,857</b>    | <b>30%</b>                     |

Source: New York City Department of City Planning, New York City Office of Emergency Management