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Residential permits up 11 percent, but is it enough?

By Ryan Hutchins



A rendering of Astoria Cove. (*STUDIO V Architecture, PLLC*)

New York City's buildings department approved construction last year of 20,329 housing units spread across 1,415 buildings, an 11 percent jump from the previous year and a more than three-fold increase from the post-recession low of about 5,900 units set in 2009, according to a New York Building Congress analysis released Thursday.

The city permitted construction of about 18,400 units during the 2013 calendar year and it permitted just over 11,000 in 2012.

Despite the rise, those numbers are well below levels that must be reached for Mayor Bill de Blasio to achieve his ambitious goals of producing 80,000 units of affordable housing and 160,000 units of market-rate housing over the decade ending in 2024.

To get to those totals, the city needs to record an average of 24,000 units of housing completions per year.

But building permits typically lag two to three years behind completions, meaning the first three years are essentially already laid out. Assuming those permits translate into actual housing—and on that two-year timetable—that’s about 50,000 units before 2017, or 16,600 per year. The city would need to average more than 27,000 units per year for the remaining seven years to achieve the ultimate goal.

That level of production isn’t necessarily unfathomable, though. According to the Building Congress report, the city was issuing permits at an annual rate of more than 30,000 residential units during the four years before the recession. At peak, in 2008, the Department of Buildings permitted projects that would have produced more than 33,000 units spread across nearly 3,000 buildings.

In addition, the city is just now putting into place policy changes—like planned rezonings in 15 neighborhoods and changes to how agencies operate—that officials hope will accelerate housing production. It will ramp up over time, they say.

On top of that, the mayor wants to make some bold moves; this year he proposed covering the Sunnyside Yards in Queens and building housing there. All the administration will say is that such a project would include 11,250 affordable apartments. Councilman Jimmy Van Bramer, though, estimates doing so would necessitate building 70,000 to 80,000 total units.

But even with the increased policy and political support (housing appears to be de Blasio’s top agenda item), there are other mitigating factors, like the rapidly rising cost of land, increased contractor costs, uncertainty over development subsidies, a potential rise in interest rates, global economic instability and the ever-looming possibility that another market correction could be right around the corner.

Highlighting some of those issues, the Building Congress says the hard cost of construction reached \$99,500 per unit in 2014, an increase of \$1,000 per unit from 2013. That’s not the main worry, though.

“While the hard costs of construction are rising, they do not seem to be outpacing the overall economy in terms of cost inflation,” Richard Anderson, the groups president, said in a statement. “The bigger concern, however, is the increasing cost of land acquisition, which is not reflected in the permitting data. Our ability to continue the residential boom and expand it to other neighborhoods will depend largely on those costs and the City’s willingness to rezone portions of the outer boroughs to make development more cost effective.”

—Read the report: <http://bit.ly/1zjZgJY>