

OUR HIDDEN TREASURE

Recovering Land Value
to Repair and Rebuild

Fall 2020



PRATT
CENTER
FOR
COMMUNITY
DEVELOPMENT

ACKNOWLEDGEMENTS

Report Authors

Laura Wolf-Powers
Pierina Sanchez

Report Contributors

Clara Amenyo
Sydney Céspedes
Elena Conte
Adam Friedman
Sophia Reuss
Sadra Shahab

Report Editors

Nepal Asatthawasi
Rebekah Morris

Report Layout & Design

Ben Dodd

Cover Illustration

June Lee

Pratt Center gratefully acknowledges the following individuals for their thoughtful review and insights on the development of this report:

Eva Alligood, Local Initiatives Support Corporation
Grace Chung, Local Initiatives Support Corporation
John Shapiro, Pratt Institute Graduate Center for Planning & the Environment
Nestor Davidson, Urban Law Center, Fordham Law School
Anna Levers, NY City Council Strategic Initiatives
Louis Cholden-Brown, NY City Council Strategic Initiatives
Bridget Fisher, Schwartz Center for Economic Policy Analysis, The New School
Joan Byron, Neighborhoods First Fund
Michelle de la Uz, Fifth Avenue Committee
George Sweeting, Independent Budget Office
Dan McPhee, Urban Design Forum
Guillermo León Gómez, Urban Design Forum
Nick Shatan, MIT CoLab
Moses Gates, Regional Plan Association
James Parrott, Center for New York City Affairs, The New School
Julia Duranti-Martínez, New Economy Project

Additionally, Pratt Center recognizes the community organizations and individuals who are on the front lines of the fight against the displacement of low income and Black, indigenous, people of color (BIPOC) from their neighborhoods, and work tirelessly for a more just and equitable city.

This work was made possible by the generous support of the Ford Foundation, the Bernard F. and Alva B. Gimbel Foundation, the Neighborhoods First Fund, the New York Community Trust, and the Scherman Foundation.

TABLE OF CONTENTS

Executive Summary	4
I. Up-zonings & Capturing Collectively Created Value	6
Gowanus Case Study	8
II. Public Land & Safeguarding Value	10
III. Recommendations & Conclusion	16
Appendix A: Glossary	19
Appendix B: The Gowanus value uplift study and air rights transfer proposal	20
Endnotes	21

Executive Summary



The city owns vacant land that could be used to create more than 50K units of permanently affordable housing.⁶ Photo: Pratt Center

New York City and the world are in crisis. As COVID-19 ravages communities across the country, the city's fault lines of inequality have been exposed. African-American and Latinx New Yorkers have been nearly five times more likely to be hospitalized, and twice as likely to succumb to the virus.¹ Unemployment has increased.² The threat of eviction looms for 70% of low-income households who were already only one disaster away from falling behind on rent,³ and food insecurity among vulnerable New Yorkers is higher than ever.⁴ Amid these challenges, the Mayor and City Council cut parts of the budget that supported community stability, initially including a 40% cut to the housing agency's capital budget,⁵ and future leaders will face the pressures of declining revenues and increasing costs for years to come. It is more important than ever to ensure New York City (NYC) is maximizing all sources of value for public good.

One important source of value in NYC is the value of development rights created by the city via up-zonings. When up-zoning neighborhoods to increase development capacity, City officials have a hand in increasing the value of privately owned property. But this report provides evidence that under current practice, up-zonings primarily create private windfalls that fuel speculation and lead to higher development costs, which in turn drives up land prices, exacerbates the city's affordability crisis, and worsens inequality. Leaders should rethink whether this negative consequence of up-zonings is worth the increased development capacity the city gains from such actions; and when it is, leaders must ensure that the public recovers a portion of the value created.

Another source of value is the value of land the City owns, or could come to own. The City is in possession of its own portfolio of properties, and the COVID-driven economic slowdown may cause more privately owned property to fall into distress or face abandonment. While the fiscal consequences of this are worrying, the City could build on its past experience as a manager of *in rem* property and reinvigorate the tradition of conveying vacant land and distressed buildings to entities committed to housing vulnerable New Yorkers or supporting businesses that advance community wealth-building objectives.⁷

This report is based on three good governance propositions:

- 1. The City should discourage front-running.** It is problematic when the public sector creates value that becomes a private windfall.
- 2. The City should have a coherent value recovery strategy.** When the public sector creates value, it should recover a portion of that value.
- 3. The public sector should reinvest reclaimed value in redistributive and reparative ways.** Recovered value should undo the harms of the past.

RECOMMENDATIONS

As such, the report recommends serious discussion among elected officials and leaders of executive agencies of three broad proposals:

- 1. Restructure taxation at the time of property transfer in order to capture value uplift that would otherwise go to "front-runners" and speculators.**
- 2. Create Transfer of Development Rights (TDR) districts or Purchasable Density Bonus regimes that require property developers to purchase the option to densify rather than granting it free of charge via upzonings.**
- 3. Establish social ownership/social stewardship mechanisms that enable land to be transferred to mission-driven organizations devoted to housing justice and economic security.**

We view these concepts not as finished proposals, but as a provocation for an expansive public conversation about how the City of New York stewards the value inherent in its power to increase development capacity through zoning and in its ownership of land.



Zoning changes that allow for residential development in place of existing auto-related uses generate a substantial uplift in value. Photo: Pratt Center