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Remaking New York City: Can Prosperity Be Shared and Sustainable?

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Remaking New York City: Can Prosperity Be Shared and Sustainable?

Abstract
Changes in the organization of global economic activity – in particular, the ascendancy of services over manufacturing in global cities – have had a profound impact on labor, consumer, and real estate markets in New York City. New growth in service sectors has generated spectacular new wealth, and the city has firmly re-established itself as a capital of commerce and culture, after being ravaged by disinvestment and fiscal crisis in the 1960s and 70s. New York City’s contemporary economy is a vibrant one in many ways, but it is also a highly unequal one – one in which residents who are not part of the professional class (disproportionately immigrants and people of color) face increasing challenges.

Mayor Michael Bloomberg’s administration has wholeheartedly embraced the shift from an industrial to a post-industrial economy, launching ground-level redevelopment strategies in over 20 neighborhoods (many tied to the proposal for the 2012 Olympics), which add up to a transformation of the physical city. These plans seek to open the city up for new commercial office and luxury housing development – through a mix of rezonings, subsidies, and infrastructure investments in public transportation, open space, culture, and spectacle. The public sector resources on which these plans lay claim are substantial – an estimated $20 billion in capital spending. The development that would result from these plans offers many benefits for the city’s future, including new jobs, a higher capture rate of high-end commercial and residential users, increased tax revenues, and enhanced public transportation and open space.

The Bloomberg vision for New York City’s future is compelling in many respects: its focus on livability and public space, its high design standards, its acknowledgement that adaptation to a largely post-industrial economy is needed in land use planning, workforce development and economic development policy. But the vision also implies several assumptions with which we disagree. First, it equates real estate development with economic development. Second, it posits a future city that exists primarily for its most privileged residents, with too few real benefits of growth reaching the less-wealthy 80% of the population.

The plans emanating from the current administration’s bold vision for New York are likely to amplify the inequalities embedded in the service-intensive economy and further drive up real estate values. As a result, they will displace additional low-income housing (thus increasing segregation) and additional viable manufacturing (thus reducing blue-collar job opportunities). Few corresponding gains (e.g. affordable housing, living wage jobs) are being offered for low- or moderate-income families. In addition, the environmental burdens of growth in an increasingly polarized city will continue to be borne disproportionately by low-income communities of color.

Fortunately, the choice is not between inequitable growth and no growth. There are innovative strategies for utilizing planning and redevelopment tools – without abandoning most of the current plans – not only to generate prosperity, but to share it more equitably and to produce it more sustainably. Housing advocates, community organizations, labor unions, business groups, environmental/environmental justice groups, and advocacy/smart growth planners around the country are experimenting with new tools. Smartly applied, in combination, many of these tools could reshape proposed redevelopment plans to create more shared and sustainable prosperity in New York City.

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REMAKING NEW YORK CITY:
CAN PROSPERITY BE SHARED AND SUSTAINABLE?

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NOVEMBER, 2004
ABSTRACT

Changes in the organization of global economic activity – in particular, the ascendance of services over manufacturing in global cities – have had a profound impact on labor, consumer, and real estate markets in New York City. New growth in service sectors has generated spectacular new wealth, and the city has firmly re-established itself as a capital of commerce and culture, after being ravaged by disinvestment and fiscal crisis in the 1960s and 70s. New York City’s contemporary economy is a vibrant one in many ways, but it is also a highly unequal one – one in which residents who are not part of the professional class (disproportionately immigrants and people of color) face increasing challenges.

Mayor Michael Bloomberg’s administration has wholeheartedly embraced the shift from an industrial to a post-industrial economy, launching ground-level redevelopment strategies in over 20 neighborhoods (many tied to the proposal for the 2012 Olympics), which add up to a transformation of the physical city. These plans seek to open the city up for new commercial office and luxury housing development – through a mix of rezonings, subsidies, and infrastructure investments in public transportation, open space, culture, and spectacle. The public sector resources on which these plans lay claim are substantial – an estimated $20 billion in capital spending. The development that would result from these plans offers many benefits for the city’s future, including new jobs, a higher capture rate of high-end commercial and residential users, increased tax revenues, and enhanced public transportation and open space.

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The plans emanating from the current administration’s bold vision for New York are likely to amplify the inequalities embedded in the service-intensive economy and further drive up real estate values. As a result, they will displace additional low-income housing (thus increasing segregation) and additional viable manufacturing (thus reducing blue-collar job opportunities). Few corresponding gains (e.g. affordable housing, living wage jobs) are being offered for low- or moderate-income families. In addition, the environmental burdens of growth in an increasingly polarized city will continue to be borne disproportionately by low-income communities of color.

Fortunately, the choice is not between inequitable growth and no growth. There are innovative strategies for utilizing planning and redevelopment tools – without abandoning most of the current plans – not only to generate prosperity, but to share it more equitably and to produce it more sustainably. Housing advocates, community organizations, labor unions, business groups, environmental/environmental justice groups, and advocacy/smart growth planners around the country are experimenting with new tools. Smartly applied, in combination, many of these tools could reshape proposed redevelopment plans to create more shared and sustainable prosperity in New York City.
I. **CONTEXT: THE DECLINE AND RESURGENCE OF NEW YORK CITY**

Through the 1960s and 1970s, in a well-known story, New York City experienced a dramatic decline, as manufacturing declined precipitously, business decentralized, middle-class white families moved to the suburbs, sprawling suburban development became the norm, and many of the city’s neighborhoods were abandoned.

**DE-INDUSTRIALIZATION**

First, even more markedly than in the nation as a whole, employment related to the production and distribution of goods has declined. In 1947, the city’s 37,000 manufacturing establishments employed close to a million workers in the city; beginning in about 1960, that number dropped by hundreds of thousands of workers each decade. The reasons were many: a combination of rising automation and productivity, a switch to truck transport that freed producers from locations near rail, competition from low-cost regions within the U.S. and overseas, and the decline of the city’s port-related industry, prompted by containerization and the shift of shipping activity to the Port of New Jersey. By 1980, manufacturing jobs numbered just slightly over half of what they had been in 1947. Industry also declined as a proportion of total employment, from 28% in 1950 to just 7% in 1999.

**NEIGHBORHOOD ABANDONMENT**

A combination of job loss, urban unrest, public and private disinvestment, federal subsidies for suburban migration, and the real estate practice known as block-busting led in the 1960s and 70s to the exodus from New York of hundreds of thousands of middle- and working-class families. The construction of the interstate highway system, which brought $123 billion of federal infrastructure investment to local regions, is a good example of the “double whammy” effect of many federal policies; while encouraging middle-class flight, highways often devastated inner-city neighborhoods, reducing property values and cutting residents off from open space, community business districts, and one another. As federal programs like the G.I. bill and innovations in mortgage lending led to a housing boom in the region’s outer ring, thousands of buildings in neighborhoods like the South Bronx and East New York in Brooklyn were abandoned, and people who

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2 Realtors and speculators, invoking the specter of deterioration and crime, would scare middle-class, primarily white families into selling their homes for a fraction of their worth and moving out of the city; they would then sell the properties to low-income owners of color (who because of restrictive covenants and exclusionary zoning had far fewer residential options) at inflated prices, collaborating with mortgage companies that charged exorbitant interest. Because this arrangement often led to default, “the white middle class learned to associate the presence of blacks with residential decline” (Dennis Judd and Todd Swanstrom, *City Politics*, Addison-Wesley 2002, Ch.7)
remained in those communities faced deterioration in their schools, parks, physical infrastructure and sanitation services. Communities responded by establishing grassroots local development organizations, but the toil and protest of local leaders initially could do little to counter the tide of disinvestment.

**DECENTRALIZATION AND SPRAWL**

As the center city “hollowed out,” jobs followed population (from 1970 to 1995, core urban counties lost more than 300,000 jobs while the outer suburban ring gained 2 million)\(^3\) and property investors built campus-style commercial and industrial facilities in sprawling suburbs which had only recently been forest or farmland. This not only left physical and human infrastructure in the city underutilized and drove the city to fiscal insolvency, but caused serious environmental problems as well: worsening air and water quality, the paving of wildlife habitat and natural resources, and mounting dependence on fossil fuel as vehicle miles traveled increased over 60%.\(^4\)

**NEAR ABANDONMENT, AT THE FEDERAL LEVEL, OF REDISTRIBUTIVE POLICIES AND PHILOSOPHIES**

On the federal level, our leaders have abandoned redistributive policies that have been in place for New Yorkers since the New Deal. The withdrawal of federal housing subsidies, cuts in health care, childcare and public education, and a seeming indifference to the growing ranks of working poor suggest that more than ever before, New York City and New York State are “on their own” to make difficult choices about how to provide basic support and economic opportunity to low-income families living in one of the most expensive cities in the country. This occurs at a time when the real value of the minimum wage has declined by close to 30% since 1974.\(^5\) Though economists argue that the national level is the appropriate level on which to use government’s power to redistribute wealth (because it is less distorting of residential and business location choices), it became clear in the 1980s and 90s that redistribution, if it is to take place at all, will fall increasingly to New York City and State at least in the short term.

Yet despite these deep negative trends, New York City (like several other so-called “global cities”) has by many measures experienced a remarkable comeback. One component of the resurgence began in the 1980s – the rise of finance, business services, and cultural production as key elements of the city’s economic base. Other trends, such as escalating land prices and a rising population, did not become fully evident until the 1990s. These elements of the city’s resurgence are discussed below.

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\(^4\) Ibid.

THE RISE OF A SERVICE AND ENTERTAINMENT ECONOMY

While it was unclear in the late 1970s whether new economic drivers would emerge to replace lost industrial and office employment in New York City, the increasing globalization of economic activity in the 1980s turned out to have a beneficial impact on New York. Even as firms decentralized the production of goods to far-flung locations across the globe, they sought the sophisticated services they needed (banking, legal services, advertising) in central locations that could provide a large pool of skilled workers and the opportunity for the frequent face-to-face contact that characterizes complex transactions. Firms also centralized management functions, and both business and leisure travel escalated.6 New jobs in financial and business services offset losses in the traditional economic base, as did jobs in the expanding tourism and culture industries and (with the infusion of new wealth) employment in personal service establishments like spas, gyms and restaurants. While many noticed that the employment structure of the post-industrial city was highly polarized, with jobs clustered at the top and the bottom of the income distribution and attrition in traditional middle-class work, proposed solutions tended to focus on improving educational opportunities so that more of the population could participate in the “knowledge economy.”

IN-MIGRATION

Both the top and bottom tiers of service jobs tend to have been filled by new residents to the city – affluent migrants (members of Richard Florida’s “creative class”) on the one hand and poor immigrants, primarily from outside the U.S., on the other. While white middle-class families continued to leave New York City for the suburbs (the city lost more than 300,000 whites in the 1990s), this was more than offset by a strong influx of Hispanic, Caribbean, and Asian immigrants concentrated in Brooklyn, the Bronx, and especially Queens. Another migration trend is embodied in the growing appeal of New York living for a generation of affluent people, many raised in the suburbs. The professional class is returning to (or remaining in) New

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York City: there were close to 325,000 more New York residents with a bachelor’s degree or higher in New York City in 2000 than there were in 1990. Both kinds of in-migrants have enabled New York to defy a national trend of declining central-city income and population.

**REVITALIZATION OF ONCE-DEVASTATED NEIGHBORHOODS**

Communities scorched by abandonment and arson in the 1960s and 70s have seen new residential and retail development in the last decade. Immigrant entrepreneurs have often stimulated these changes: Caribbean-Americans in East Flatbush and Jamaica, Latinos in Cypress Hills and the South Bronx, East Asians in Flushing and Dominicans in Washington Heights. In other cases, development has been driven by Manhattan residents’ and affluent newcomers’ “discovery” of charming surroundings and low rents in neighborhoods like Williamsburg, Carroll Gardens and Harlem. Also driving the record number of housing permits and new retail establishments is the extraordinary work of non-profit community development corporations (CDCs) founded in the 1960s and 70s as grassroots protest groups but now characterized by increasing development acumen and financial savvy. CDCs have successfully leveraged public investment such as Mayor Edward Koch’s 10-year housing capital plan at the local level and the Low-Income Housing Tax Credit and New Markets tax credit at the federal level. While engaged in housing and business development, CDCs have also fought the City to prevent discriminatory siting policies that concentrate noxious uses like waste transfer stations in low-income neighborhoods and to ensure that their communities benefit from public investments in open space and other amenities.

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8 New York City’s population rose in the 1990s by 456,000 people to just over 8 million, according to the U.S. Census Bureau. However, some suggest that because of previous undercounting, the growth of the 1990s was not quite as astronomical as portrayed. See Andrew Beveridge, “Eight Million New Yorkers!” *Gotham Gazette*, March 2001.
II. DEVELOPMENT VISIONS

While observers of urban economies have been debating about the emergence of the post-industrial city for decades, the administration of Mayor Michael Bloomberg is the first to focus its economic development and urban planning policy around it. The administration came into office proposing to address issues of economic growth and development in a way that departs significantly from its predecessors. Led by Deputy Mayor for Economic Development and Rebuilding, Daniel Doctoroff, the administration indicated that it would not focus on providing tax breaks and direct financial incentives to large corporations to persuade them to locate in New York City. Instead, they have focused on a strategy of property-led economic development; that is, they have focused on providing space – primarily office space – for the type of economic growth (i.e. professional and managerial jobs, in an array of professional service sectors) which they hope and believe can take place in New York city in the years to come.

They have approached this goal through a remarkable array of neighborhood-specific redevelopment and rezoning plans. While many are linked through the NYC 2012 plan for an Olympics in New York City, they are not informed by a conventional “master plan.” Instead, they take the form of more than 20 area-specific plans, which include rezoning actions and infrastructure investments. When added together, however, they are likely to change the face of the city for generations to come. As Professor Michael Schill says, “Every now and then you get a period when you say the face of the city may be changed forever.”

“The Bloomberg Administration recognized a basic fact of the modern economy, the transition from a large significantly industrial economy to a postindustrial economy.”

- Deputy Mayor Daniel L. Doctoroff


10 Ibid.
The plans generally fall into one of four broad categories:11

1. Converting areas currently zoned for manufacturing into a mix of office and residential development.

2. Expanding development opportunities in central business districts throughout the city, with an emphasis on commercial office space, but also including additional residential, transportation, and open space development to encourage a 24-hour community and attract businesses.

3. Establishing "contextual rezoning" in neighborhoods facing market pressure but deemed appropriate for additional housing, by establishing height limits on residential row house side streets, while allowing for additional density on wide avenues and near transit hubs.

4. Downzoning (i.e. limiting development) in other residential neighborhoods, where residents are concerned about overdevelopment.

<table>
<thead>
<tr>
<th>Type of Action</th>
<th>Administration Rationale</th>
<th>Neighborhoods Affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Converting manufacturing areas to residential/office use</td>
<td>Demand for market rate residential and office development has grown, especially in Manhattan and along the East River, where several large manufacturing zones exist. Manufacturing jobs in NYC have declined from over one million in 1950 to just over 250,000.</td>
<td>Long Island City/Hunters Point, Hudson Yards/Hells Kitchen, Greenpoint/Williamsburg, West Chelsea, Port Morris, Brooklyn Atlantic Yards, Manhattanville, Morrisania, Bridge Plaza/DUMBO</td>
</tr>
<tr>
<td>Upzoning business districts for more office and mixed-use development</td>
<td>The administration projects that NYC needs over 60 million square feet of new office space to meet demand in the coming decades. These initiatives also encourage creation of new housing, retail, and parks to encourage more vibrant, 24-hour “downtown” neighborhoods.</td>
<td>Lower Manhattan, Hudson Yards/Hells Kitchen, Downtown Brooklyn, Long Island City, Jamaica, Flushing, The Hub</td>
</tr>
<tr>
<td>Balanced neighborhood rezonings</td>
<td>In some neighborhoods facing development pressure, the administration is proposing height limits and contextual requirements (to limit out-of-context development), while simultaneously proposing new areas for increased density at nearby transit hubs and commercial avenues.</td>
<td>Park Slope, East Harlem, Central Harlem, Bedford-Stuyvesant, North Corona, Flushing</td>
</tr>
<tr>
<td>Residential downzonings</td>
<td>In many lower-density neighborhoods, the administration has responded to concerns about “overdevelopment” by imposing lower density and sharper development controls (e.g., increased yard requirements) that would prevent construction of townhouses or other more dense developments.</td>
<td>Most of Staten Island; Bay Ridge and Bensonhurst; City Island, Throgs Neck, and Riverdale; and nearly a dozen neighborhoods in Queens.</td>
</tr>
</tbody>
</table>

11 This typology was suggested by Josh Barbanel, *ibid*. The chart is from Kalima Rose, Brad Lander, and Karoleen Feng, *Increasing Housing Opportunity in New York City: The Case for Inclusionary Zoning*, PolicyLink and Pratt, 2004.
New York City Proposed Zoning Changes, 2003-2004
Out-of-scale development in Park Slope, Brooklyn

It is worth pausing briefly on this last category – downzonings to “preserve neighborhood character” by preventing development that is out of scale with existing neighborhood buildings. These actions are taking place primarily in neighborhoods occupied by white homeowners. Developers in these communities are responding to market demand for additional density, in many cases building either rental housing or attached townhouses at a larger scale than existing buildings.

In all of the Bloomberg Administration’s urban plans, this is the one area that explicitly aims to close, rather than to open. The goal here is to prevent development, and in this case it is development that is often creating more affordable housing for immigrants and lower-income families in “neighborhoods of choice.” In these neighborhoods, Bloomberg’s Department of City Planning is willing to use the regulatory zoning power to support a social and political goal of closing down. Unfortunately, as we will see, while they frequently use these tools for opening other areas up to market rate development, they are not generally willing to utilize these tools for opening areas up with an explicit equity component.
NYC Redevelopment Initiatives (2003-2005)\textsuperscript{12}

<table>
<thead>
<tr>
<th></th>
<th>New Housing Units (projected by 2013)</th>
<th>New Housing Units (new potential created)</th>
<th>New Commercial Development (new potential created)</th>
<th>Est. Public Infrastructure Cost (where known)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manhattan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lower Manhattan</td>
<td>10,000</td>
<td>15,000</td>
<td>10,000,000</td>
<td>$10,100,000,000</td>
</tr>
<tr>
<td>Hudson Yards</td>
<td>12,000</td>
<td>20,000</td>
<td>28,000,000</td>
<td>$5,600,000,000</td>
</tr>
<tr>
<td>East Harlem</td>
<td>363</td>
<td>1,319</td>
<td>80,000</td>
<td></td>
</tr>
<tr>
<td>Frederick Douglass Blvd</td>
<td>690</td>
<td>1,050</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Ladies Mile</td>
<td>1,000</td>
<td>1,000</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>West Chelsea</td>
<td>4,200</td>
<td>7,800</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Hudson Square</td>
<td>646</td>
<td>835</td>
<td>86,345</td>
<td></td>
</tr>
<tr>
<td>Manhattanville</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD (estimates range from $1.50 m to over $1 b)</td>
<td></td>
</tr>
<tr>
<td>The Bronx</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morrisania</td>
<td>320</td>
<td>320</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>The Hub</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Port Morris</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Brooklyn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brooklyn Atlantic Yards</td>
<td>4,500</td>
<td>4,500</td>
<td>2,000,000</td>
<td>TBD</td>
</tr>
<tr>
<td>Downtown Brooklyn</td>
<td>1,000</td>
<td>1,000</td>
<td>4,500,000</td>
<td></td>
</tr>
<tr>
<td>Greenpoint-Williamsburg</td>
<td>7,400</td>
<td>21,200</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Park Slope</td>
<td>600</td>
<td>1,100</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Bridge Plaza</td>
<td>295</td>
<td>1,811</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Bedford-Stuyvesant</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>DUMBO</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
</tr>
<tr>
<td>Queens</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Corona</td>
<td>231</td>
<td>659</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Flushing</td>
<td>550</td>
<td>1,400</td>
<td>7,000,000</td>
<td></td>
</tr>
<tr>
<td>Hunters Point/LIC</td>
<td>600</td>
<td>1,000</td>
<td>7,000,000</td>
<td></td>
</tr>
<tr>
<td>Jamaica</td>
<td>TBD</td>
<td>TBD</td>
<td>5,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44,215</strong></td>
<td><strong>80,094</strong></td>
<td><strong>65,266,345</strong></td>
<td><strong>$15,850,000,000</strong></td>
</tr>
</tbody>
</table>

And all of this is in addition to an array of tax incentives and abatements which already existed to encourage property-led economic development. Most new residential developments pay no property taxes for 15-20 years, through the “421-a” tax abatement program. In core Manhattan, this tax break requires that developers include affordable housing; elsewhere, however (including lower Manhattan and the now-toney neighborhoods of Brooklyn) developers receive 15-year abatements even for market-rate housing construction. For commercial development, most developers are eligible to receive a 12-20 year tax abatement through the Industrial and Commercial Incentive Program, as well as a discount on energy costs.

As noted above, many of these plans – especially Hudson Yards and the extension of the 7 train – but also a substantial number of new athletic facilities, open spaces, and some infrastructure investments – are tied to the City’s bid for the 2012 Olympic Games. The City and NYC2012 have made this “Olympic legacy” one of the key selling-points for the games. However, while hosting the Olympics would certainly accelerate construction (the Olympics is sometimes referred to as 50 years of capital investment in seven years), and while some athletic facilities will only be built if the city wins the Olympics (archery fields and the velodrome are not otherwise in the City’s capital plan), the majority of these redevelopment plans are slated to move forward whether or not the Olympics take place here.

\textsuperscript{12} Compiled by authors from the scopes of work for the environmental impact statements for these projects prepared by or for the Department of City Planning and other public information about these projects.
III. IMPLICATIONS OF THE BLOOMBERG PLAN

The envisioned transformation of New York City under the Bloomberg Administration’s plan would feature a host of public benefits. Foremost among them is the creation of new recreational and open space along the East, Hudson and Bronx Rivers, on the site of the former Fresh Kills landfill on Staten Island, and at Flushing Meadows Park and Jamaica Bay in Queens. The city’s waterfront, rezoned and redeveloped with market-rate housing and publicly accessible greenway, would offer leisure and recreation opportunities to residents, including those in some low-income communities who are now cut off from their neighborhoods’ shorelines. The image of derelict East River piers transformed into riverfront recreation centers is essential to the chic urban image surrounding New York City’s bid for the 2012 Olympic Games, and the thought of a major league basketball team in Brooklyn has many borough residents cheering.

A second benefit would be jobs, especially the short-term construction work associated with projected capital outlays - 18,000 construction jobs on the Far West Side, 15,000 to build the Nets Arena Complex, 10,000 for Lower Manhattan redevelopment, thousands more to build market-rate housing. Longer-term, there would be permanent jobs in office buildings, retail establishments and hotels.

Third, New Yorkers post-transformation will have many more shopping and dining options, from Target and Red Lobster in downtown Brooklyn to the funky boutiques and gourmet food shops slated for tonier residential enclaves. As Planning Commission Chair Amanda Burden emphasizes, the urban design master plans that accompany major rezoning and redevelopment initiatives would help ensure that new construction is compatible with each neighborhood’s “sense of place” and with high design standards.13

Finally, the plan, if successful, would retain and attract more high-earning residents (in the outer boroughs as well as Manhattan) who would likely otherwise live in the suburbs, bring office tenants to the city who would otherwise have chosen Westchester and New Jersey locations, and generate the property, sales and income tax revenues associated with all of the additional people and jobs.

But these benefits come at a high public cost. Perhaps more significant, they are not at all well-shared – by income/class, by race, or by geography. The Bloomberg Administration, in its effort to strengthen the office economy and draw in the “creative class,” ignores opportunities to use development to benefit the city’s working-class and middle- and low-income residents, especially in neighborhoods of color. The waterfront esplanades and glittering towers of the city’s current...
plan represent a vision for the future that offers too little to New Yorkers who are struggling with the social and economic trends described below.

CONTINUING CRISIS IN LOW- AND MODERATE-INCOME HOUSING

Another result of New York City’s resurgence as a service-oriented city is a severe housing crisis, in the city and throughout the region. As Mayor Bloomberg has said, “we are now the victims of our own success.” Housing is increasingly unaffordable to a wide range of New Yorkers. Average rents in New York City (adjusted for inflation) grew 33% from 1975-1999; average renter incomes grew just 3%. More than 500,000 families pay over 50% of their income in rent – and 286,000 of these households have incomes less than $17,700 and receive no subsidies. The rental vacancy rate in 2002 for units renting for $500 - $700, the vacancy rate was 1.42%. In addition, there was a 34% increase in the number of families experiencing severe crowding (i.e. >1.5 persons per room) just from 1999 to 2002, and there are estimated to be 100,000 households living in illegal basements or garages.

In the metropolitan region, more than 75% of households earning less than $20,000 pay more than 35% of their income for rents, and 40% of moderate income households in the suburbs lack adequate housing. New Yorkers have the longest commute times in the country. This is a particular hardship for women and families at all incomes – with both middle-class women struggling to balance work and home, and losing ever-increasing time to their commutes, often leading to lower-income caring for their children or homes, who in turn lose both the time of their employers’ commutes and their own.

The Bloomberg rezonings are projected to lead to more than 40,000 units of housing in the next 10 years, and more than 80,000 in total. The vast majority of these units are in high rent areas (e.g. Greenpoint-Williamsburg, West Chelsea, the Far West Side, Lower Manhattan), where market rents exceed $2,000 and sales prices range from $500,000 to $3 million.

The Bloomberg Administration suggests that developers will opt to use “New Housing Marketplace” programs to create affordable housing. However, there is little evidence to suggest that this is true. Instead, substantial recent evidence suggests that the vast majority of this housing will be market-rate, luxury housing – far out of reach for average New Yorkers. All told, we estimate that fewer than 8% of the total units

16 Statistics compiled from Housing First!, www.housingfirst.net.
18 Unit counts were taken, where available from official documents available from the NYC Department of City Planning (scoping documents, environmental impact statements, official public statements, etc.).
created by these rezoning and redevelopment actions will be affordable. Outside of the midtown Manhattan, we estimate that fewer than 5% of the units will be affordable to low, moderate, or even middle-income families. 19

Moreover, as neighborhoods are redeveloped and rents rise, more residents will be pushed out. While secondary displacement is notoriously difficult to predict, it is clear that housing prices will rise dramatically faster than the incomes of current residents, as neighborhoods are redeveloped to be more attractive for luxury housing. In Greenpoint-Williamsburg alone, the NYC Department of City Planning itself estimates that over 2,500 tenants will be secondarily displaced,20 and neighborhood organizations believe this is substantially underestimated.

PREVENTABLE DECLINE IN INDUSTRIAL EMPLOYMENT

In 2000, about 252,000 manufacturing jobs remained in New York City. While this is a large number (only a few central cities house more than 250,000 jobs of any kind), it represents a steep absolute and proportional decline – the transformation of New York into a “post-industrial” city. Today, a job in services or retail is a much more realistic goal for a non-college-bound 18-year-old than a position in a factory or distribution center. For a host of reasons, however, industry should not be written off. A 2003 study conducted for the Economic Development Corporation by Boston’s Parthenon Group concluded that despite the growing dominance of services, the city’s industrial base has the potential to stabilize and even grow slightly in some specialized sectors.21

But over the course of the 1990s, city officials provided lax enforcement of zoning and building codes, tolerated the illegal conversion of buildings in manufacturing zones, and granted zoning variances to developers who sought to convert industrial buildings to higher-yielding uses, even in cases where they still contained industrial tenants. The resulting climate of uncertainty helped send real estate prices skyrocketing in mixed-use neighborhoods and created serious problems for firms like the Brooklyn Brewery and Won Ton Foods whose owners had hoped to expand.22 Many industrial jobs in New York have been lost to global economic forces, but local inaction has also played a role. The Bloomberg administration’s current plans do nothing to address land use uncertainty and lack of affordable space for industrial companies. While City officials enthusiastically reach into public coffers to dispense capital and operating subsidies to develop-

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19 Assumptions and rationale for these assumptions are provided in Rose, Kalima; Lander, Brad; and Feng, Karoleen (2004), Increasing Housing Opportunity in New York City: The Case for Inclusionary Zoning, PolicyLink and Pratt, Appendix A, p. 42.

20 NYC Department of City Planning (2004), Greenpoint-Williamsburg Rezoning Environmental Impact Statement, Chapter 3..


ment initiatives and individual firms in the FIRE, retail and related services sectors, they have foregone opportunities to formulate even basic policy around the city’s remaining – and potentially vibrant – industrial sector.

**IMBALANCED ECONOMIC BASE**

The continuing loss of industrial jobs is of concern in part because the city’s hegemonic position as the region’s business and financial center is under threat. While gains in finance and business services (FBS) employment were a significant factor in the city’s recovery from the recession of the mid-1970s, these jobs declined in the 1990s, and in the securities industry, considered crucial to the economy because of the high incomes earned by its employees, employment barely grew between 1990 and 2002.\(^{23}\) Thus, despite the continuing vitality of the city’s office markets (and despite plans to create as much as 68 million new square feet of office space), the once-unquestioned dominance of New York as a financial and corporate services capital is in doubt, especially since the massive corporate relocation that followed the 2001 terrorist attacks on the World Trade Center.

![Hunters Point and Long Island City in western Queens](image)

Policy analysts have urged the City to spend less energy and money retaining large FBS firms and more on supporting small businesses and enabling entrepreneurship. But the Administration’s property-led development philosophy is largely incompatible with this strategy, and the City continues to provide enormous subsidies to large corporations to prevent them from leaving the city and to dedicate insufficient resources to smaller, more moderately profitable firms. The impact of this is a highly imbalanced economic base and an increasing dependence on the volatile financial sector for city revenue and personal income.

Income polarization and poverty

While recent trends have brought much-needed new people and new wealth into New York City, they have also resulted in a more polarized and segregated city. Total annual personal income in the city grew from 182 to 278 billion dollars during the decade, and large income gains among Manhattan residents pushed the city’s average income up by 20%, but median income across the city declined. One million seven hundred thousand people in New York City (20.5%) lived below the federal poverty threshold in 2002 (up from about 19% in 1990). Notes Mark Levitan of the Community Service Society,

If they resided in their own municipality, New York’s poor would constitute the fifth largest city in the United States; only Houston, Chicago, Los Angeles, and the rest of New York would have a larger population.

If New York mirrors the nation, 63% of those poor families have one or more workers, underscoring the enormous challenge of earning a family-supporting income at a low-wage job.

Growing Inequality in NYC: Inflation Adjusted Incomes, Late 1970s to Late 1990s


LACK OF SUFFICIENT INVESTMENT IN POST-SECONDARY EDUCATION AND “SECOND-CHANCE” EMPLOYMENT PROGRAMS; POOR MANAGEMENT OF WORKFORCE DEVELOPMENT RESOURCES

In a services-dominated economy, many jobs which enable families to be economically self-sufficient require more training and preparation than they did in the past. The earning power of people without college degrees declined from the 1970s and the late 1990s and in 2003, the unemployment rate among New Yorkers lacking high school degrees was 11.2 percent, as compared to a city-wide rate of 8.5 percent. For those whose lack of basic skills or college credentials hinders labor market success, policy makers emphasize the importance of education and training, and the Bloomberg Administration has dedicated much energy and political capital to a re-engineering of the city’s distressed K-12 system.

At the same time, city and state cuts have made public higher education increasingly expensive. At the City University of New York, annual tuition is now $4,000 at four-year schools and $2,800 at community colleges. SUNY tuition is $4,350 annually. And the federal Pell grant program covers just 40% of tuition cost today as opposed to 84% in 1972. Meanwhile, federal funding for “second-chance” programs – investments to train and retrain low-skilled workers – plunged from $24 billion in 1978 to just over $6 billion in 2000, with corresponding declines at the New York City level.

Beyond a need for additional investment, there is consensus that the local workforce system in New York City, like many local workforce systems, is broken and badly in need of reform, due to its high level of disorganization, a poor reputation among employers and unsatisfactory past performance in helping New Yorkers prepare for, get and keep good jobs. The Bloomberg Administration recently disbanded the city’s Department of Employment and created a new space for workforce programs within the Department of Small Business Services, a bold move which has encouraged many observers.

INCOME AND ETHNIC SEGREGATION

Income and ethnic segregation are not necessarily negative, since they to some extent represent choices made by individuals to live in communities where they will benefit from strong social and cultural networks. Unfortunately, however, poverty has remained concentrated as income disparities have increased. In addition, despite this geographic concentration, elected political representation lags about


20 years behind newcomers share of the population, and NYC is the only city of largest 30 in which the school system is increasingly segregated over the past 20 years.\textsuperscript{32}

\textbf{Persistently high rates of segregation shape neighborhood change in New York City}

\textbf{Lack of investment in quality of life in communities where high-end development is not planned}

The need for streets, waterfronts, and other public spaces that are healthful and safe for walking and cycling is particularly urgent in low-income communities. So is the need for improved transport infrastructure – poor residents on Manhattan’s East Side, for example, have been awaiting a 2\textsuperscript{nd} Avenue Subway line for decades. But the Administration’s plans for parks and recreational facilities, and for transportation improvements, are linked to their plans to stimulate high-end commercial development and luxury housing. Thus, they focus on low-income neighborhoods only rarely, and in those cases only incidentally (for example, Greenpoint and Williamsburg will have a renewed waterfront as a result of proposed development initiatives, but the average rent of new housing units is projected to be $2,500 - $3,000/month.

CONTINUED CONCENTRATION OF NOXIOUS LAND USES IN LOWER-INCOME COMMUNITIES.

The City has not planned sufficiently to bear the environmental costs of planned new development. Plans for the World Trade Center site, for example, while incorporating more sustainable building materials and some energy improvements, do not fully consider the implications of the new energy needed and the new waste to be generated. As a result, the burdens will most likely fall on low-income communities of color that already bear the past legacy of environmental racism (e.g. the building of Battery Park City led to the need for a new waste treatment plant on the West Harlem waterfront). Earlier this year, West Harlem Environmental Action criticized the plan for the stadium and Far West Side development, arguing that it would have “potentially disastrous environmental consequences.”

And while the City has embraced billions of dollars in new plans for transit improvements that would bring professionals and service workers to and from their jobs in Manhattan (7 train extension, Second Avenue Subway, one seat ride to Kennedy Airport from Lower Manhattan, East Side Access on the Long Island Rail Road to Grand Central Station), they have thus far been cold to the proposal to construct a rail freight tunnel between New Jersey and New York – perhaps the only step that could meaningfully reduce freight truck traffic on the region’s roadways and thus reduce asthma-causing emissions. While a study commissioned by the City’s Economic Development Corporation indicates that the freight tunnel is essential for the region, the Bloomberg Administration has not pledged its support.

**OPPORTUNITY COSTS**

It is also important to bear in mind that the particular development choices being made have opportunity costs. Capital dollars invested in infrastructure that supports Class A office and market-rate housing development will not perform school renovations or contribute to the development of middle- or low-income housing units.\(^3^4\) Parks built at the waterfront, flanked by luxury residential towers, depend on dollars that will not be spent on recreational facilities in less expensive neighborhoods. City operating funds dedicated to repaying interest on Hudson Yards debt\(^3^5\) or coaxing Met Life to Long Island City cannot be spent improving city services to small businesses or educating low-earning New Yorkers’ children for jobs that pay better than those their parents had. According to urban scholar Susan Fainstein, “The property-led strategy for economic development has meant that public resources that might have been used elsewhere became embedded in real estate.”\(^3^6\)

Additionally, the speculation and appreciating real estate prices that will almost certainly accompany city-subsidized real estate development will drive low-rent land users (not only industrial businesses, but also not-for-profit groups, small retailers and arts organizations) from neighborhoods as they improve. While public intervention may be intended to prevent high land prices from making it impossible for developers to develop and for businesses to locate in the city, it is also likely to inflame property speculation and contribute to displacement, shortage of affordable housing units and, ultimately, oversupply of luxury residential and commercial space if demand fails to materialize as projected. The social costs associated with city subsidy of “boom and bust” cycles in the real estate market are steep.

\(^3^4\) For example, the City originally proposed to finance the expansion of the Javits Convention Center using bonds backed by the revenues of the Battery Park City Authority. BPCA revenues had originally been committed to finance the development of low-cost housing, but a succession of mayors has used a loophole to subvert this obligation.

\(^3^5\) While the City claims that infrastructure costs will be borne by new tax revenue from new development, most analysts of the financing proposal believe that the City will need to use its general obligation funds to guarantee debt. For example, interest on bonds issued for infrastructure under the Hudson Yards plan will purportedly be covered by Payments in Lieu of Taxes (PILOTs) by developers, but individuals knowledgeable about public finance suggest that these bonds will need to be guaranteed by the City’s own credit in order to attract buyers. Further, the City will have to pay an estimated $1 billion interest on the bonds during a 12-year construction period.

The Bloomberg vision for New York City’s future is compelling in many respects: its focus on livability and public space, its high design standards, its acknowledgement that adaptation to a largely post-industrial economy is needed in land use planning, workforce development and economic development policy. But the vision also implies several assumptions with which we disagree. First, it equates real estate development with economic development. Second, it posits a future city that exists almost entirely for its most privileged residents, with fewer real benefits of growth reaching the less-wealthy 80% of the population.

IV. WHAT “GROWTH WITH EQUITY” MIGHT LOOK LIKE

Fortunately, the choice is not between growth and no growth. We are eager to see economic development, growth, and prosperity generated – but also to see it shared more equally. We much prefer to see an individual working on Wall Street and living on the Greenpoint waterfront, rather than working across the river in Jersey City and living in a suburb in Connecticut. It makes more sense from a smart growth perspective, it helps boost the city’s tax base (especially since New York City taxes more progressively than its neighbors), and it generates economic activity and the region’s core. We are not calling for a vain attempt to return to the 1950s, or to revive use of the Erie Canal.

However, we believe it is economically feasible, environmentally necessary, and politically smart to share the benefits and costs of development more evenly. If we are embracing forms of growth which amplify inequality – if we undertake polices that accelerate the loss of blue-collar manufacturing jobs and their replacement by a two-tier service economy – we are obligated to find ways to address the inequities and burdens that result from these trends.

The good news, we believe, is that the city can do so. While many factors within New York City’s growing service economy drive toward inequality, there are several factors which – if leveraged thoughtfully – can push instead toward the type of shared and sustainable prosperity we hope to see. These include:

- **A substantial set of businesses, cultural institutions, and related actors want to be located in New York City and are willing to pay some premium to do so.** While many economic activities can be outsourced, much of the strength in the NYC economy is that high “value-added” actors want to be located here. Mayor Bloomberg has repeatedly noted this, presenting as a reason why many business and individuals remain in NYC despite its various burdens. It is clear that many actors in FIRE (finance, insurance, and real estate), media, and what NYU President John Sexton has tagged ICE (intellectual, cultural, and educational institutions) are firmly rooted in New York City.

- **Specialty production of goods and services thrives in New York City.** Because of the high-end businesses that want to make NYC their home, a meaningful subsection of economic activity makes sense here to serve those markets (e.g. high-end furniture and other craft production, the fashion and printing industries, etc).

- **High-income gentrification is labor-intensive, whereas middle-income suburbanization is capital intensive.** Highway construction and the creation of tract housing and shopping centers rely on mass production, whereas the retrofitting of existing infrastructure and building stock requires a larger amount
of skilled and craft labor. High-earning college-educated residents are often willing to pay a premium for specialty food, child care, high-end personal services and custom goods. The question is how to ensure that labor retains a portion of that price premium for value added.

- **The retrofitting of the city’s infrastructure presents opportunities for environmental quality improvements and job creation.** Mayor Bloomberg has rightly noted that “Sustainable development is crucial to New York City’s future. Creating new buildings, retrofitting old ones to be more energy efficient and incorporating new technologies that are less expensive and environmentally friendly is vital for the continued growth of our City.”

Because so much of the city’s building stock is older, there are substantial opportunities to retrofit in order to improve energy efficiency and reducing waste – in ways which can create jobs and drive product innovation.

- **The rootedness of key global processes in New York City provides an opportunity for new, smart, spatially-concentrated regulatory activity.** As Saskia Sassen has written, “the … transnational grid of places and linkages that constitute the infrastructure for the globalization of finance and other specialized services points to regulatory possibilities. Precisely because of its strategic character and become of the density of resources and linkages it concentrates, this new geography of centrality could in turn be a space for concentrated regulatory activity.”

Building upon these factors, there are innovative strategies that utilize planning and redevelopment tools with which NYC policymakers could seek – without abandoning most of the current plans – not only to generate prosperity, but to share it more equitably and to produce it more sustainably.

One model for such redevelopment is Barcelona, which used the 1992 Olympics precisely for this type of transformation. Like New York City, Barcelona planners sought to use the Games to convert their land uses from an industrial city to a post-industrial city, to open up an industrial waterfront for public use, and to create many new neighborhoods. Unlike New York City, Barcelona’s planners recognized that these transformations would “put environmental sustainability, functional efficacy, and the city’s social cohesion at risk.” Building on this recognition, they planned and implemented an Olympic redevelopment which sought to combine economic innovation, sustainable urban development, and social cohesion.

Closer to home, there are also a set of policy solutions which could help New York City do the same. Housing advocates, community organizations, labor unions, business groups, environmental/environmental justice groups, and advocacy/smart growth planners around the country are experimenting with a series of models.

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of new tools. Thus far, these initiatives – from inclusionary zoning to living wage ordinances to community benefits agreements – have been viewed in isolation. We believe that, smartly applied and in combination, they could reshape proposed redevelopment plans to create more shared and sustainable prosperity. In our final section, we review some of these strategies and the potential they hold for remaking New York City.

**Inclusionary Zoning**

Inclusionary zoning (IZ) is a policy tool which, as Mayor Bloomberg has commented, works to “harness the vitality of our housing market – turning the challenge of today’s high prices for market-rate units into an opportunity to create low-priced homes as well.” IZ was pioneered in rapidly growing suburbs, but its application has expanded rapidly over the last decade in “hot market” cities experiencing a housing rebirth. IZ establishes either requirements or incentives for developers to include affordable housing for low and moderate-income families in new market-rate developments. Generally, developers receive density bonuses (i.e. they are allowed to build somewhat larger buildings) or other regulatory incentives (e.g. fee waivers).

Inclusionary zoning has been adopted by hundreds of cities around the country (including Boston, San Diego, San Francisco, and Chicago), and has led to the creation of thousands of units of affordable housing. IZ creates mixed-income communities and enhances integration (unlike most affordable housing development programs, which tend to concentrate low-income units in low-income neighborhoods).

In the areas where rezoning is creating opportunities for substantially new housing development, we particularly support mandatory IZ, which requires developers to include some percentage of affordable housing. Only through mandatory programs can the City capture the large private windfalls (in some cases as much as 800%) that landowners are receiving as a result of rezonings. Mandatory IZ programs have been documented around the country not to have a negative impact on market-rate development – in studies by PolicyLink, David Paul Rosen and Associates, the and Business and Professional People in the Public Interest. Mandatory IZ programs do tend to cause a slight moderation in land costs, which is exactly what is needed for affordable housing to be created. In addition, a base mandate for all developer in rezoning areas will help the City stretch its financial incentive programs to create more units, which is critical given the shortfall of affordable units.

**Zoning and Development Assistance for Industrial Job Retention**

While New York’s economy is now predominantly post-industrial, we believe it is short-sighted for the Bloomberg Administration to encourage boom and bust in the property market to displace tax-paying, job-generating firms in the city’s remaining industrial enclaves. The industrial jobs which remain in NYC – after
several decades of loss to lower-cost locations – have real reasons to be located here. Many observers, including an independent consultant hired by the New York City Economic Development Corporation, believe that by clearly stating a commitment to industry, by strengthening zoning enforcement and by investing in areas intended for continuing industrial use and perhaps growth, City officials could strengthen the city’s economy and preserve blue-collar jobs. Tools applied toward this end might include public and non-profit development of low-cost industrial space, strategic capital and infrastructure investments in industrial areas, and stronger enforcement of existing regulations against illegal conversions. They might also include these specific zoning measures endorsed by the Zoning for Jobs coalition, staffed by the New York Industrial Retention Network:

- **Industrial Employment Districts (IED)** – From Planned Manufacturing Districts in Chicago to Industrial Sanctuaries in Portland, planners in cities with burgeoning property markets have enacted zoning that clarifies for residential and commercial developers (as well as industrial developers, realtors and tenants) where government officials are serious about maintaining predominately industrial land usage, thus preventing inflated land prices and the “warehousing” of property. The IED, which would be superimposed on existing M1, M2 and/or M3 zones as an overlay district in New York, would provide transparency and certainty to owners of industrially zoned property and create a stable climate for investment, employment retention and new job creation in areas whose location and industry mix makes them desirable for continued industrial activity.

- **Balanced Mixed Use Districts** – Some of New York City’s remaining industrial base is located in neighborhoods that also contain substantial residential and commercial uses. For these neighborhoods, a more nuanced industrial retention and development strategy is needed. The Balanced Mixed Use District would be appropriate for currently M-zoned areas where more than 50% of the existing uses are industrial but that are also characterized by a mix of other uses including residential, community facility and/or commercial. An inventory of the percentage of total sq. ft. in manufacturing/industrial use would be conducted prior to the mapping of such a district. Subsequently, when sponsors of new “as of right” developments or conversions applied for certificates of occupancy, they would be required to show that, with their project added, the percentage of square feet in the district in manufacturing/industrial use would not drop below 50%.

**Community Benefits Agreements**

When public subsidy is supporting the private development of office, convention or entertainment space, city officials should insist on the negotiation of community benefits agreements that offer local residents the opportunity to share concretely in the value being generated. A “community benefits agreement,” several of which have been successfully negotiated in California, outlines a set of benefits that a developer promises to provide as part of a project in exchange for community support (including affordable housing options, living-wage jobs, first-source hiring for local residents, job training, community spaces within the facilities, and environmental improvements). For the purpose of enforceability, these benefits are typically

integrated into a development agreement between the developer and the city. Groups in New York City have begun working to craft and pass a policy that would automatically trigger minimum standards, and potentially a community benefits process, when developers benefit from large subsidy deals or significant land use changes.

**LINKAGE FEES**

In 1983, the city of Boston began a development “linkage program” in order to redirect some of the benefits of downtown investment toward its neighborhoods. Under the program, real estate developers seeking approval of large scale commercial or institutional developments are required to make “linkage payments” of $8.62 per square foot of construction over 100,000 square feet. The payments – amortized over up to 12 years – are used by the City for affordable housing ($7.18 per/s.f.) and job training ($1.44 per/s.f.). From the inception of the linkage program through June 2000, $58.2 million has been awarded to various affordable housing projects, which allowed the construction or renovation of 5,979 housing units in 89 projects in the City's neighborhoods. The job training component was initiated in 1998, and over the next four years $11.9 million of funds had been committed and $8.2 million of funds have been awarded resulting in the creation of 93 programs. Services funded under this program include model program designs for entry-level jobs training, school-to-work transition, family literacy, workplace-based education, private sector involvement in the design and delivery of services, and capacity building in impacted communities. The funds are targeted to neighborhoods where development projects are located, and to programs which address the specific needs of that community.

**A BETTER WORKFORCE DEVELOPMENT SYSTEM**

If New Yorkers who are currently low-skilled and low-waged or unemployed are to benefit from development, one thing they need is a high-performing second chance workforce system that enables them to gain basic and job-specific skills and helps put them on a path to career advancement. We recommend creating direct links between the workforce training system and the administration's property-led economic development strategy.

- New York City should encourage employers to train their incumbent workers, and to create career ladders that offer entry-level workers the opportunity to move to better-paid positions through training they receive on the job. They should be particularly aggressive about using this leverage in cases where city subsidy is involved (see “Community Benefits Agreements” above).

- One possibility would be to work with developers to create on-site, multi-employer centers which create opportunities for employees (e.g. at a large retail mall). Such centers could include not only job training and career counseling, but also financial literacy, outreach for the earned income tax credit, etc.

- City officials should funnel revenues from property development projects specifically to the city university system, to ensure that students graduating from New York City high schools will have a chance at an affordable college education that will enable them to qualify for newly generated service jobs.
The City can develop better links between the second chance and “first chance” systems: for example, the Department of Education should focus on integrating workforce-related skills into curricula aimed at high school students who are likely to complete their formal education with a high school diploma.

**MAKE SERVICE WORK PAY**

As important as education and training are to labor market success in a post-industrial city, the fact remains that changing returns to education explain only about a third of the total increase in economic inequality in the United States over the past three decades. More than half of the income polarization observed during this period has occurred within groups of workers of the same age, education and experience.44 It will require more than an excellent education and training system to lift New York’s working poor families from poverty. Many policy interventions designed to “make service work pay,” such as increasing the minimum wage, making the Earned Income Tax Credit more generous, and reforming laws governing union organizing and collective bargaining, must be pursued at the state and federal level. But the City of New York can also participate in the following ways:

- Enforce the living wage ordinance passed by the City Council in 2002, which decrees that contractor firms which receive funds to provide homecare, building, day care and other services under the City’s auspices must pay their employees $8.60 per hour, plus an allowance for health benefits if the employer does not provide health insurance.

- Extend the living-wage law beyond firms that do business with the city to firms that receive city economic development subsidies.

- Pass the Health Care Security Act, which requires employers in certain service industries where many employers provide health care either to provide health care coverage to their employees or to pay the City a fee to cover the health care costs of uninsured workers.

- Implement an Earned Income Tax Credit applicable to taxable New York City earnings.

- Publicly honor “high-road” employers with exemplary track records of investing in their workforces and who focus on employee retention and productivity enhancement rather than cost-cutting.

- Lend support the efforts of groups like the Taxi Workers Alliance and Domestic Workers United to promulgate industry standards in sectors where informal work arrangements are common.

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Prevent Residential Displacement

Inclusionary zoning can leverage the creation of new market-rate units to produce new affordable units. However, it does not generally address displacement of existing residents. Because new development often leads to secondary displacement, which prevents low and moderate income residents from taking advantage of improved neighborhood quality of life, it is essential that the City seek strategies which allow residents – and especially low and moderate income tenants – to remain in their communities. Some strategies for preventing tenant displacement include:

- Strengthen rent regulations, including seeking repeal of the Urstadt Law, which prevents New York City’s citizens from choosing their own rent regulation policies. Rent regulations do not cover new construction (unless landlords opt in, in exchange for a tax break), so it does not dampen new development. Instead, rent regulations (which are adjusted annually to reflect economic conditions, and generally exceed cost inflation) are the primary policy which enables moderate-income tenants to remain in their housing as neighborhoods improve and prices rise.

- Give small homeowners a modest tax break if they retain low and moderate income tenants at below-market rents as market prices increase. One unacknowledged stock of affordable housing in New York is the tens of thousands of below-market units in 1-4 family homes, where owners retain long-time tenants even as prices rise. A modest incentive to keep these tenants in place has been proposed by the Fifth Avenue Committee and the Association for Neighborhood and Housing Development (Community Stability Tax Credit) and the New York City Council (the Good Neighbor Tax Credit).

- Enhance efforts to preserve affordable housing with expiring affordability restrictions as subsidy terms expire. Several efforts are underway to give tenants a better change of staying in their housing, and in some cases of purchasing their building, when restrictions expire and landlords seek to increase the rent roll.

Invest in Infrastructure and Retrofit Buildings to Promote a Sustainable Future

Rather than invest almost exclusively in new buildings – which lead to an increasing demand for energy and an increase outflow of waste – we should also invest in strategies that can reduce waste and pollution, generate energy more efficiently, and still create tens of thousands of jobs. Several possibilities for smart, targeted investment that could be both environmentally conscious and economically savvy:

- The Cross Harbor Rail Freight Tunnel and affiliated system enhancements can help to take millions of vehicle miles of freight truck travel off of the region’s streets each year. Over time, the movement of goods would become not only less polluting (on trains, rather than trucks), but more economically efficient as well.

- Create incentives to retrofit buildings to make them more energy efficient.
Invest in renewable energy technologies, and in products that are based either in NYC’s waste stream, or in serving more sustainable building construction.

Take steps toward a “zero waste” economy, by utilizing labor-intensive strategies for waste reduction.

**INVEST IN INFRASTRUCTURE TO IMPROVE LOW-INCOME NEIGHBORHOOD QUALITY OF LIFE**

The City’s investments in the West Side alone will – by its own estimation (which has been declared low by several independent groups) – exceed $5 billion. City expenditures in Lower Manhattan, downtown Brooklyn, Brooklyn Atlantic Yards, and other key development sites will total billions more. Many of these investments are in public transportation and open space which will create a more livable and sustainable city. Unfortunately, these benefits will accrue primarily to higher-income individuals who live or work in the targeted areas. If New York City wins the 2012 Olympic Games, additional athletic facilities, open space, and transportation investments will be made in a wider range of communities. However, these expenditures are not based on an analysis of community need, but on the logistics of holding an Olympic Games.

With or without the Olympics (although a high level of infrastructure investment will surely be easier with the Games), there are opportunities to adjust these plans to do better to meet local needs. While Queens will benefit from new athletic facilities, the public construction that its immigrant communities need most is new schools to address high levels of overcrowding. Can Olympic construction be adjusted to build those schools?

In other communities, which are not part of the Olympic plans, modest investments in neighborhood quality of life could make a substantial difference in making working-class communities better places to live. For example, a 2002 study by the Citizens Housing and Planning Council, *Revitalizing from Within: Reviving New York’s Neglected Neighborhoods*, suggests a series of ways in which modest urban design and infrastructure investments could make a substantial difference in Greenpoint, Woodside, and Fordham-Bedford.
CONCLUSION

It is clear that market forces, particularly the powerful currents of the global information economy and the regional real estate market, are reconfiguring New York City. Public officials are right to respond with attempts to shape development in the city’s interest. What is less clear is that the city’s interest is served when planning and policy function primarily to reinforce and exacerbate market-generated inequities.

By taking an active role in shaping the future landscape of New York City, the Bloomberg Administration is acknowledging that government has a constructive role to play in the global city’s economy. We affirm this and suggest that such a role should be expanded to include more than “oiling the machinery” for growth. Instead, city officials should take opportunities to leverage government regulatory and financial power on behalf of those whose interests are least well-served by markets.

Scholar James Throgmorton has described urban planning as “persuasive story-telling about the future,” underlining the extent to which planners do not simply convert neutral information into interventions on the landscape but rather, in both the generation and application of knowledge, weave distinct, future-oriented visions for cities and for the societies which contain and support them. Just as Daniel Burnham’s Chicago plan of 1909 was about the redemption of the 19th century industrial city via government reform and neo-classical architecture, today’s city plans are narratives about what built forms, economic strategies, governance structures and civic cultures are desirable and sustainable in the post-industrial cities of the 21st. The development projects proposed by the Bloomberg Administration amount to such a comprehensive plan – a strategy for the physical and economic transformation of the five boroughs of New York City over the next three decades.

Our critique of the City’s far-reaching plans for up-zonings, down-zonings, and new development projects across the five boroughs is based not on opposition to development, but on the premise that its benefits – and its costs – should be more evenly shared among the people of the city. Our strategy for growth with equity is grounded in the conviction that new tools such as inclusionary zoning, community benefits agreements and measures to “make service work pay” can realize greater equity without smothering economic growth. We look forward to ongoing dialogue with the administration about how to reshape proposed redevelopment plans to create more shared and sustainable prosperity in New York City.


All images and graphics are courtesy of the NYC Department of City Planning website (nyc.gov/html/dcp/home.html), except for the maps depicting NYC Zoning Changes (p.7) and Solid Waste Transfer (p.17), which were prepared by the Pratt Institute Center for Community and Environmental Development.