

# Making Room for Housing and Jobs

Land use policies to stabilize the city's core industrial areas in order to promote development of both affordable residential and industrial uses citywide

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## About

The Pratt Center for Community Development has worked for the past fifty years for a more just, equitable, and sustainable city for all New Yorkers by empowering communities to plan for and realize their futures. As part of Pratt Institute, we leverage professional skills - especially planning, policy analysis, and advocacy - to support community-based organizations in their efforts to improve neighborhood quality of life, attack the causes of poverty and inequality, and advance sustainable development.



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# I. Executive Summary

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**The de Blasio Administration is moving forward with an ambitious plan to address the city's affordable housing crisis. The heart of the plan involves zoning changes that would allow new residential uses and increased density in neighborhoods throughout the city. Many of the areas being considered for rezoning are now occupied by industrial uses that provide well-paying jobs that offer ladders out of poverty for workers and their families – the same New Yorkers that *Housing New York*, the Mayor's housing plan, is meant to benefit.**

Affordability is a matter of both housing costs and people's incomes. Placing well-paying jobs at risk undermines the Mayor's own objectives to build more housing, lessen the growth in income disparity, and advance a more equitable city. Replacing manufacturing jobs, which pay an average of \$51,637, with jobs in retail and neighborhood services, which pay an average of \$37,584, is a strategy for downward mobility and makes affordable housing that much less affordable.<sup>1</sup>

The City's current land use toolkit provides limited options for protecting industrial jobs while encouraging housing development. If we are to avoid pitting jobs against housing, we would need new approaches that would enable housing development without displacing or undermining the city's industrial job base. While a dynamic manufacturing sector also needs targeted economic development services, training and workforce development, and a 21st century system of environmentally sustainable distribution and production, without space, these economic development services would be far less impactful. Most importantly, without space, jobs will be lost.<sup>2</sup>

Recognition of the need to better integrate land use strategies with the city's overall economic development policy is growing. In November 2014, the New York City Council released *Engines of Opportunity* which detailed the evolution of the city's industrial land use strategies and the emerging gaps in those policies, and laid out a series of new land use tools designed to strengthen the industrial sector, foster innovation and encourage reinvestment and job creation.<sup>3</sup>

This study by Pratt Center builds on the Council's work to also explore the relationship between industrial land use strategies and housing development. To date, the general perception has been that rezoning industrial areas for housing would almost inevitably help advance affordable housing goals. However, the loss of well-paying industrial jobs might actually undermine the affordability of housing unless steps are taken to minimize displacement.

## The Need for New Zoning Tools

Space for manufacturing is under intense pressure due to rising demand from manufacturing uses and encroaching non-industrial uses, coupled with diminishing supply. The Bloomberg Administration's aggressive program of rezoning manufacturing areas for market-rate housing resulted in a significant loss of industrial land across the city. The light industrial zoning districts that remain are highly vulnerable due to permissive use regulations, which allow many non-industrial uses as-of-right; these non-industrial uses consistently outbid manufacturing uses in the procurement of space. These weaknesses combined with the de Blasio Administration's disproportionate messaging about the need to increase housing development has resulted in the speculative acquisition of industrial sites throughout the city in anticipation of potential rezonings for residential development. Creating real estate stability is essential for businesses to make the ongoing reinvestment that is needed to create jobs, remediate the legacy of environmental contamination that threatens both workers and residents of the surrounding

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<sup>1</sup> New York State Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2013

<sup>2</sup> For more information on Pratt Center's proposals for a comprehensive approach to industrial development, see: [http://prattcenter.net/sites/default/files/industrial-policy\\_issue-brief\\_final.pdf](http://prattcenter.net/sites/default/files/industrial-policy_issue-brief_final.pdf)

<sup>3</sup> There is significant alignment between the Council's and Pratt's work, particularly in the analysis of the flaws in the existing Manufacturing and MX zoning, and in the call for Industrial Employment Districts, a new type of manufacturing zoning.

communities and build a vibrant manufacturing sector that provides well-paying jobs in a healthy environment. The encroachment of non-industrial uses occurs even in the city's 21 Industrial Business Zones (IBZ), which were originally intended to be "safe havens" for manufacturing. Though the word "zone" appears in the designation, IBZs do not reflect zoning provisions, are legally no different from other light manufacturing districts throughout the city, and suffer from the same gaps in protection. The effectiveness of IBZs rested on the perception that they would remain industrial. Since IBZs are not codified in zoning, and funding for the organizations that provide services to industrial businesses has been eliminated in the most recent budget, increased expectations that IBZs will be eliminated further undermine their effectiveness.

The City's approach to mixed-use zoning has also eroded inventory of manufacturing space. MX districts,<sup>4</sup> created to allow a mix of residential and industrial uses in specific areas, in reality have encouraged rapid and substantial displacement of manufacturing space by residential and commercial uses: Over 4.2 million square feet of industrial space has been lost as a result of MX zoning since 1997.<sup>5</sup> The MX approach rests more on inertia or the expectation that property owners would not pursue the highest profit from the residential conversion of their space, rather than on incentives or controls to guide the market. This laissez-faire strategy has not yielded the desired balanced mix of uses.

Achieving a sustainable balance of uses in a particular district is not an easy endeavor. As this paper explores, adopting a more prescriptive approach to the creation of a mixed-use district may achieve a more balanced mix of uses over a longer term but would come at a significant cost: considerable density and the need for public subsidy and administrative oversight. Nor is this approach a simple solution that can be applied broadly to resolve the difficult challenges facing many neighborhoods. As the de Blasio Administration seeks to create additional mixed-use zones to allow the production of new affordable and market-rate housing, new zoning and financing models will be essential to ensure that housing and manufacturing can sustainably coexist, but this outcome will be difficult to accomplish.

## Conclusion

The City's industrial sector is an essential component of its overall economic health, and the future of this sector is reliant on the availability of affordable, stable real estate. At a time when public discourse is dominated by the identification of areas for affordable housing, the need to stave off rapid real estate speculation in the city's remaining industrial areas has grown critically important. To foster a vibrant industrial base, the City should reinforce and strengthen its commitment to the industrial sector by:

- 1. Strengthening IBZs by creating Industrial Employment Districts which restrict non-industrial uses, prohibit development of big-box retail and self-storage in IBZs, and allow non-accessory offices, hotels, schools, and social service space only by special permit;**
- 2. Codifying the IBZ designation in zoning for all of the areas in which they are currently mapped.**

Only after the City's IBZs have been fortified should it consider a new approach to mixed-use zoning, and only then for select and specific areas. If the City truly intends to create mixed-used districts, it should cease to propose new MX districts. Instead, it should develop a new zoning tool that directly shapes development in a particular district to achieve a balanced mix of residential, commercial, and industrial uses. However, there are a number of challenges inherent in creating a truly mixed-use neighborhood that must first be addressed before the City proceeds further in proposing new mixed-use districts.

<sup>4</sup> MX is the abbreviation for the City's most-often-used zoning district, which pairs a light manufacturing district with a residential district. The first MX district was mapped in The Bronx in 1997.

<sup>5</sup> NYC Department of City Planning MapPLUTO, 2004-2014

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