

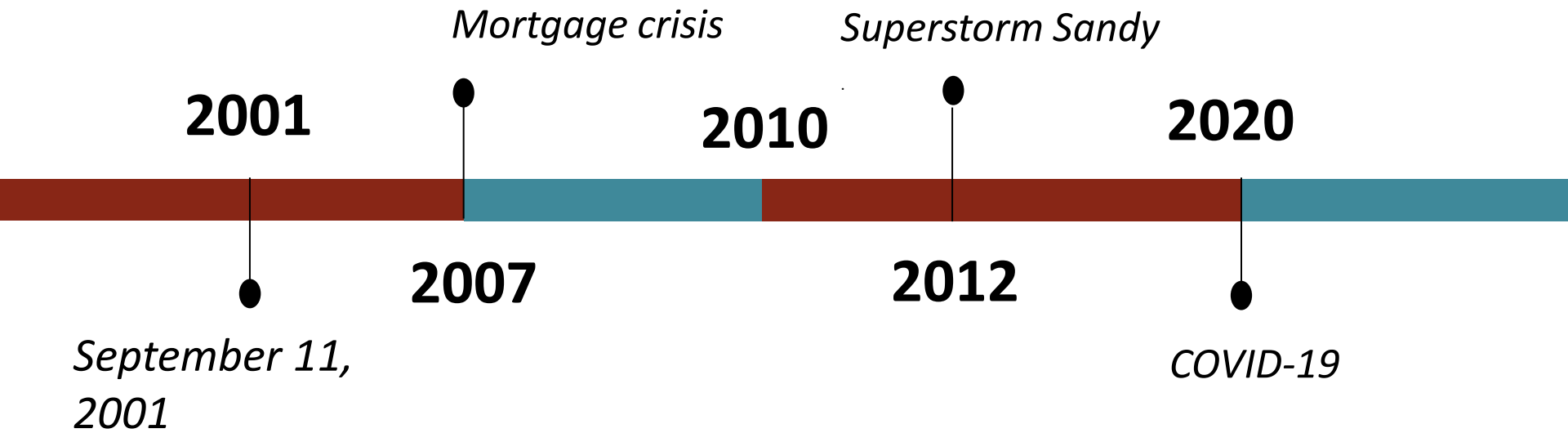
Flexibility and Conversions in New York City's Housing Stock: Building for an Era of Rapid Change

Ingrid Gould Ellen

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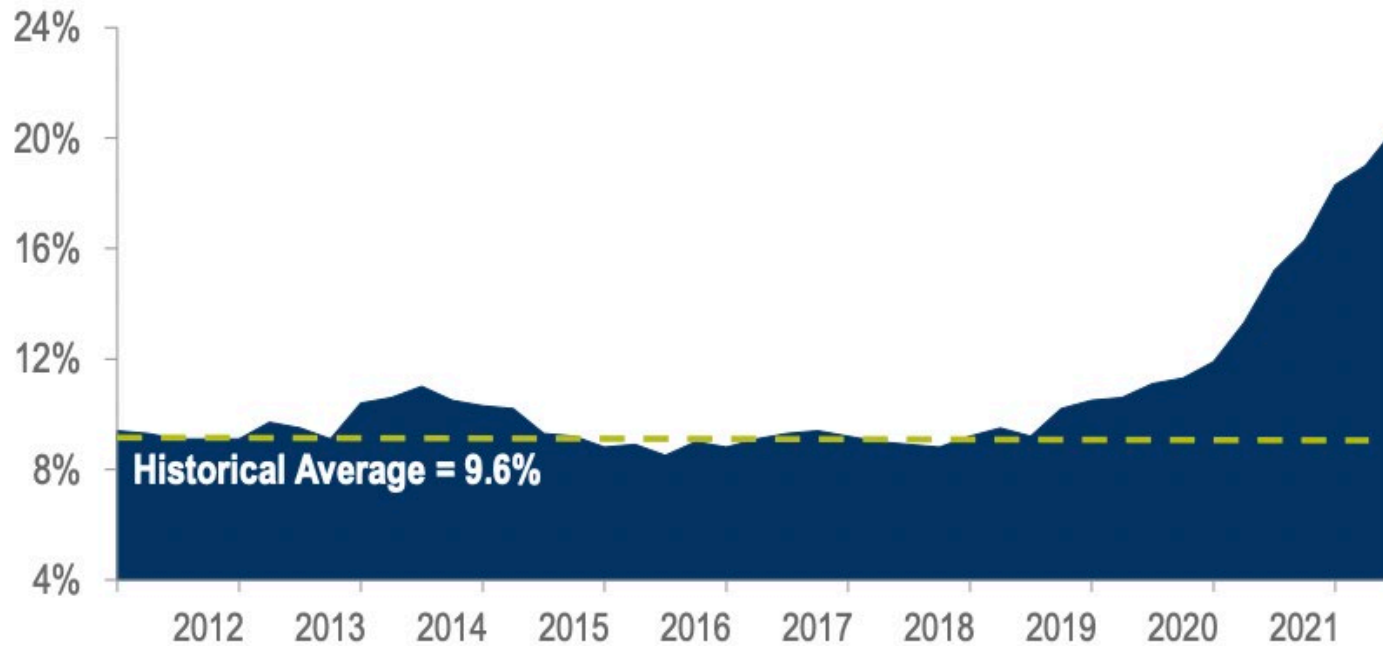
March 31, 2022

Uncertainty of 21st Century



Rising Vacancies in Manhattan Office Sector

OVERALL VACANCY



Source: Cushman and Wakefield

Average market value change

All office properties, by borough



Sources: New York City Department of Finance (DOF), NYU Furman Center

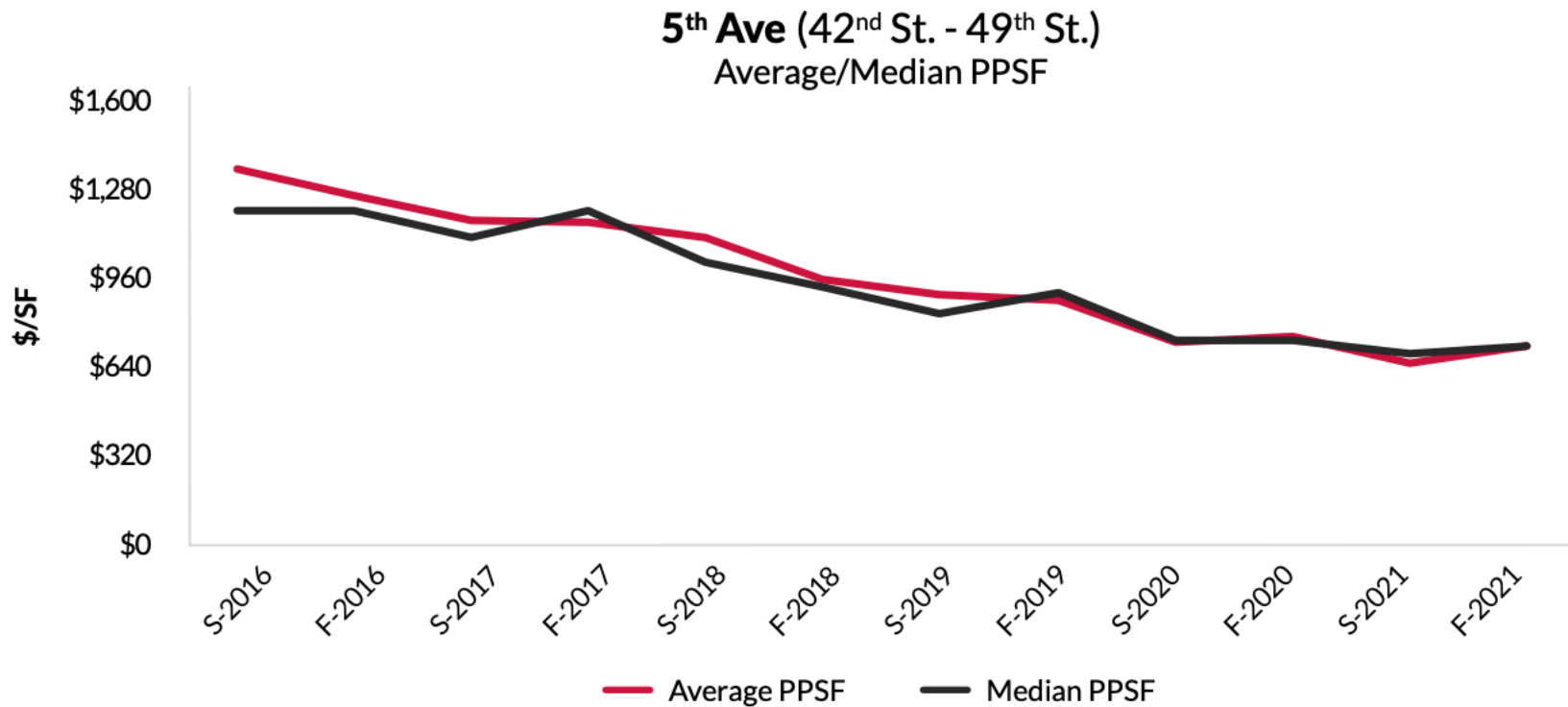
Hotel Occupancy Rates Well Below Average

Top 25: Best and Worst

Top 25 Markets, R3 February 2022, by RevPAR % chg. to 2019

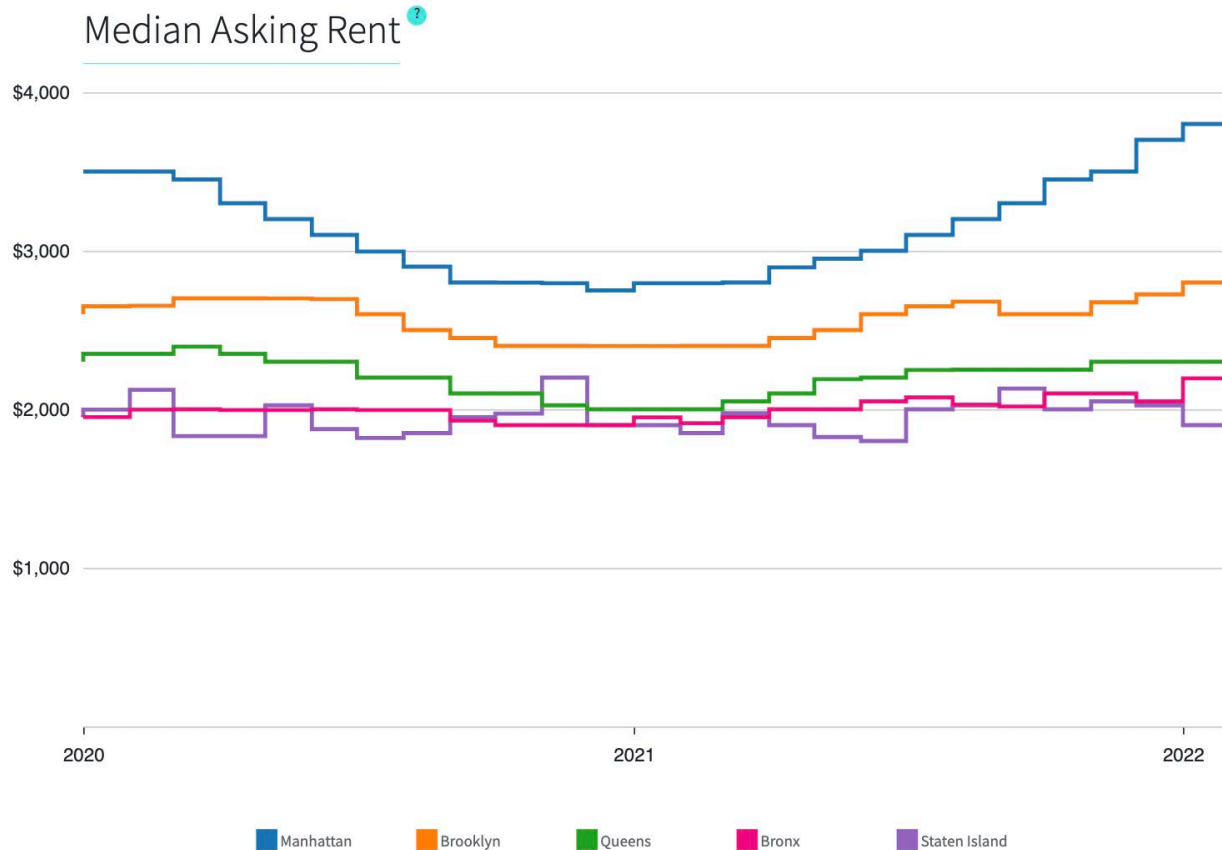
Market	Occupancy	RevPAR % chg. 2019
Norfolk/Virginia Beach, VA	48.5%	18%
Tampa, FL	72.2%	16%
Miami, FL	74.6%	15%
Phoenix, AZ	67.6%	8%
New Orleans, LA	55.7%	-4%
New York, NY	56.3%	-27%
Minneapolis, MN	39.8%	-28%
Washington, DC	42.5%	-31%
Seattle, WA	48.9%	-31%
San Francisco/San Mateo, CA	46.6%	-59%

Secular Decline in Retail Rents in Midtown



Source: REBNY

Rebounding Prices/Rents in Residential Sector



Source: StreetEasy

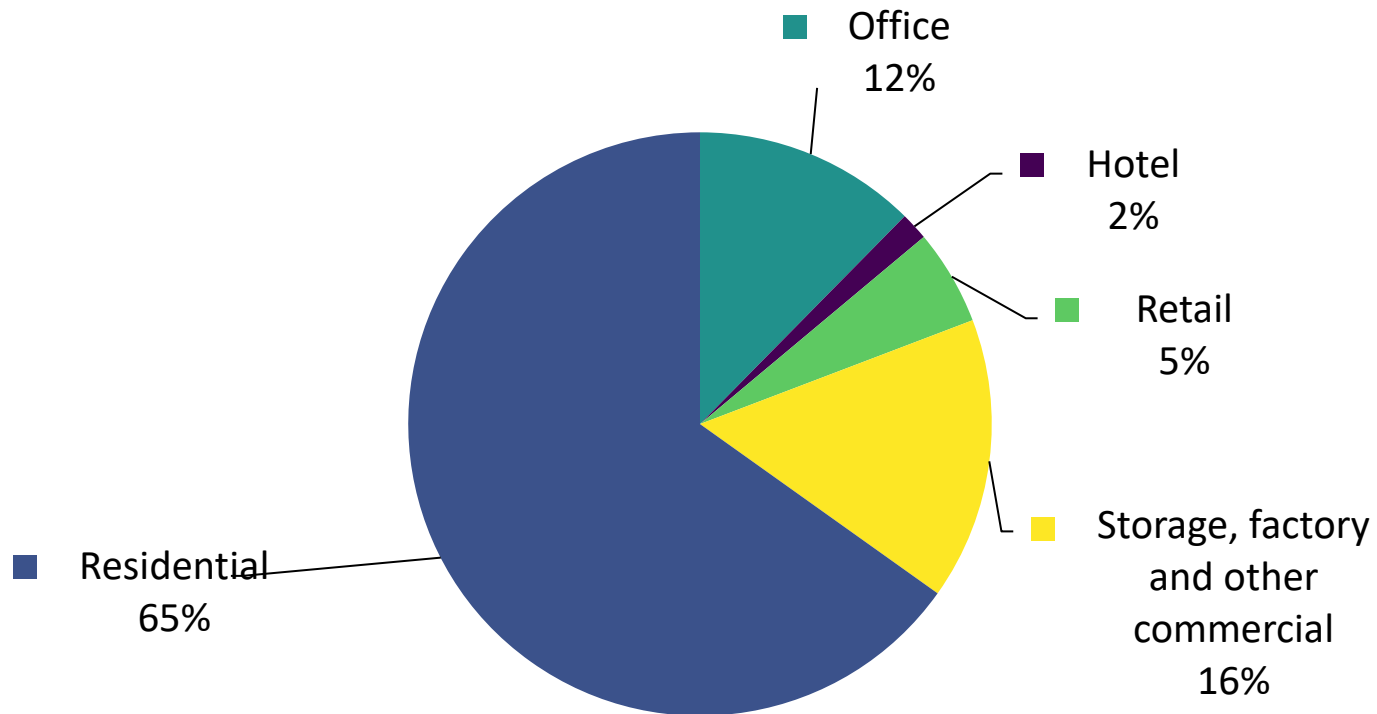
Potential Value of Conversions

- Compared to new construction, conversions can
 - Take less time
 - Cost less money
 - Produce lower environmental impact
 - Provoke less NIMBY opposition
- Can create vibrant, mixed-use districts

Potential Scope for Conversions in NYC

- How much commercial space is there in NYC?
- Where is the commercial space in NYC?

Total building area by type

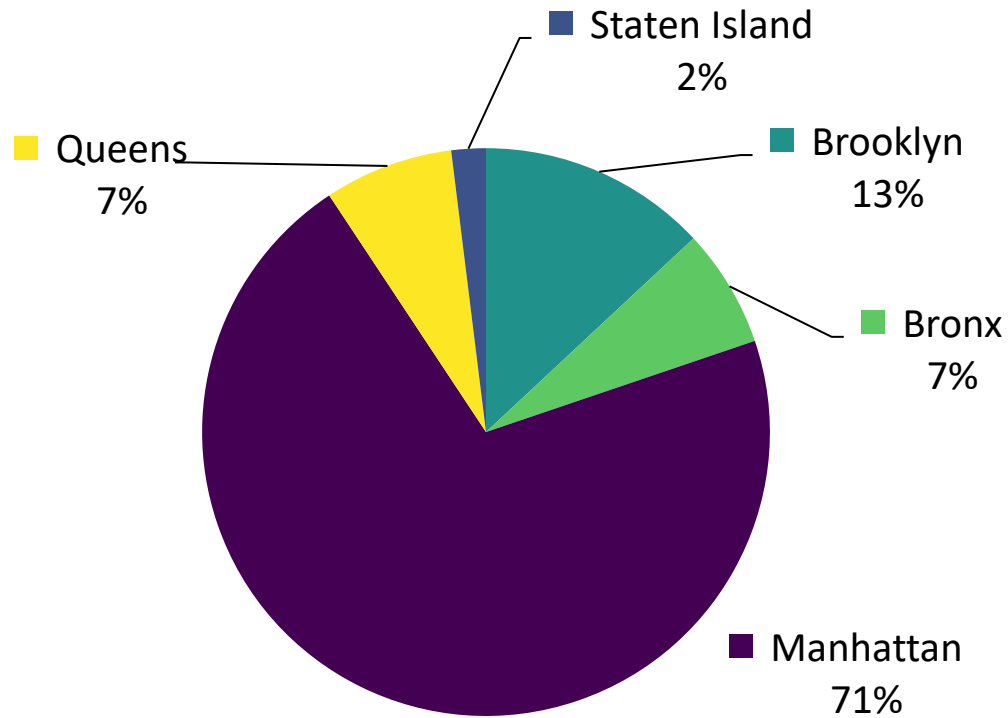


Sources: NYC Department of City Planning (DCP) MapPluto 21v4, NYU Furman

How many units could conversions produce?

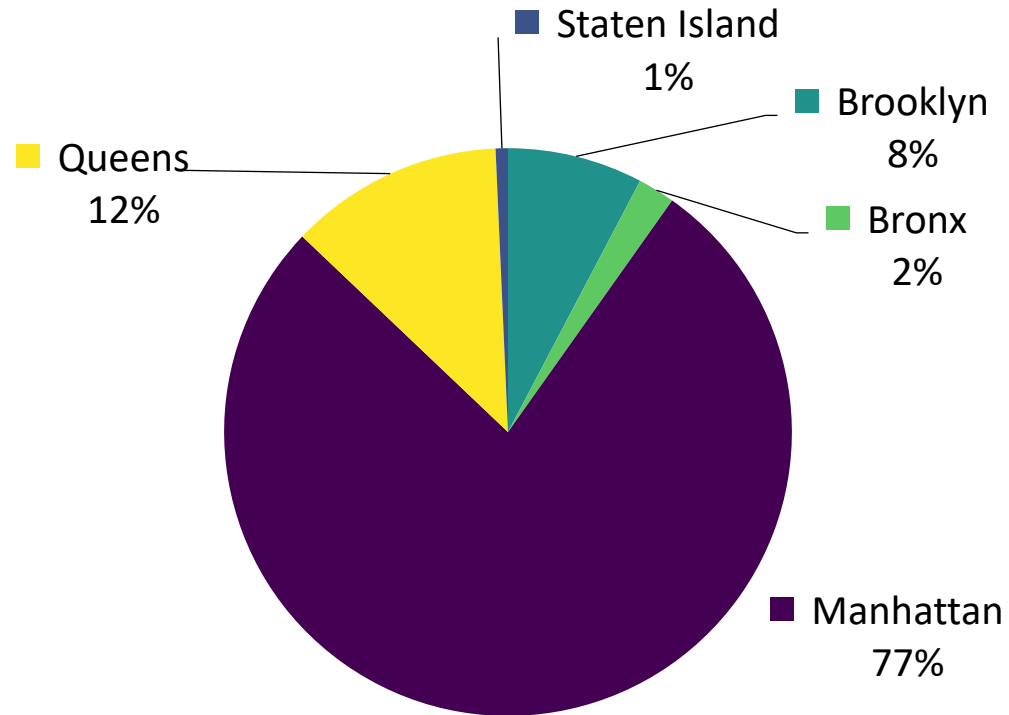
- Assuming 10% of office/hotel space was converted:
 - ~ 75,000 new homes
 - 2 percent increase in city's housing stock
 - 3-4 times the average annual number of homes produced in last decade

Total office area by borough



Sources: NYC Department of City Planning (DCP) MapPluto 21v4, NYU Furman

Total hotel area by borough



Sources: NYC Department of City Planning (DCP) MapPluto 21v4, NYU Furman Center

Conversions from 2012-2020

New Units by Initial Occupancy Type (2012 - 2020)

Net change in class A units across job filings where occupancy changes to residential

Job Type	Initial Occupancy	Proposed Occupancy	Units, Net Change
Alteration	Commercial	Residential	5,850
Alteration	Unknown/Miscellaneous	Residential	2,355
Alteration	Educational/Institutional	Residential	720
Alteration	Industrial	Residential	549
Alteration	Storage	Residential	511
Alteration	Hotel	Residential	14
New Building	Empty Site	Residential	139,848

Sources: New York City Department of City Planning (DCP) Housing Database 2020, NYU Furman Center

Regulatory Barriers to Conversions

- Use regulations – e.g. Can't convert hotels in manufacturing districts to residential
- Different bulk regulations – e.g. Commercial uses allowed to have shallower rear yards
- Density regulations – e.g. Hotels have too many separate units/sf
- Building Code – e.g. Upgrades triggered by change of use, esp. accessibility

Design/Cost Barriers to Conversion

- Hotels: Adding kitchens to each unit?
- Offices:
 - Different plumbing/electric connections
 - Deep floorplates make bedroom window requirements challenging

Barriers to Affordable Housing

- Commercial properties concentrated in high-cost CBDs
- Slow speed of affordable housing transactions may miss post-COVID window of opportunity
- Large floorplate offices better suited for large unit size
- Usual barriers: Need for subsidy, political opposition, etc.

Demographics of Financial District

Indicator	City	Financial District ¹
Percent Asian	14.0%	19.6%
Percent Black	21.8%	2.4%
Percent Hispanic	29.1%	6.6%
Percent other	3.0%	3.9%
Percent white	32.1%	67.5%
Median Household Income	63,998	165,145
Percent college educated	15.6%	35.8%
Poverty rate	17.6%	7.8%

¹ The Financial District includes census tracts 001300, 001501, 001502, 000700, 000900
Sources: American Community Survey 5-year Estimates (2019), NYU Furman Center

Policy Solutions

- Reduce distinctions between short-term and long-term uses
- Allow more pathways to compliance
- Rethink the separation of uses
- Consider easing normal procedural protections
- Introduce subsidy to encourage conversions to affordable housing

Conclusions

- Paper focuses on how a more flexible approach to the use and regulation of buildings can help city adapt to post-pandemic economy
 - Nimble conversions can help to create more housing and, with subsidies, potentially create more *affordable* homes
- But flexibility can be valuable more generally
 - Climate change



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This research has been prepared by a Center affiliated with New York University School of Law and Wagner Graduate School of Public Service, but does not purport to present the schools' institutional views, if any.

