



POLICY BRIEF #4 - DECEMBER 2025

New York's Housing Affordability Crisis

What's land got to do with it?

Ibrahima Dramé, Ph.D.



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- Henry George
New York, 1883

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Executive Summary

New York City faces a severe housing affordability crisis, with 55% of households rent-burdened and homelessness at record highs. While conventional solutions focus on increasing housing supply through zoning reforms and tax incentives, evidence suggests that these measures fail to curb rising costs because they overlook the root cause: land price inflation. This brief argues for policies that capture land value for public benefit, such as a land value tax (LVT) and Cambridge-style zoning reforms, to stabilize prices and ensure affordability.

Introduction

Housing affordability has become a growing socioeconomic and public policy concern in the United States, affecting millions of households nationwide. The situation is particularly acute in large metro areas like New York City, where housing costs have far outpaced wage growth, leaving many residents struggling to find a decent home and fueling unprecedented levels of homelessness.

The median rent-to-household income in New York City is the highest in the United States. According to some estimates, 55% or 1,196,100 households were rent-burdened¹ in 2021. A third of New York households, overwhelmingly low-income tenants, are severely rent-burdened, meaning they are unable to meet basic expenses such as food, medical care, and other vital necessities after paying their rent.

The cost of housing has become so daunting over the last decade that 25% of residents polled by a recent Quinnipiac University poll considered affordable housing as the most urgent issue facing the city, on par with crime. Many New Yorkers may continue to be

priced out of their preferred neighborhoods without a substantial increase in the supply of affordable housing units for low- and moderate-income households.²

A 2015 report by New York City's housing department warns of the foreseeable consequences of these trends:

"If current trends continue, it is likely that, over time, some neighborhoods that are more economically diverse today will have fewer low- and moderate income households in the future and the number of very-low income households will rise in the areas that already have high concentrations of poverty. In short, the city's neighborhoods will become even less economically diverse as the population sorts by socioeconomic status."³

From a public policy perspective, New York's housing affordability crisis has been generally approached as a supply problem. City officials believe (and this is reflected in the policies they champion), that, despite an influx of new residents fueled by the city's impressive economic growth, the supply of housing has not evolved quickly enough to accommodate demand pressures. As a result of this discrepancy, fierce competition among residents has pushed rents upward, substantially outpacing wage growth, and thus creating a situation where many residents are locked out of the housing market.³

The standard explanation offered by mainstream housing policy analysts is that exclusionary zoning ordinances combined with cumbersome administrative processes have put a hold on the supply of new units. For proponents of this thesis, government interference is to blame for the imbalance. Their solution? - Remove or relax zoning restrictions, "fast track" and streamline the building permit delivery process, and watch a building boom take place! In other words, given the correct incentives, market forces would balance supply and

1. NYC Department of Housing Preservation and Development (2015) Mandatory Inclusionary Housing: Promoting Economically Diverse Neighborhoods. Retrieved from: https://www.nyc.gov/assets/planning/downloads/pdf/our-work/plans/citywide/mandatory-inclusionary-housing/mih_report.pdf

2. The Cost of living in New York: Housing. Report 17-2024 at p.10. Retrieved from: <https://www.osc.ny.gov/files/reports/osdc/pdf/report-17-2024.pdf>

3. Guerrieri, Veronica, Daniel Hartley, and Erik Hurst (2013) "Endogenous Gentrification and Housing Price Dynamics" Journal of Public Economics, Vol. 100, April 2013.

demand and offer every New Yorker a decent place to call home at a price they could afford. One of the mechanisms behind this is what urban economists call “filtering,” a market-driven process via which affluent households move to new and higher-end housing, making their older units affordable to middle-class and lower-income families. It’s the trickle-down version of housing, grounded in the assumption that policies benefiting the wealthy will eventually trickle down to middle- and working-class households.

This narrative has gained traction and is dominating public policy. At both state and city levels, policymakers have increasingly prioritized zoning reform as the preferred tool to stimulate more housing construction, in addition to other traditional tools such as rent regulation and subsidies to create affordability.

However, a closer examination suggests that there is another mechanism at work, which mainstream explanations and the policies they inspire often overlook. Data from cities that implemented zoning reforms and increased their housing supply does not offer empirical validation for the theory that simply increasing supply would lead to affordability. Studies in global cities like Vancouver, London and Sydney all show that increasing density to build more units does not necessarily drive down the cost of housing. Instead, it attracts more wealthy buyers, many of whom are corporate investors seeking lucrative investment opportunities.

In this policy brief, we argue that land prices are the leading cause of New York’s housing crisis, and that the rising housing costs are actually driven by land price inflation. Public policy not only fails to recognize the connection between affordability and land prices, but some of its favored solutions—such as tax incentives for developers and zoning reform to increase density—have the unintended effect of raising land rents, which worsens the affordability crisis. To address the problem, New York needs

a system to capture and redirect land values for public benefit. This could be achieved by adopting a property tax reform that shifts the property tax from buildings to land like the Al Smith Law of 1920 or by utilizing zoning laws and other tools to capture increases in land values to improve affordability.

New York City’s housing crisis in numbers

Among the most significant challenges facing New York City’s economy is the availability of housing that its average resident can afford. Despite decades-long efforts to address the problem, the grim reality is that affordable housing construction in New York City and its suburbs has lagged far behind that of other major cities in the United States.

Since the 2008 financial crisis, New York City’s housing stock has increased by only 4%, which is insufficient to keep pace with its 22% increase in jobs. Between 2017 to 2021, the city issued permits for 13 homes for every 1,000 residents on average, a target far below that of comparatively smaller cities like Seattle and Washington, D.C., which added, respectively, 67 and 43 permits per 1,000 residents. This includes multifamily housing which represents nearly 60% of the city’s total housing stock. The slow pace of construction is not limited to New York City proper; it also extends to its suburbs. For example, Nassau County and Suffolk County have permitted just 5 and 3 homes per 1,000 residents, respectively, during the same period. In contrast, the Washington, D.C. suburbs of Arlington County and Loudoun County added 45 and 40 homes per 1,000 residents, respectively. Yet even these numbers understate the magnitude of the problem. Existing data shows that the undersupply is more severe at the lower end of the market and in areas where economic opportunities are concentrated.

The persistent supply shortage, combined with soaring demand, has pushed the cost of housing

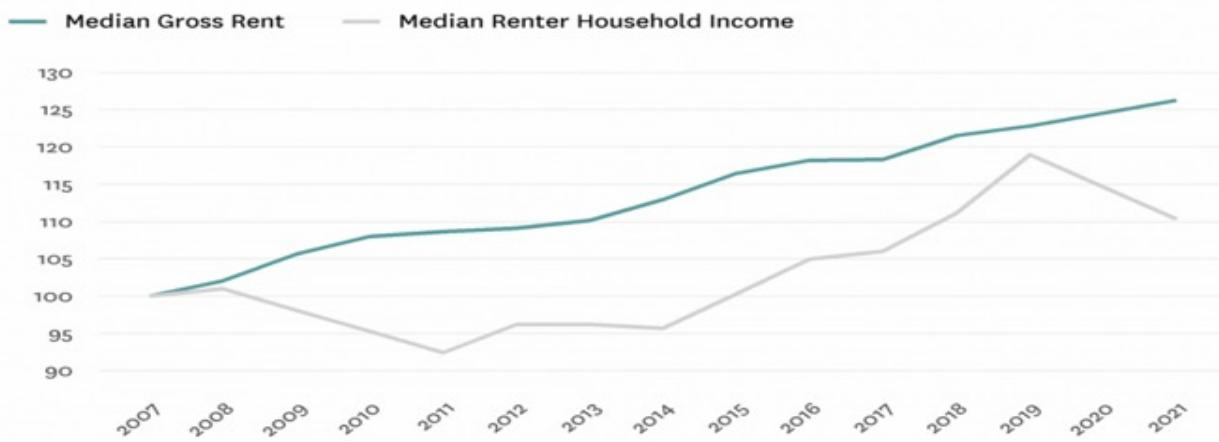


Fig.1: Index of Real Median Gross Rent and Real Median Renter Household Income in New York City

Source: American Community Survey, NYU Furman Center

out of reach for many, particularly for low- and moderate-income families. Furthermore, while housing costs have been rising continuously since the end of the 2008 financial crisis, wage growth has not followed a similar trend. There has been a persistent discrepancy between incomes and rents, a situation that has worsened during and after the COVID-19 pandemic.

According to the Comptroller's office, median "asking rent" on apartments available for leasing rose to a record high in 2023 and remained at \$3,500 per month citywide, that is \$42,000 per year. At this level, a household would need to earn \$140,000 or more to not be considered rent-burdened. This is nearly double the median household income in NYC in 2022.⁴

It therefore comes as no surprise that the number of rent-burdened households, meaning those who spend 30% or more of their income on rent, has been skyrocketing in New York City. In 2021, over 1 million households, or 53% of residents, were considered rent-burdened, excluding those living in public housing. Approximately 60% of this group

was considered severely rent-burdened, meaning they spent over half of their income on rent. As the largest borough by population, Brooklyn had the highest rent burden, affecting 323,136 households. In every borough, severely rent-burdened households outnumbered moderately rent-burdened households, spending between 30 and 50% of their income on rent.

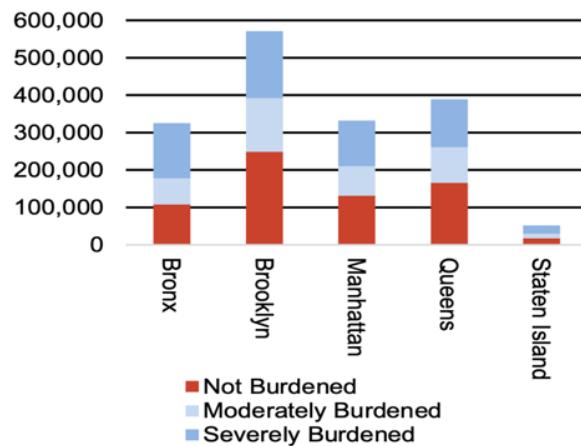


Fig. 2: Rent Burden by Borough in 2021 (Public housing not included)

Sources: U.S. Census Bureau, New York City Housing and Vacancy Survey, 2021; OSC analysis

4. [Spotlight – New York City's Rental Housing Market, January 17, 2024 Issue](#). [Spotlight – New York City's Rental Housing Market, January 17, 2024 Issue](#).

Along with the growing housing insecurity, homelessness has been rising consistently, reaching in recent years levels reminiscent of the Great Depression. In January 2023, it is estimated that 1.1% of New York City's residents were homeless, which is five times the national average. According to the Coalition for the Homeless, in November 2023, there were 92,824 homeless people, including 33,365 children, sleeping each night in New York City's main municipal shelter system.⁵ The latest figures indicate a substantial jump with over 120,500 people residing in the City's shelter system.⁶ Studies have shown that the primary cause of homelessness, particularly among families, is the lack of affordable housing. Surveys of homeless families have identified eviction, doubled-up or severely overcrowded housing, domestic violence, job loss, and hazardous housing conditions as immediate triggering causes of homelessness.⁷ Early research also established a link between homelessness among single adults and a higher rate of serious mental illness, addiction disorders, and other severe health problems.⁸

The affordability crisis affects not only renters but also prospective buyers. Data gathered by StreetEasy, a technology company that provides information on real estate listings in the New York Metropolitan area, shows that the median sales price for homes sold in 2023 was \$764,000, down about 2% from a record high of \$782,000 in 2022 but back up to \$785,000 in early 2024.⁹

In addition to the supply shock caused by a chronic shortfall of new housing development discussed above, the rise in mortgage rates over the past two years has created a phenomenon that economists call "the lock-in effect." That is, many homeowners who might otherwise be inclined to sell are reluctant to give up the exceptionally low mortgage rate that they locked in while rates were low, or to sell at prices they perceive may be lower given prospective buyers' higher rates. With more people deciding to stay put instead of moving to a new home, the result has been a general freeze in supply. A recent report from economists at the Federal Housing Agency found that the lock-in effect alone resulted in approximately 1.3 million fewer home sales in the U.S. between the spring of 2022 and the end of 2023.¹⁰

Yet, some analysts warn against a simplistic understanding of the supply shortage argument as the sole factor behind the problem.¹¹ While they agree that the City's population and household size have evolved over the past six decades, it has managed to build a substantial number of housing units. According to them, New York does not have a shortage of housing; it has a shortage of affordable housing because it has primarily built expensive units that are out of reach for the average resident. At the same time, the existing stock of affordable units has been decreasing, including the nearly 120,000 rent-regulated housing units lost in NYC between 2019 and 2022.

5. [New York City Homelessness – The Basic facts, The Coalition for the Homeless. Retrieved from: \[https://www.coalitionforthehomeless.org/wp-content/uploads/2024/01/NYC-Homelessness-Fact-Sheet-11-2023_citations.pdf\]\(https://www.coalitionforthehomeless.org/wp-content/uploads/2024/01/NYC-Homelessness-Fact-Sheet-11-2023_citations.pdf\)](https://www.coalitionforthehomeless.org/wp-content/uploads/2024/01/NYC-Homelessness-Fact-Sheet-11-2023_citations.pdf)
6. [Ibid. Retrieved from: <https://www.coalitionforthehomeless.org/>](https://www.coalitionforthehomeless.org/)
7. [NYC Independent Budget Office, "The Rising Number of Homeless Families in NYC, 2002-2012," New York, NY, 2014. In the same vein, see J. M. Quigley and S. Raphael, "The Economics of Homelessness: The Evidence from North America," European Journal of Housing Policy, vol. 1, no. 3, pp. 323-336, 2001.](https://www.nyib.org/reports/the-rising-number-of-homeless-families-in-nyc-2002-2012)
8. [M. Burt and B. Cohen, "Differences among Homeless Single Women, Women with Children, and Single Men," Social Problems, vol. 36, no. 5, pp. 508-524, 1989.](https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3125433/)
9. [Spotlight: New York City's Homeowner's Market, March 12, 2024 Issue. Retrieved from: <https://www.comptroller.nyc.gov/reports/spotlight-new-york-citys-homeowner-housing-market/>](https://www.comptroller.nyc.gov/reports/spotlight-new-york-citys-homeowner-housing-market/)
10. [Ross M. Batzer, Jonah R. Coste, William M. Doerner, and Michael J. Seiler \(2024\) "The Lock-in effect of rising mortgages". Retrieved from: <https://www.fhfa.gov/sites/default/files/2024-08/wp2403.pdf>](https://www.fhfa.gov/sites/default/files/2024-08/wp2403.pdf)
11. [See "Is a Housing "Shortage" Really the Cause of Unaffordability? May 13, 2024. Retrieved from: <https://www.villagepreservation.org/campaign-update/is-a-housing-shortage-really-the-cause-of-unaffordability/>](https://www.villagepreservation.org/campaign-update/is-a-housing-shortage-really-the-cause-of-unaffordability/)

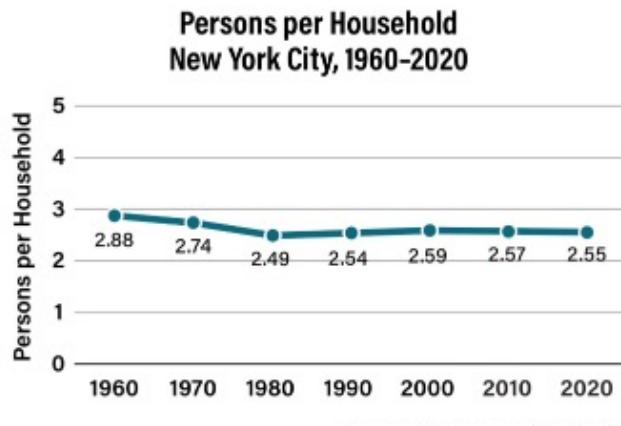


Fig. 3a: Household size in New York City and the bottom chart

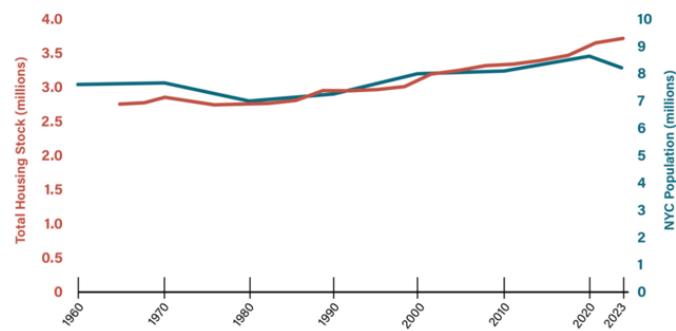


Fig. 3b: Housing vacancy in New York City

White House senior economist Jared Bernstein has echoed this argument in a recent article,¹² where he argued that the housing market has a ROI problem, stemming from the inability of developers to make good returns on their investment if they were to build affordable units. In other words, market conditions are such that developers cannot make money unless they build expensive housing. The wage-rent gap discussed above would explain this situation, and the higher this gap, the harder it is for developers to make projects viable without demanding unaffordable rent from median-income earners or requiring government subsidies to make the project profitable and worth undertaking.

What's in the City's housing policy tool kit?

Faced with a mounting crisis, state and city officials have responded with a range of measures to stem the rising tide of housing costs. Many of these measures are tax incentives with the declared goal of increasing the supply of housing. Others are demand-side policies aimed at extending financial support to homebuyers, while others are geared toward controlling and stabilizing rents.

• Tax incentives for developers

For a long time until its expiration in 2022, the 421a Tax Abatement has been New York State's signature program for stimulating the growth of residential properties in New York City. It has undergone several changes since its inception in 1970.

To take advantage of the tax break under the 421a program, also known as Affordable New York, developers had to make a certain percentage of units "affordable" to people and families at different levels of income. Affordable, in this case, meant that rent should not exceed 30 percent of a household's income. Developers have employed various methods to implement the program. However, the most common approach was to keep about a third of apartments in a building affordable for people making 130 percent of the "area median income" or AMI — a complex metric calculated by the federal government and used by housing officials. Its proponents, which include developers and politicians across the political spectrum, believed the 421a to be one of the main reasons why any developer would build rental properties in a city like New York, where housing is among the most expensive in the world.

12. Greg McKenna "Solving America's housing crisis means fixing the 'ROI problem,' says White House economist" Fortune, October 5, 2024v Issue. Retrieved from: https://finance.yahoo.com/news/solving-america-housing-crisis-means-120000857.html?_gl=1*1u700*1697111111*1697111111*1697111111 Greg McKenna "Solving America's housing crisis means fixing the 'ROI problem,' says White House economist" Fortune, October 5, 2024v Issue. Retrieved from: https://finance.yahoo.com/news/solving-america-housing-crisis-means-120000857.html?_gl=1*1u700*1697111111*1697111111*1697111111

The tax benefits offered by the 421a come in three different options.

Options & Requirements

A

- 25% of the units must be affordable
- At least 10% at up to 40% of the area median income (AMI)
- 10% may be at up to 60% of AMI
- Remainder at up to 130% of AMI
- The developer may not receive public subsidies other than tax-exempt bond proceeds and 4% tax credits.

B

- 30% of the units must be affordable
- At least 10% at up to 70% of AMI
- Remainder at up to 130% of AMI

C

- 30% of the units must be affordable at up to 130% of AMI.
- The developer may not receive any public subsidies.
- The project cannot be located south of 96th Street in Manhattan or in any other area established by local law.

Fig.4a: The options of 421a

In practice, developers largely favored Option C, primarily because it enabled them to create income-restricted units at prices often comparable to those of market-rate developments in the area. This highlights the fact that Option C catered to middle-class and moderate-income households, rather than the lowest-income households, who are most vulnerable to housing instability.

Overall, the program has been highly controversial, with critics arguing that it benefited developers at the expense of taxpayers and tenants. According to New York University's Furman Center, when the 421a

was first implemented in 1970, typical New Yorkers spent about 20 percent of their income on rent; by the time it expired in 2022, that number had increased to closer to 35 percent.¹³ A more recent study by economists at the Community Service Society notes that the 421a has not helped the lowest-income New Yorkers. Instead, the program mainly benefited white and highly educated households whose incomes are in the top 25% of New York City's residents.¹⁴

The study also explains a vicious cycle by which the 421a contributes to its own existence by driving up the aggregate cost of development. It starts with landowners charging more for their parcels, knowing that developers have access to tax incentives granted under the 421a. When developers pay more for the parcel, they also take on more debt, which is then passed on to tenants in the form of higher rent or increased purchase prices.¹⁵ Ultimately, a program intended to create mixed-income housing did so at a premium for renters, ultimately benefiting landlords.

The tax incentives - Affordability Paradox



Fig.4b: The 421a's self-justifying loop

13. Samuel Stein, Debipriya Chatterjee "421a at 50: Unaffordable New York" (March 2022). Retrieved from: https://smhttp-ssl-58547.nexcesscdn.net/nycess/images/uploads/pubs/Unaffordable_NY_FINAL2.pdf

14. Ibid, page 9

15. Ibid (The 421a at 50) at page 18

However, the most controversial aspect of the 421a was that, when adjusted for inflation, the \$22 billion worth of lost tax revenues could have been used to address NYCHA's budgetary gap, provide enough vouchers to cover every homeless household, or subsidize the construction of 160,000 units of deeply affordable housing.¹⁶ The numerous shortcomings of the 421a finally led to its repeal by the state legislature in June 2022. Its replacement, the 485x, introduced stricter eligibility criteria and improved affordability requirements compared to its predecessor.

•Rent Regulation

Rent regulations in New York come in two forms. Rent control laws were adopted in response to the post-war housing shortage and generally apply to structures built before 1947. Rent stabilization laws, on the other hand, apply to buildings constructed between 1947 and 1974. Rent stabilization also applies to apartments removed from rent control and buildings that receive tax benefits, such as those under the 421a program. These measures are designed to protect tenants in privately owned buildings from abusive rent increases and unfair evictions, while allowing owners to maintain their properties and earn a reasonable return on their investment. The Rent Guidelines Board oversees rent increases for rent-stabilized apartments. Rent control shares many of the key features of rent stabilization; however, it sets a maximum base rent for each apartment, allowing for increases only when certain conditions are met.

The Housing Stability and Tenant Protection Act (HSTPA) of 2019 made significant changes to rent regulation laws, including the removal of high-rent and high-income deregulation, the elimination of vacancy allowances, and the repeal of the sunset provision, making rent regulation permanent. Proponents of rent regulation highlight its role in protecting tenants, promoting affordability and

stability, and reducing inequality. Arguments against it focus on potential negative economic impacts, including decreased housing turnover, reduced new development, and lower housing quality. Overall, rent stabilization and rent control are complex systems with ongoing debates surrounding their effectiveness and fairness. While they offer crucial protections for tenants, there is evidence to suggest that they also reduce rent mobility and discourage investments in new housing development. One example that is often cited to illustrate the harms of rent control is a comparison of the twin cities of St. Paul and Minneapolis¹⁷ in Minnesota. When St. Paul adopted strict rent control regulations, housing starts went down by 48%. At the same time, Minneapolis, where rent control was not in effect, saw its rent remain flat by eliminating its exclusionary zoning regulations. Rent regulation may help current low-income tenants and those who inherit their apartments. Still, in the long term, it causes supply to shrink and investment to dry up, which worsens affordability for everyone else.¹⁸

•Demand subsidies

Demand subsidies have been one of the most common devices used by the City to promote residential capitalism. This is typically achieved through tax credits, subsidized mortgages, and down payment assistance programs that help potential buyers afford a home. While the stated goal of such subsidies is to encourage homeownership, they can also have negative impacts on affordability when they are not combined with matching supply-side policies, that is, policies aimed at supporting or stimulating the construction of new homes. The equilibrium is difficult to reach because housing differs from other goods and services due to certain specific characteristics, such as lengthy construction times. Building homes can take years, particularly when factoring in planning, financing, and construction.

16. [Ibid \(The 421a at 50\)](#)

17. [Bill Lindeke "Housing construction in Minneapolis and St. Paul is tanking as new year begins" Minnpost, January 27, 2025 Issue. Retrieved from:https://www.mnpost.com/cityscape/2025/01/housing-construction-in-minneapolis-and-st-paul-is-tanking-as-new-year-begins/](https://www.mnpost.com/cityscape/2025/01/housing-construction-in-minneapolis-and-st-paul-is-tanking-as-new-year-begins/)

Other constraints are natural and primarily related to the fact that land is a finite and inelastic resource. The scarcity of land, especially in high-demand urban areas, limits new housing developments. Additionally, regulatory obstacles such as zoning laws, building codes, and environmental reviews often delay or prevent new projects, reducing the market's ability to respond quickly to increased demand. The combination of these factors can lead to a relatively inelastic housing supply, where supply doesn't rise in lockstep with demand, causing price volatility and long-term affordability problems.

•Zoning reform

The link between restrictive zoning practices and housing scarcity has long been established in academic literature. A 2002 study¹⁹ by Gyourko and Glaeser found that for most of the US, construction costs and sale prices for housing do not differ dramatically. However, in urban areas such as New York City, they observed that stricter land use and exclusionary zoning controls may be responsible for higher prices. Additional studies by the same authors²⁰, along with most of the urban literature, find that land use regulations tend to increase property values and function as a regulatory tax, acting as a barrier to housing development. This suggests that relaxing zoning rules unlocks supply and generates affordability.

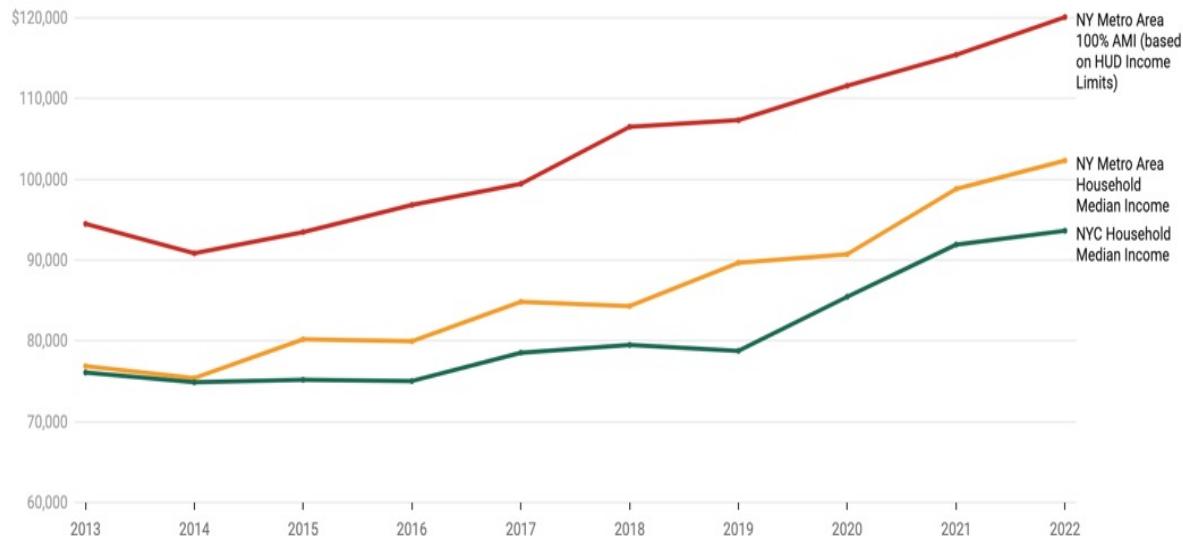
As New York City continued to grapple with soaring housing costs despite state-sponsored tax incentives such as the 421a, authorities began to look into zoning reform as an additional tool to boost its housing stock. In 2014, Mayor Bill de Blasio introduced Housing New York, a ten-year

plan designed to increase the city's housing supply. This was followed in March 2016 by an amendment to the city's Zoning Resolution and the adoption of mandatory inclusionary housing (MIH), which allows the city to require affordable housing units when a developer builds new market-rate units in designated areas of the city.²¹ Until 2016, inclusionary zoning in New York was voluntary (VIH), meaning that developers were incentivized via a density bonus in exchange for providing affordable units. There were no designated areas, and developers were under no obligation to commit if they believed, for any reason, that the project's economics did not pencil out. Once a developer accepts the density bonus, the requirement to provide below-market-rate units can be met by either building new units or preserving or rehabilitating existing units on the site receiving the bonus or on another nearby site. In comparison to the VIH, the 2016 MIH represents a substantial shift in both terms of requirements and ambition.

The MIH, for example, applies to new residential developments, enlargements of existing residential buildings, and conversions of non-residential buildings to residential use within designated areas. However, projects with 10 or fewer units or less than 12,500 square feet of residential floor area are exempt. This restriction could potentially incentivize the construction of projects with fewer than 10 units, thereby defeating the purpose of the measure. Nearly a decade after its enactment, the overall policy impact of the MIH in terms of delivering affordability has been mixed. Critics argue that the Area Median Income (AMI) requirements are too high and unrealistic. Some call it a convoluted and increasingly disconnected metric that contributes

18. Alexander Haberman, Max Raskin “ How New York can get out of its rent control mess” City Journal, March 11, 2025 Issue. Retrieved from: <https://www.city-journal.org/article/new-york-city-rent-control-apartments-landlords>
19. Glaeser, Edward L. and Joseph Gyourko. "The Impact Of Building Restrictions On Housing Affordability," FRB New York - Economic Policy Review, 2003, v9(2,Jun), 21-39. Retrieved from: <https://nber.org/papers/w8835>
20. Edward L. Glaeser, Joseph Gyourko, and Raven Saks. "Why is Manhattan So Expensive? Regulation and the Rise in House Prices" NBER Working Paper No. 10124 November 2003 JEL No. R0. Retrieved from: https://www.nber.org/system/files/working_papers/w10124/w10124.pdf
21. NYC Department of Housing Preservation and Development (2016) Mandatory Inclusionary Housing. Retrieved from: <https://www.nyc.gov/content/planning/pages/our-work/plans/citywide/mandatory-inclusionary-housing>

100% AMI versus median household income for a three-person household, 2013-2022



All figures are reported in 2022 constant dollars. HUD values are 100% AMI for a 3-person household. NY Metro Area 100% AMI reflects the [HUD-defined Income Limits](#) for the NY Metro Fair Market Rent Area, which includes New York City as well as Westchester, Rockland, and Putnam counties.

Chart: Association for Neighborhood and Housing Development (ANHD) • Source: [American Community Survey PUMS 1-Year Estimates, 2010-2019](#) • Get the data • Created with [Datawrapper](#)

Fig.5: AMI vs average incomes

to equally disconnected and inequitable housing policies.²² In high-rent areas, such as New York, for example, the figure is based on market-rate rents rather than actual family incomes.²³ As a result, what might sound like a low AMI and relatively affordable unit is often entirely out of reach for the low-income households that genuinely need it. Over the last ten years, AMI has consistently been approximately \$20,000 higher than New York City's actual median income. For example, in 2022, the 100% AMI for a three-person household is \$120,100, which is 28% greater than New York City's real household median income. This distortion reflects what New Yorkers have known for many years – what is presented as “affordable” housing is not affordable to those who truly need it.



22. [Internicola, Sarah & Block, Lucy \(2022\), New York City's AMI Problem, and the Housing We Actually Need](#). Retrieved from: <https://anh.org/report/new-york-cities-ami-problem-and-housing-we-actually-need/>

23. [For more information on HUD income limits calculations, visit \[huduser.gov/portal/datasets/il.html\]\(https://huduser.gov/portal/datasets/il.html\)](#)

	Options	Affordable Floor Area Required +5% when off-site	Weighted Average of Income Bands	Limitations
Option 1 or Option 2 will always be made available	Option 1	25% of residential floor area	60% Area Median Income (AMI) or lower	No more than 3 income bands 10% floor area at 40% AMI No income band above 130% AMI
	Option 2	30% of residential floor area	80% AMI or lower	No more than 3 income bands No income band above 130% AMI
Options 3 and/or Option 4 may be made available	Option 3	20% of residential floor area	40% AMI or lower	No more than 3 income bands No income band above 130% AMI No public funding without HPD approval
	Option 4	30% of residential floor area	115% AMI or lower	No more than 4 income bands 5% floor area at 70% AMI, 5% floor area at 90% AMI No income band above 135% AMI No public funding Not available in Manhattan south of 96th Street
Available when eligible	Affordable Housing Fund Option	-	-	Available for projects that do not exceed 25 dwelling units and 25,000 square feet Amount paid must be comparable to the cost of providing affordable floor area in the same Community District

Fig.6: New York City's Mandatory Inclusionary Housing Table

Source: NYC Department of Housing Preservation and Development

Other studies have shown that upzoning can lead to different outcomes depending on the neighborhood impacted. One possibility is that the market does not respond at all to zoning changes that add density, reflecting an underlying lack of development interest in the neighborhood. This outcome is more likely in low-income communities. Other possibilities include speculative investment, where developers take advantage of loopholes in the property tax code (which typically taxes buildings at a higher rate than land) and choose to purchase land, letting it sit vacant and undeveloped, waiting for the market to catch up with potential future development under new zoning rules.²⁴ This could lead to higher per-unit property values and rents after development, potentially causing gentrification and displacement.

In New York, particularly, critics have noted that in areas where developers were allowed to upzone, the density bonus was not worth its cost, suggesting that building activity would not take place without government subsidies.²⁵ In areas where developers are willing to take advantage of upzoning due to favorable market conditions, they often face strong opposition from tenants, homeowners, and local politicians, who frequently succeed in fighting off rezonings.²⁶ These and other factors may explain why New York's 2016 Mandatory Inclusionary Housing ordinance has underdelivered in terms of both diversity and affordability.

24. [Freemark, Yonah \(2023\). Zoning Change: Upzoning, Downzonings and Their Impacts on Residential Construction, Housing Costs and Neighborhood Demographics. Journal of Planning Literature, Vol 1, 2023](#)
25. [Kober, Eric \(2020\). De Blasio's Mandatory Inclusionary Housing Program: What Is Wrong, and How It Can Be Made Right," The Manhattan Institute, January 2020, 9.](#)
26. [Capps, Kryston \(2021\). Where New York City's Affordable Housing Push Fell Short, Bloomberg, December 16, 2021. Retrieved from: <https://www.bloomberg.com/news/articles/2021-12-16/why-mandatory-inclusionary-housing-flopped-in-nyc>](#)

The latest effort spearheaded by Mayor Adams is a program called City of Yes for Housing Opportunity, which the City Council adopted on December 4, 2024. The general idea behind this initiative is to amend zoning rules to allow for the construction of a modest amount of housing in every neighborhood. City of Yes for Housing Opportunity is expected to enable the creation of 82,000 homes over the next 15 years. Key components of the initiative include the construction of “Accessory dwelling units” (ADUs), such as backyard cottages, garage conversions, and basement apartments, as well as the conversion of commercial buildings for residential use. City of Yes also re-legalizes, under certain conditions, modestly sized, transit-oriented apartment buildings in low-density residential districts. Rules that mandated off-street parking along with new housing, even where it’s not needed, were also rolled back, removing an additional burden on developers.

If the evidence from cities that have implemented upzoning teaches us any lessons, it is that housing does not become affordable simply by relaxing zoning ordinances to enable more density, unless it is combined with specifically tailored affordability requirements that link average rents to average wages. In suburban Boston, for example, upzoning has contributed to increased house prices and a lower rate of housing production during times of regional house price appreciation.²⁷ As Professor Patrick Condon has demonstrated in his book *Broken City*, inclusionary zoning tends to increase land rents. Some cities in the United States have redesigned zoning ordinances to capture a portion of the land rent by requiring that a percentage of units in new developments be allocated to moderate- to low-income households.

The Missing Tool – Collecting land rents for public use

What we’ve discussed in previous sections shows that there is more to housing prices and rent inflation than the popular narrative would suggest; that is, New York City is not building homes fast enough to accommodate demand pressures. There is a scarcity problem, but it is primarily a scarcity of land, which in turn pushes land prices past the point where capital to build more units could be deployed without demanding government subsidies. And those subsidies, whether they come in the form of tax abatements like the 421a or its latest iteration, the 485x, or zoning reform, have not succeeded in making housing affordable.

The question policy makers should therefore be asking is what should be done to control the inexorable rise in land rents to generate affordability rather than relying on tax abatements and expansive zoning reform that have the unintended effect of inflating land prices. Fortunately, this can be done by creatively using the tools of zoning reform, as cities like Cambridge, Massachusetts, have demonstrated.

A Tale of Two Cities: Vancouver, Canada vs. Cambridge, Massachusetts

Between 1970 and 2020, Vancouver’s housing stock tripled, primarily through the relaxation of zoning rules to add density to already built-up areas. During the same period, the city’s population increased by only 70%.²⁸ No other major city in North America came close during the same period in terms of producing more housing units. Not New York City, which increased its housing stock by only 30 percent over the same period, or Los Angeles and San Francisco, which saw only modest gains.

27. [Jenny Schuetz, Rachel Meltzer, Vicky Bean “Silver bullet of Trojan Horse? The Effects of Inclusionary Zoning on Local Housing Markets](#)
28. [Patrick Condon, Why is Vancouver so Insanely Expensive? Maclean’s, January 16, 2025 Issue. Retrieved from: https://macleans.ca/economy/whv-canadas-housing-crisis-is-not-just-a-supply-and-demand-problem/](#)

Yet despite increased density, Vancouver is the least affordable city in North America, with the average cost of a house hovering around \$1.3 million. The city that's added the most homes is now the least affordable, and its most vulnerable residents can't afford the homes they need. This paradox defies and explains away mainstream narratives based on the supply shortage argument. Why have rents and home prices remained so high in Vancouver despite its housing supply outpacing population growth? Because the problem isn't just about how much housing we build. It's also about the cost of the land beneath it. The more density a city allows, the more lucrative its land becomes for those in the business of buying and selling urban property. And those speculative gains do not trickle down to renters or homebuyers. Instead, they end up lining the overstuffed pockets of landowners and developers.

The solution to what can be called the “Vancouver paradox” may be found in another North American city, namely Cambridge, Massachusetts, where the city leveraged zoning reform to stimulate housing production while maintaining affordability. To achieve this, city officials adopted a zoning ordinance, the Affordable Housing Overlay (AHO), in 2020, which authorizes a doubling of allowable density anywhere in the city, provided that 100 percent of the housing units are permanently affordable. The new zoning scheme does not rescind or replace the already existing one. Instead, it creates an optional overlay zoning that allows developers to double current density limits and bypass other restrictions, such as parking requirements, in exchange for permanent affordability. In other words, developers are free to do business as usual. Still, if they wish to enjoy the zoning bonus available under the AHO, they must make all units permanently

affordable, that is, housing that aligns with local wages. In 2023, the City Council passed a set of new amendments to the AHO, allowing a steeper increase in density and height in densely populated areas of the city. How did the AHO affect the rate of housing production and affordability? According to Cambridge city officials, the rate of affordable housing development jumped from 40 units per year to an average of 200 units per year under the AHO.²⁹

What can cities like New York learn from Vancouver and Cambridge? One key lesson is that increasing supply without ensuring broad affordability doesn't necessarily lower housing costs. Another lesson is that zoning reform is a powerful tool for cities to creatively address the core issue behind the affordability crisis: land rents. When density is doubled through zoning reform, landowners expect that developers can sell more units and earn bigger profits, so they raise land prices accordingly. By requiring that any development based on the AHO must align with residents' income, local authorities in Cambridge send a strong signal to land markets that there is a cap on the profit that can be extracted from development. This, in turn, discourages speculation, stabilizes or lowers land prices, and makes development cheaper, ultimately leading to more affordable housing.

In New York, upzoning has not been implemented citywide, but instead targeted to specific areas, and the affordability requirements are far less stringent compared to those in Cambridge. For context, affordability should mean spending no more than 30% of one's income on housing, as defined by HUD. However, with a median household income of \$79,713, the affordable threshold for the average New Yorker is closer to \$2,000 monthly—that is, less than half of what the market demands.³⁰

29. [Laurel M. Shugart and Olivia W. Zheng, Cambridge's Landmark Affordable Housing Policy, Explained. Retrieved from: https://www.thecrimson.com/article/2024/2/13/cambridge-affordable-housing-policy-explained](https://www.thecrimson.com/article/2024/2/13/cambridge-affordable-housing-policy-explained)

30. [NYC Department of Housing Preservation and Development, “New York City’s Vacancy Rate Reaches Historic Low of 1.4 Percent, Demanding Urgent Action & New Affordable Housing.” February 2024](https://www.hud.gov/sites/documents/2024/02/13/affordable-housing-in-new-york-city) [NYC Department of Housing Preservation and Development, “New York City’s Vacancy Rate Reaches Historic Low of 1.4 Percent, Demanding Urgent Action & New Affordable Housing.” February 2024](https://www.hud.gov/sites/documents/2024/02/13/affordable-housing-in-new-york-city)

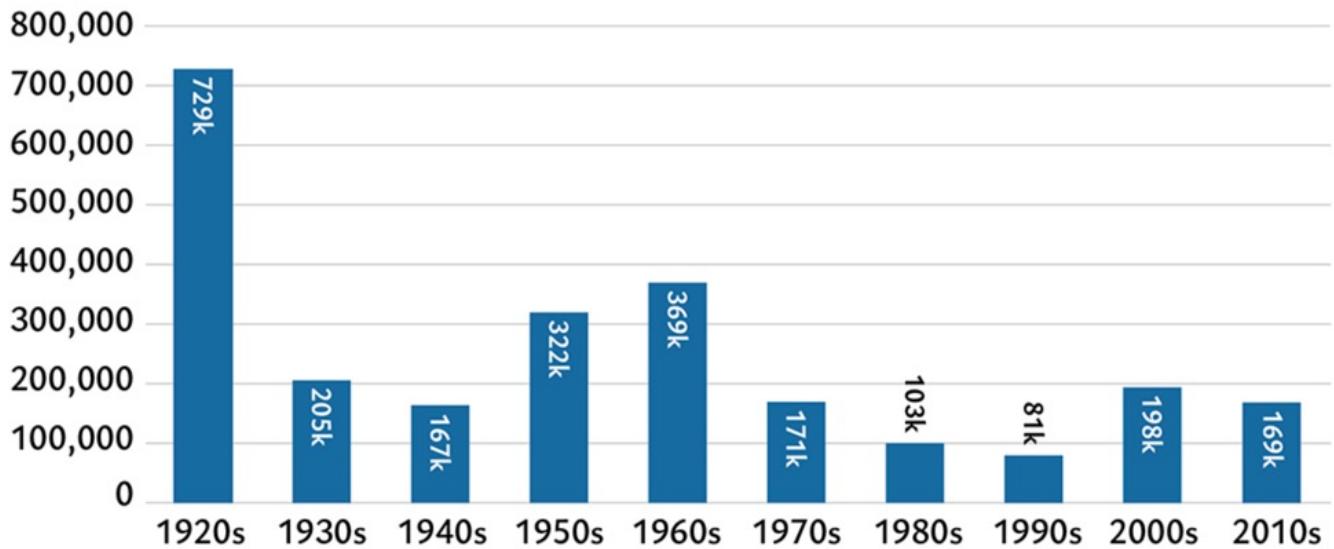


Fig 4: New Housing Production by Decade
Source: NYC Department of Planning, 2019

The Al Smith Land Tax of 1920: Should New York look into its past for solutions?

This is not the first time New York has faced a housing crisis of this magnitude. Back in the 1920s, the city experienced a severe housing crisis, stemming from World War I, a population boom fueled by a thriving economy, and a slowdown in new construction. This led to soaring rents, overcrowding, mass evictions, sparking tenant activism, and rent strikes, resulting in the passage of the first rent control laws in the United States. How did New York solve its housing crisis in the 1920s?

Throughout the 1910s, New York City had been experiencing a cost-of-living crisis in many ways similar to what it is experiencing today, which was choking the city's growth and well-being for many

of its residents. The problem was so severe that then-Governor Al Smith called a special session of the state legislature to find a way to help the city. Almost immediately, the Manhattan Single Tax club and other Georgist organizations jumped into action, petitioning for Smith to have the city's property tax changed to exempt new housing construction. The result, commonly referred to as the "Al Smith Law," did exactly that, shifting taxes off buildings onto land values between 1921 and 1931.

The law effectively functioned as anticipated. By lifting the tax burden on the building and placing it on the land beneath it, it incentivized development activity which led to a significant housing boom in New York City. During that decade, over 740,000 new housing units were built. Furthermore, as Mason Gaffney points out, Georgist thought and activism had prompted NYC assessors to up-value land in the tax base and down-value improvements by recognizing depreciation and obsolescence.³¹

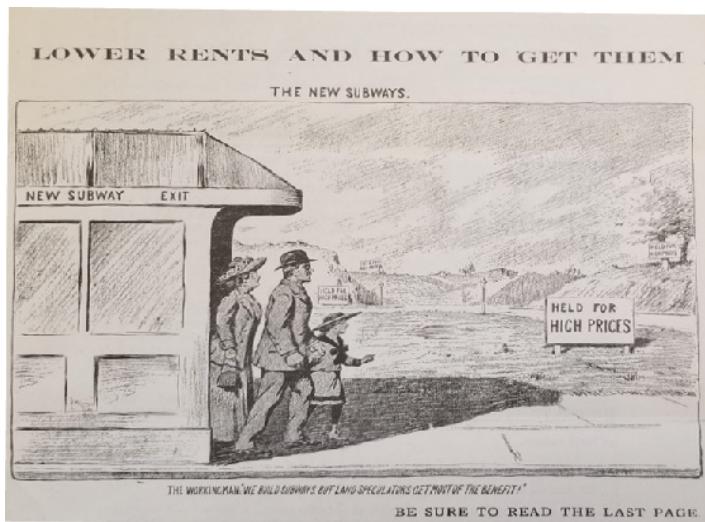
31. [Mason, Gaffney \(2001\) The Resurgence of New York City After 1920 - Al Smith's 1920 Tax Reform Law and its Aftermath](#)

According to the 1960 report by the Citizens Housing & Planning Council (CHPC), “The tax exemption law thawed the building freeze almost overnight. It attracted mortgage capital. It brought acres and acres of unused and underdeveloped land into use. ... It ended the acute shortage of dwellings in three years.”

What New York experienced after the passage of the Al Smith Law suggests that boosting supply can help alleviate a tight housing market. But its most crucial lesson resides in the method, that is, how this outcome was achieved. By untaxing buildings and taxing the land beneath them, the law stimulated housing construction efforts while simultaneously penalizing land speculation, thereby bringing more land into use. In a global city like New York, where demand for housing is elastic, simply adding supply does not warrant affordability. Some additional mechanism must be in place to discourage speculation. This can be achieved by enacting adequate zoning reforms that align rents with wages, like the city of Cambridge in Massachusetts did, or by adopting a land value tax similar to the Al Smith Law of the 1920s, which spurred the most significant building boom in New York City’s history.

Conclusion

In cities like New York, land prices far exceed the cost of construction. Therefore, any sensible policy aimed at making housing affordable must address the land issue, and this is not currently the case. To make housing affordable, New York City needs to operate a fundamental shift in its policy. Housing affordability is not simply a matter of supply and demand in the abstract; it’s about who controls and benefits from the value of urban land. While zoning reform for density holds the potential to increase the supply of homes, experience shows that it only creates affordability when coupled with requirements targeted at residents’ incomes. Zoning reform is a prerogative that the city already has and does not require the involvement of state authority or a constitutional amendment. It is also less susceptible to judicial challenges than adopting a full-fledged land value tax. Zoning reform should therefore be considered as the first line of defense to control the exponential growth and privatization of land rents, following the example of Cambridge, Massachusetts. Alongside upzoning and as a long-term goal, New York policymakers should consider taxing land values and use the revenue generated to build cooperative housing, support the development of community land trusts (CLTs), and other non-market models that make housing less sensitive to speculative pressures. A land value tax could eliminate land speculation while simultaneously encouraging more construction. It is a public policy device with a proven record of releasing more land for development while at the same time stimulating the erection of buildings.



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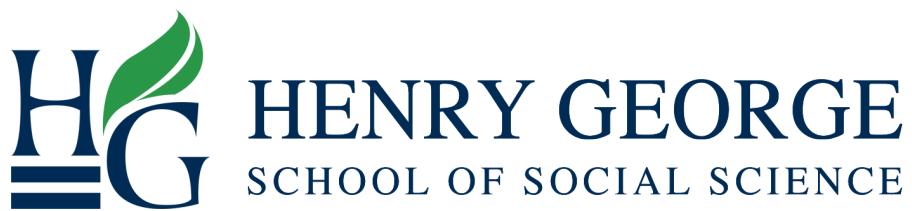
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