

# THE URBAN PROSPECT

Housing, Planning and Economic Development in New York

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## WHAT KIND OF GROWTH DO WE WANT?

After many years in which the everyday concerns of life—crime, graffiti, squeegee men, crowded schools, and the like—dominated the attention of city government, New York is again looking toward its distant future. From the World Trade Center site to the Far West Side to the Brooklyn waterfront, government agencies are offering redevelopment plans that envision new centers of business and cultural activity. Ambitious infrastructure projects, like the extension of the #7 line, the Second Avenue subway, and East Side and Downtown commuter rail access are being actively pursued. Even new parks and open spaces, winding over busy streets or along abandoned waterfronts, are in the works.

Behind those plans, however, lurk important questions that usually go unasked. Those questions relate to the number of jobs and people a city of 322 square miles can support, the distribution of the social classes and their relation to one another, and the city's relationship to the rest of the region.

"Growth" is the mantra with which virtually all public development projects are justified. But what does growth mean in a dense, built-out city like ours? And do New Yorkers agree on the type of growth they want? In boomtown cities like Phoenix or Las Vegas, growth is easy to define. Greater population, more jobs, more development and rising real estate values will promote wealth creation and make most of the existing population better off. But several of America's more mature, fully developed cities must view the issues in a different light. Residents of San Francisco, Boston or New York may well ask what types of growth will enhance the quality of life and what types will undermine it.

### Jobs and Workers

Probably no indicator of the city's health is watched more vigilantly than the number of jobs it hosts. When its economy is creating jobs, residents see opportunities for upward mobility and city government finds funding for popular

projects. When the cycle turns to job loss, living standards slip and city officials are forced to announce grim cutbacks. Among both the power elite and the man on the street, optimism about the city's future ebbs and flows.

The city's economic growth strategy, outlined by the Giuliani Administration and now being pursued vigorously by the Bloomberg Administration, is to prepare the ground for future job growth. Since most of the potential increase in jobs is anticipated to be in office occupations, growth planning has centered on facilitating the construction of office buildings.

According to the Yale-Robbins Company, there are 432 million square feet of office space in the five boroughs. By late 2003, about 59 million square feet of that was vacant and therefore available to absorb future employment gains. In addition, almost 12 million square feet of office space is to be built at the World Trade Center site. The Bloomberg Administration estimates that the Far West Side has an office potential of about 28 million square feet. Those locations, along with the further development of Brooklyn and Queens subcenters, could accommodate about 50 million square feet of office development. Added to the existing space that is currently vacant, there would be room for about 475,000 more office jobs than we presently have, and about 225,000 more than we had at the last cyclical peak.

Much of the comment regarding the plans for Downtown and the Far West Side has centered on whether the proposed office space could be absorbed. It is true that the city's total job base has not grown for over four decades. The job count hit a peak of 3.8 million in 1969 and did not approach that peak again until 2000. That apparent stability, however, masks a dramatic restructuring of the city's economy during that time. For example, since 1970 the number of industrial sector jobs has decreased by over 700,000, while all other jobs have increased by an equivalent amount. If the non-industrial sector were to continue to expand at its historical rate, the

city would have about 4.3 million jobs by 2030, justifying the city's concern for expanding office capacity.

Of course, extrapolating trends far into the future is hazardous. Many factors can alter the growth trajectory. In particular, if further terrorist incidents occur, the locational preferences of people and businesses could change radically. Even aside from such imponderables, since most net job creation results from innovation in new products and services, long-term employment projections are essentially a matter of faith. Will New York continue to be a fountain of business and cultural innovation? Based on history and recent economic research into the sources of innovation, we believe that it will. But the city's creative energy will only translate into job growth if public investments facilitate it.

Alternately, the city could choose not to make the costly investment that would facilitate further expansion of the office and institutional sectors. That does not mean that economic growth would halt; income growth can occur without job growth. Between 1959 and 1989, for example, the real median income of the city's families rose by 23 percent, while the total number of jobs remained virtually unchanged. Conversely, despite adding about 80,000 jobs between 1989 and 1999, real median family income declined.

While skeptics question whether all of the proposed office space will be filled, a more fundamental question is whether we should want it built at all. Would the creation of a new, high-quality residential district enhance the city's long-term future more than additional office space? Will the costs of facilitating office expansion there, and the resulting congestion, be offset by the economic benefits? In 1986, the voters of San Francisco approved an initiative that limited the amount of new office space that could be built in the city. While New Yorkers might view explicit growth controls less favorably, the underlying question of urban character is just as pertinent here.

### People Everywhere

If New York is to substantially expand its job base, it will either need to utilize its existing labor force more efficiently or plan for a significant increase in the population living in and near the city.

The population-to-job ratio, in the United States and in the region, is a little over 2:1. That means that an expansion of New York City's job base by 500,000 would correspond to approximately one million additional residents. Currently, about three-quarters of all city workers live within the five boroughs, so the city could expect about 750,000 new residents and about 125,000 additional daily commuters.

Would we have room for another three-quarters of a million New Yorkers? The city still has about 485 million square

feet of vacant lot area; at existing, citywide residential densities, about half of it would be needed to house the additional population. That would still leave some vacant land for commercial and public uses. The new residents would also have to get to and from work and move about town. They would take, if their commuting patterns were similar to the rest of us, about 125 million subway rides per year. Although that may seem like a staggering increase, the subways now carry a third fewer riders than they did in 1946, so subway capacity may not be a limiting factor if the transit expansions under consideration go forward.

While the city may still be below its maximum population density from a land use and transit perspective, continued population growth would nevertheless pose some formidable problems. For example, in order to house another 750,000 people, the city would need approximately 300,000 additional dwelling units. That would require an annual production rate of about 15,000 units per year, about 50 percent higher than the average of the past twenty. If that production is not met, increasingly inappropriate spaces will be converted to dwellings in the informal sector.

Additional population would create other planning and infrastructure problems as well. For example, about 44 percent of the city's households own a car, and about 13 percent own more than one. With 750,000 new residents, the city's auto fleet could be expected to increase by 300,000. Streets would become more congested, and perhaps more importantly, owners would have to park their cars. Parking shortages are already acute in many city neighborhoods, and 300,000 more cars would require additional parking area twice the size of Central Park.

Obviously, many city services and facilities would have to be scaled up if the city's population grows that much, and it would not be surprising if sustained population growth produced a backlash against further development. There is already deep anti-development, anti-density sentiment in many

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communities, and that might be expected to intensify.

Most New Yorkers do not appreciate that the city's extraordinary population density is a source of its unique energy. High density is what supports its endless variety and makes its cultural life so fascinating. But no one really knows at what point the positive effects of density are overshadowed by crowding, congestion, and disorder. The core area of New York (about two-thirds of its land area) is only 75 percent as dense as Tokyo or Shanghai, but significantly more dense than London or Paris. New Yorkers will probably never vote directly on their preference for the Tokyo or Paris models, but those preferences will be implicit in numerous political decisions at the community level.

**In and Out**

Under virtually any scenario, a half-million person increase in the city's job base would involve at least 125,000 additional commuters. Could we cope with them? The 1999 report of Access To The Region's Core, a major investment study sponsored by the MTA, the Port Authority, and New Jersey Transit, found that by the late 1990s, many of the region's transit services, especially those serving Midtown Manhattan, were operating at full capacity. The study concluded that enhanced commuter rails serving Penn and Grand Central stations offer the best approach to meeting future capacity needs. Among the commuter transit improvements under consideration are construction of a train storage yard under 31<sup>st</sup> Street and construction of a train storage yard south of the existing West Side Yard, new tracks and platforms beneath Penn Station and new rail links to it, including another East River tunnel. Those potential improvements are in addition to the LIRR's proposed new link to Grand Central and other plans to accommodate the growing need for Hudson River crossings.

Given the probable cost of those improvements and the inevitable inconveniences their construction will cause, residents of the city might well wonder what benefit they would get from the presence of 125,000 additional commuters. More workers mean more congestion on streets and subways and, especially since the commuter tax was repealed, commuters are perceived to get a free ride at city taxpayer expense. Why not discourage the building of more Manhattan office space, and more commuting from the suburbs, and concentrate on making New York a more functional city for those who live here?

Actually, the city benefits financially from commuters, even without a commuter tax. Considering real property taxes, general corporate income taxes, sales taxes, and other assorted taxes and fees, a worker in a Class A Manhattan office building contributes something over \$4,000 per year in

revenue to the city's treasury. The costs of providing her with police and fire protection, water and sewer service, and miscellaneous other services is only several hundred dollars

**Commuting from the Suburbs by Occupation\***

<b>Occupation</b>	<i>Percent of city workers who live in:</i>	
	<b>NY City</b>	<b>Suburbs</b>
Cooks	96.4	3.6
Home Health Aides	96.1	3.9
Production Workers	82.3	17.7
Registered Nurses	79.8	20.2
Teachers	76.3	23.7
Construction Workers	65.6	34.4
Physicians & Surgeons	60.4	39.6
Lawyers	59.9	40.1
CEOs & Managers	59.2	40.8
Computer Professionals	55.9	44.1
Accountants & Auditors	53.8	46.2
Firefighters & Police	51.7	48.3
Securities & Financial Sales	49.1	50.9

\*Tabulated from Census 2000 microdata by CHPC

per year. So the net fiscal benefit to the city of 125,000 additional commuters would be on the order of \$500 million per year (in 2004 dollars). In addition, commuters' business and personal spending creates income for other city workers, who in turn pay a variety of taxes.

Not only are commuters a net benefit to the city's fiscal health, they are, in general, more beneficial than residents. Single, childless renters are the most fiscally beneficial resident type: they must earn only \$32,000 annually to contribute more to the city's fiscal balance than the equivalent commuter. Families with children, however, are relatively expensive to maintain as residents, mostly because it costs about \$4,150 of city tax revenue to support a child in public school. A family of four with two workers and two children in school needs to earn about \$90,000 to contribute as much in tax revenue as they cost in city expenditures, and needs to earn over \$135,000 to be as fiscally beneficial as a commuter. To the degree that the fiscal benefits exceed the infrastructure costs, the tax revenue can be used to improve schools and other city services.

**Social Engineering**

Suburban communities have long engaged in the social engineering of their population base. Through various zoning and regulatory measures, many have successfully limited residence to affluent households who can pay property taxes sufficient to fund the best public schools and lavish

neighborhood amenities.

Large central cities, in contrast, have been at the mercy of demographic trends they cannot control. For much of the last century, central cities grew increasingly impoverished relative to their suburbs, the quality of public services deteriorated, and firms followed their employees to the suburbs. The most tragic consequence of that vicious cycle was the economic and social isolation of millions of poor people in impoverished urban ghettos.

In recent years, rising housing prices and the gentrification of some neighborhoods have created a misimpression that New York is becoming a city only for the wealthy. The data, however, contradict that impression and suggest that the familiar central city-suburban imbalance persists. For example, in 1989, 23.9 percent of city households had incomes

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### NYC and Suburban Households by Income Quintile\*

	1989		1999	
	NY City	Suburbs	NY City	Suburbs
Top Quintile	23.9	40.5	21.1	35.1
2nd Quintile	17.7	20.9	17.5	21.1
3rd Quintile	17.9	15.3	19.6	18.6
4th Quintile	16.8	12.1	17.8	14.3
Low Quintile	23.6	11.1	25.8	12.9

\* Suburbs include 27 counties in New York, New Jersey, Pennsylvania and Connecticut; income Quintiles based on Census Bureau estimates of current dollar income for all US Households.

among the top 20 percent of all households nationally, a surprisingly small percentage given the high cost of living and the apparent concentration of wealthy households in Manhattan. On Long Island, almost half of all households were in the top income quintile and in Northern New Jersey, about 39 percent were. By 1999, the proportion of city households earning in the top quintile of American households fell to 21 percent, while the proportion earning in the top two quintiles fell to 38.5 percent.

It is lower-income groups that are most over-represented in New York City. In 1999, about 26 percent of city households fell into the lowest income quintile of American households, and that percentage was up from 1989. Relative to the rest of America, New York got poorer during the 1990s. The city's income profile improved compared to its regional surroundings, but only by a little. In 1999, the city had 49.2 percent of the region's low-income families, compared to 50.5 percent ten years earlier. Conversely, it had only 22.4 percent of the region's highest quintile families, a share virtually unchanged over the decade.

As New York City and its communities contemplate large-scale development plans that will profoundly affect its future character, it might do well to consider how they will promote a stable fiscal equilibrium with its surrounding areas and help to deconcentrate regional poverty. While exclusionary policies would be repugnant to most New Yorkers, the type and location of development the city encourages, and the mix of housing and business uses it promotes, can also affect the social makeup of the city.

The city's development strategies for Lower Manhattan, the Far West Side, and other areas will directly affect the income profile of the city's population. If the city's current plans for a major expansion of office building inventory, coupled with a modest expansion of high- and middle-income housing opportunities are realized, the city's growth pattern will be affected in predictable ways. More affluent families will reside in the city, and because the commercial development will be disproportionate to the residential development, gentrification of certain neighborhoods will be encouraged and the proportion of commuters in the city's workforce will increase. The fiscal balance of the city will be improved, but there will be greater pressure on housing prices and more low- and moderate-income families will be forced to seek housing in the informal sector.

If, on the other hand, the city scales back its proposed commercial expansion in favor of more residential development, there will be less pressure on housing prices and less gentrification of mixed neighborhoods. There will be relatively fewer commuters, because there would be fewer jobs in the city. There will probably be positive fiscal effects, but less so than with a heavily commercial development strategy. A greater share of Manhattan's workforce residing in the city might also help to anchor businesses here.

Both the heavily commercial and the primarily residential development strategies have advantages and drawbacks. Unfortunately, neither explicitly addresses the 300,000 or so jobless individuals in the city's most distressed neighborhoods. If they could be drawn into the mainstream labor market, it would ameliorate economic inequities, have beneficial fiscal effects, and lessen the need for further population growth and infrastructure capacity.

A development strategy that emphasizes job creation would seem to offer the best hope for reducing long-term underemployment. The record suggests, however, that job creation alone is not sufficient to pull marginalized people back into the labor force. A truly visionary plan would not only address the infrastructure needs of the city, but would incorporate a strategy for its human and workforce development as well. ♦ -- *This article was written by Frank Braconi and Paul Stern*