Lessons on Reinventing New York: How the NYC Housing Partnership's New Homes Program Can Inform Hotel-to-Housing Conversions

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I. The NYC Housing Partnership's New Homes Program[1]

Overview

The NYC Housing Partnership's New Homes Program helped NYC reinvent itself during a critical period. Following the 1970s, a decade of declining population, plummeting home values, and accelerated urban decay, the program created over 13,000 homes, primarily in disinvested neighborhoods. The new units helped stabilize neighborhoods and increase the value of surrounding properties. Now, NYC faces a new crisis defined by a dearth of affordable housing and economic challenges exacerbated by the COVID-19 pandemic, but it does not have the same stock of city-owned, vacant buildings and land that it had decades ago. Accordingly, as tourism and business travel have substantially declined, converting defunct hotels into affordable and/or supportive housing appears to be a new means of increasing residential stock for rent-burdened and unsheltered populations by leveraging currently unoccupied commercial establishments.

To be sure, the New Homes Program and hotel-to-housing conversions initially appear to be unrelated. The former emphasized scattered-site development of new, one- to three-family owner-occupied housing stock on vacant lots while the latter seeks to create large residential developments by repurposing distressed commercial properties. Moreover, while there may be instances in which hotel-to-housing conversions are appropriate policy interventions, they are not a panacea for NYC's affordable housing crisis and are unlikely to have as substantial of an impact on housing production for a targeted population as the New Homes Program had. Despite these differences, the programs share significant policy and ideological similarities that policymakers can draw upon regarding the role that housing policy can play in a city's reinvention during a transitional period.

The New Homes Program Introduction

The problems that plagued New York City in the 1970s are well documented. It was an era when a tangle of socioeconomic tragedies created the perception of a city in an irreversible tailspin. The 1970s were the decade that NYC nearly went bankrupt[2] in 1975; a time in which 1,600 stores were looted during the blackout[3] of 1977; and a period when the number of murders grew by 50% between 1970 and 1979.[4] These and other stories are often repeated to demonstrate the enormity of the challenges that NYC faced in the years surrounding its financial crisis. Analyzing the full scope of these difficulties and the factors that contributed to the City's recovery are beyond this article's scope. Instead, this paper reviews existing research to see how a housing initiative, the NYC Housing Partnership's New Homes Program, was able to help stabilize a changing City.

Waves of fires and abandoned property that accompanied NYC's socioeconomic struggles in the 1970s literally changed the City's housing landscape. As the number of manufacturing jobs in NYC plummeted,[5] the City's poverty rate jumped from 14.5% in 1969 to 20.2% in 1979.[6] Similarly, the unemployment rate went from being equal to the national average in 1970 to 3 points higher by 1979.[7] As the economy worsened, white flight intensified,[8] and violent crime spiked, NYC's population dropped by over 800,000 residents from 1970 - 1979.[9] As a result, the number of unoccupied housing units in the City skyrocketed. Between 21,000 - 50,000 apartments were abandoned annually from 1970 – 1975.[10] Relatedly, from 1974 - 1980 the home values of homeowners who did remain continued to drop in every borough except Manhattan, especially low-income areas like the South Bronx where homes lost between a quarter and a third of their value.[11] Most alarmingly, fires devastated especially economically vulnerable regions of the City. After 50 fire companies were shuttered or moved due to budget constraints, seven (of 289) census tracts in the Bronx lost more than 97% of their buildings to fire and abandonment between 1970 and 1980.[12] Another 44% lost more than half.[13] As the City and its tax base seemingly fled, they left behind a trail of ashen blocks, abandoned buildings, and vacant lots.

It is worth noting that the effects of these trends were particularly harmful to NYC's Black and Latino residents. Fires and abandonment were concentrated[14] in neighborhoods predominantly occupied by residents of color in the Bronx and Brooklyn.[15] These boroughs also featured high levels of concentrated poverty. Over the course of the 1970s, the poverty rate in Brooklyn and the Bronx increased by eight and six percentage points respectively.[16] Troublingly, the initial reaction of some policymakers was to effectively write off many disinvested neighborhoods to 'planned shrinkage.' Rather than trying to redevelop blighted areas overwhelmingly populated by poor people of color, locations viewed as irreparable would be replaced, as among the options, with industrial parks. In calling out the thinly-veiled racial implications of planned shrinkage, Congressman Charles Rangel argued that if these areas "were not inhabited by people of color, the planners would have the ingenious creativity to think of other approaches to our problems."[17]

Due to a combination of political will, timing, and economic foresight, a creative solution was ultimately designed by an unlikely alliance of business leaders and policymakers in the NYC Department of Housing Preservation and Development (HPD). The NYC Housing Partnership launched the New Homes Program which sought to leverage the vacant land resulting as blocks emptied out to build homes for middle-income families as a means of attracting and retaining residents who could drive economic recovery. The New Homes Program ultimately achieved its goal – it helped economically revitalize NYC by building new, middle-income housing, especially in distressed neighborhoods. Now, as policymakers navigate dual crises of affordability and the COVID-19 pandemic, they can use the New Homes Program to inform another housing venture seen as a potential recovery engine – converting distressed hotels into housing.

NYC Housing Partnership and New Homes Program Background

NYC policymakers entered the 1980s with a clear political incentive to act aggressively on housing issues. The combination of tracts devastated by fire and properties deserted by departing residents pushed NYC to take ownership of vacant land and around 100,000 units in abandoned and semi-occupied buildings.[18] Furthermore, a 1981 consent decree from a 1979 lawsuit established NYC's right to shelter policy cementing a central focus on housing early on in the Koch mayoral administration.[19] Effectively, housing policy became a central focus in the drive to address urban blight, concentrated poverty, and population decline.

The City's business community also had reasons for getting involved in housing policy. Many corporate leaders, including David Rockefeller who later launched the NYC Housing Partnership, had economic interests in the City that were threatened by the declining population. Additionally, neighborhoods beset by abandoned units and vacant land lacked the consumer base or infrastructure for retail or industrial buildings, making residential housing an attractive option. Finally, strong immigration combined with a steadily growing middle-class composed largely of recent immigrants and Black and Latino households presented an economic opportunity. As the City's economy rebounded, the number of middle-income households steadily increased, eventually jumping from 658,040 to 1,041,925 between 1980 - 1990[20] despite the increasing number of white families leaving NYC.[21] Black and Latino households saw especially notable median household income gains (33.8% and 27.3%, respectively, from 1980 - 1990).[22] As a result, starting in the early 1980s, there was increasing demand for homeownership from a growing number of middle-class families, particularly households of color, who might depart NYC without the availability of new affordable housing.

This combination of factors converged with other political and economic developments that paved the way for a housing-focused public-private partnership in NYC. While the Reagan administration cut Federal subsidies that were historically available to help cities with housing assistance,[23] New York State and NYC's economy steadily improved to the point that the City could put its own resources towards housing programs. In 1982, NYC opened $14 million in its capital budget to street and sewer work for single-family homes while the City and State agreed to direct over $500 million in surplus revenues to housing production.[24] In the same year, David Rockefeller convened NYC business leaders to announce the NYC Housing Partnership, a nonprofit corporation which would endeavor to "bring together the resources of the private sector – together with appropriate resources and regulatory streamlining by the City, State, and Federal governments – to further the development, ownership, and rehabilitation of housing for middle-income residents of New York."[25] This directly aligned with Mayor Koch's desire to use homeownership as a means of retaining middle-class families in the City[26] thus facilitating a symbiotic relationship between NYC's public and private sectors with a common goal of developing affordable housing for middle-class homebuyers.

The NYC Housing Partnership's early years were turbulent as the organization defined its scope, identified funding, hired staff, and established its relationship with HPD. Over time, stakeholders determined the organization could maximize its impact by leveraging public resources to spark private development of owner-occupied one- to three-family homes for middle-income families (earning $32,000 -$75,000 annually)[27] via a 'New Homes Program.' As described, via *in rem* tax foreclosure, the City had taken ownership of a glut of vacant parcels and around 100,000 derelict housing units.[28] HPD agreed to select and sell vacant lots to the NYC Housing Partnership for a nominal cost of $500 per lot.[29] The agency would then facilitate the development of new homes by expediting agency approvals and coordinating subsidies of $10,000 per unit (i.e. $20,000 for a duplex) in City funding and, eventually, an additional $15,000 per unit in the State Affordable Housing Corporation funding (the State subsidy initially came from a federal HUD grant). In exchange, the NYC Housing Partnership would select builders (subject to ratification by HPD), help arrange private financing, oversee preliminary site planning (which was finalized by HPD), determine market feasibility, and contract with community sponsors for neighborhood support and marketing.[30] Homes would then be sold on a first-come-first-served basis or by lottery to buyers meeting the program's financial criteria. Essentially, the public sector primed the pump and the NYC Housing Partnership galvanized the private sector to develop otherwise unused land into housing that could stave off another population exodus.

Perhaps the most critical contribution of the NYC Housing Partnership was its ability to serve as an intermediary between the private and public sectors. The changing landscape of federal subsidy programs in the 1980s meant that the development of affordable housing by nonprofit sponsors required philanthropic seed money followed by construction financing from a combination of sources including government subsidies, banks, and private equity.[31] Moreover, the "institutional presence of nonprofit intermediaries gives banks, investors, and developers confidence that public commitments will survive changes in elected administrations."[32] In sum, packaging and administering layered, multi-sourced financing while attracting qualified home builders and dedicated investors to participate in the New Homes Program became a central role of the NYC Housing Partnership – a role a nonprofit intermediary may well play again to facilitate hotel-to-housing conversions.

Solving Programmatic Challenges

As the NYC Housing Partnership took shape it was clear that it would not be a Robert Moses-type large-scale development project. Instead, the New Homes Program would primarily focus on building homes (typically on sites with fewer than 100 units) on City-owned land in distressed neighborhoods. This infill development strategy was ultimately a boon as it enabled the New Homes Program to adapt projects to the characteristics of specific neighborhoods. That said, in the early years, the approach entailed a range of challenges. By mid-1986, the NYC Housing Partnership had only completed six small projects comprising 171 units.[33]

Some of the challenges were to be expected from a newly incorporated organization. The NYC Housing Partnership had to staff up, locate office space, become officially established as a nonprofit, and secure funding for a range of functions. Other difficulties were particular to the New Homes Program's model. The initiative emphasized development in low- and middle-income communities, many of which had been deeply impacted by the socioeconomic crises of the previous decade. This required identifying developers willing to take on what some perceived as risky investments (often informed by racially-tinted biases). In turn, building in disinvested neighborhoods also required building trust among residents who were leery of what private development would entail. Community sponsors – neighborhood-based and often church-affiliated organizations – were needed to help shepherd projects by assisting with site selection, planning and board approvals, and promoting and marketing projects.[34] These community-based collaborations enabled the NYC Housing Partnership to build sufficient trust to develop in disinvested areas.

Beyond the community-facing aspect of the program, the New Homes Program's success also required resolving debates between HPD and the NYC Housing Partnership. While HPD was faced with addressing myriad housing issues, ranging from homelessness to alleviating conditions in 'rat trap' rental apartments, the New Homes Program was laser-focused on developing housing for middle-income homeowners. Since HPD owned the sites on which the New Homes Program relied, the NYC Housing Partnership wanted 'good sites' with a high chance of selling so the organization could use profits to cross-subsidize 'weaker' sites.[35] However, policymakers had a range of competing development interests (parks, schools, etc.) for which sites had to be considered. This frustrated NYC Housing Partnership staff who felt they were being given suboptimal parcels. The tension bled into larger debates over who 'owned' the New Homes Program – the Partnership, or the City? The former argued that, without their contributions as an intermediary, the City would be incapable of securing the financing and developers to build homes in economically vulnerable neighborhoods. The latter countered that, without virtually free, City-owned parcels and public subsidies, the New Homes Program would not exist in the first place. Moreover, the City had the final say on decisions regarding site placement, developers, and project financing.[36] Despite the different perspectives, shared self-interest ultimately enabled the New Homes Program to persevere. The challenges of having to compromise and share credit and control is a reminder of the difficulties facing public-private partnerships developing new housing programs (one that stakeholders will likely face if converting hotels to housing). Fortunately, a windfall of political and economic support helped smooth over internal disagreements.

Inclusion in the Ten-Year Plan for Housing

The New Homes Program ultimately achieved its goals due to its nexus to the City's Ten-Year Plan for Housing (Ten-Year Plan). In response to the City's ongoing housing challenges, Mayor Koch announced the Ten-Year Plan in his 1985 State of the City speech. The plan initially called for a "five-year $4.4 billion program to build or rehabilitate around 100,000 housing units for middle-class, working poor and low-income families and individuals."[37] Three years later the timeline was expanded to ten years, with an increased goal of 253,000 housing units and a financial commitment of $5.1 billion (using a combination of municipal capital funding, money from the Housing Development Corporation, and funds from the World Trade Center to finance bonds).[38] The Ten-Year Plan's scope was far greater than any single initiative. It called for building and repairing large swaths of rental and owner-occupied units and was primarily focused on low-income and/or homeless families. While the plan was overwhelmingly focused on housing low-income renters and homeowners, it did call for 30,000 units to serve families earning over $24,000.[39] The inclusion of middle-class households in the housing-focused initiative helped secure the political and financial support the New Homes Program needed to grow into a critical piece of the City's housing policy.

This infusion of resources led to the implementation of over 100 housing-related programs by dozens of government agencies, for-profit developers, community groups, and financial institutions. The scale of the plan was unprecedented for a municipal government. By the late 1980s and early 1990s, NYC's capital housing budget was three times larger than the next 32 most populous cities *combined*.[40] By 2003, the Ten-Year Plan's programs had created over 34,000 affordable units through new construction, gut rehabilitated nearly 49,000 affordable units, and provided renovation subsidies to another 125,000 units.[41] These figures include 16,800 new owner-occupied homes of which over 13,000 were developed by the New Homes Program.[42] That one program accounted for the overwhelming portion of newly-built owner-occupied housing demonstrates that, while the New Homes Program was only one part of an enormous effort, it had a dominant role in its focus area.

The New Homes Program's inclusion in the Ten-Year Plan made the program a key instrument of fulfilling the City's housing policy goals. Like the overall Ten-Year Plan, the New Homes Program emphasized development in the geographic areas that were devastated by fires and abandonment in the 1970s. Three-quarters of New Homes Program units were built in the Bronx and Brooklyn[43] while 50% of housing units built or rehabilitated by the Ten-Year Plan were located in 10 community districts in the south Bronx, Harlem, and central Brooklyn.[44] Moreover, partly in response to criticism that Ten-Year Plan programs hired few Black and Latino contractors,[45] the NYC Housing Partnership helped the City address a moral and political failure. The NYC Housing Partnership and HPD partnered to create the Neighborhood Builders Program, which endeavored to hire local contractors for New Homes Program projects. This entailed providing financial, marketing, legal, and other services to help local contracting firms take on the development function as well, thus directing public and private funds to M/WBE-owned enterprises in the neighborhoods where the New Homes Program operated. A 1994 evaluation found that 12 M/WBE-owned Neighborhood Builder-funded projects built 807 housing units with private and public financing totaling $92.4 million.[46] The gulf between the total number of New Homes Program-developed homes and those constructed by Neighborhood Builders suggests that one program was insufficient to fully address a systemic lack of investment in local contracting firms. That said, the inclusion of local partners represented a legitimate, yet atypical, attempt to give M/WBE institutions the support they needed to take a leading role in community development.

Similar programs baked into the Ten-Year Plan also made significant contributions to NYC's owner-occupied housing goals. Particularly, the Nehemiah Program, a project run by a coalition of Brooklyn and Bronx-based churches, built nearly 3,000 homes on City-owned land between the early 1980s and 2001.[47] The Nehemiah Program differed substantially from the New Homes Program. The latter emphasized small-scale, infill development while the former focused on bigger projects (500 - 1,000 units) on large tracts of vacant land that were sold to households earning less than New Homes Program buyers (average annual household incomes between $27,000 - $31,000 as opposed to a target income $32,000 - $75,000).[48] Both programs offer lessons regarding how housing can bolster economic recovery, but the infill nature of the New Homes Program makes it a more apt program for policymakers to study for hotel conversions now that the vast, horizontal vacant lots the Nehemiah Program built on are largely developed.

Crucially, the Ten-Year Plan, and its targeted New Homes Program, sought to leverage housing as a transformative force in disinvested neighborhoods. A brief written by HPD in 1989 stated, "we're creating more than just apartments – we're recreating neighborhoods. We're revitalizing parts of the City that over the past two decades have been decimated by disinvestment, abandonment, and arson."[49] Similarly, in reflecting on the New Homes Program in 1998, former NYC Housing Partnership President Kathryn Wylde wrote that community-based, public-private housing partnerships can be the "the primary agent for the transition of neighborhood economies toward greater self-sufficiency."[50] The New Homes Program benefited HPD because, since it targeted higher-income households than the Ten-Year Plan, it required relatively low per-unit subsidies. It was also an investment opportunity for private partners seeking to leverage underutilized land. Beyond that, comments like these underscore an ideological connection that formed an integral link between the larger Ten-Year Plan and the targeted New Homes Program. The bond between a popular initiative and its flagship middle-class owner-occupied housing development project made the New Homes Program a model capable of surviving through multiple mayoral and gubernatorial administrations. Those underpinnings also make it a program worth exploring as the City once again searches for ways to use housing as an instrument of socioeconomic transformation.

New Homes Program Outcomes

The NYC Housing Partnership has evolved over time so this paper focuses on outcomes from the period when the New Homes Program generally operated as a part of the Ten-Year Plan. The New Homes Program's effect on NYC can be separated into direct programmatic outcomes and broader socioeconomic impact on neighborhoods. To the former, the program increased housing production, generated economic activity, and reduced vacant land and blight which contributed to increased property values in low-income neighborhoods. The program was also a rejuvenating force in disinvested areas. While these contributions were critical, especially as the City recovered from the traumas of the 1970s, neither the New Homes Program nor the Ten-Year Plan, fully resolved all of the City's housing needs. While the New Homes Program's limitations have become clearer in the wake of the City's affordability crisis, it should be evaluated for what it was – a targeted initiative focused on building middle-income housing.

From the mid-1980s - the early 2000s, the New Homes Program helped develop over 13,000 units[51] (specifically, as of June 1997, 13,521 homes were completed, under construction, or had bank commitments).[52] Projects were overwhelmingly composed of one- to three-family homes but some were much larger. For example, one Harlem project, 'Towers on the Park,' was a 600 condominium effort. Notably, over three-quarters of project financing came from private equity and uninsured bank loans.[53] The private funding simultaneously helped the City save on construction costs while cutting down on vacant land that the City had to manage (similarly, the Ten-Year Plan overall reduced the number of *in rem* units the City was managing which occupied a significant portion of HPD's budget).[54] From 1985 - 1996, the number of vacant lots in NYC declined by 21% with the largest drop seen in community districts – primarily in the Bronx, Brooklyn, and Manhattan – where the highest levels of new City-funded construction occurred.[55] Beyond producing new homes, the program also spurred economic growth. A cost-benefit analysis of the New Homes Program found that "every $1 of City investment resulted in a long-term economic benefit of $12.46, including incremental-tax revenues, infrastructure improvements, and the purchase of goods and services triggered by home building and sales."[56] In short, the program helped the City reduce construction and land maintenance costs while helping to generate new income sources.

In keeping with the Ten-Year Plan's goal of assisting areas that had been most impacted by the socioeconomic hardships of the 1970s, the Ten-Year Plan and New Homes Program were particularly beneficial to the City's lower-middle and middle-income residents, especially residents of color. Between 1984 - 1994, property values in the City's lowest income neighborhoods, which had declined in the 1970s, jumped by as much as 300.[57] Moreover, the NYU Furman Center found that the prices of homes located within 500 feet of a Ten-Year Plan unit rose relative to a comparable home in the same census tract.[58] Specifically, from 1987 - 1996, a neighborhood with an average infusion of renter- and owner-oriented Ten-Year Plan units (approximately 2,500) experienced an increase in median estimated home values of about $10,000, with the largest increase occurring in the south Bronx.[59] While the New Homes Program generally sold homes to buyers with annual incomes between $32,000 - $75,000 via a first-come-first-served basis or via lottery, to ensure that at least some lower-income homebuyers were included, the New Homes Program reserved units for lower-income families in certain cases. For example, the average price of Towers on the Park condominiums was $98,000 but lower-income homebuyers qualified for homes as low as $50,000.[60] Finally, valid concerns that newly-built homes would be snapped up by high-income white families are largely assuaged by homebuyers' demographic profiles. As of 1997, 47% of New Homes Program buyers were Black, 30% were Latino, 11% were Asian, 10% were white, and 2% came from other demographic backgrounds.[61]

Beyond benefitting New Homes Program buyers, HPD, and the NYC Housing Partnership, there is evidence suggesting that the initiative contributed to the neighborhood revitalization hypothesis, "that government housing programs, especially working in partnership with community-based nonprofit organizations, constitute a critical ingredient in the physical and economic rejuvenation of poor urban neighborhoods."[62] An NYU Furman Center study on the impact of City-subsidized home construction found that New Homes and Nehemiah Programs units helped boost surrounding house values. In 1980, the prices of homes located within 500 feet of a future New Homes or Nehemiah Program unit were 43% lower on average than the mean home price across the 34 community districts with at least one New Homes Program or Nehemiah unit, suggesting that these units were concentrated in especially impoverished areas of low-income neighborhoods.[63] That disparity dropped to 23.8% by 1999. The impact was especially stark for large projects. Houses within 500 feet of 100 or more New Homes Program units saw a 15.8 percentage point price increase relative to a comparable property in the Zip code within one year of completion.[64] This research provides empirical evidence that suggests the valuable economic effect of New Homes Program developments, especially large projects, spilled over to the surrounding area and contributed to neighborhood renewal.

The actual mechanism for why and how City-subsidized, privately developed homes improved the economic fortunes of their neighbors has not been sorted out. However, researchers identify the removal of derelict, vacant homes, in-migration of higher-income families, or the positive effect that increased homeownership has on community involvement as possible explanations for the positive externality.[65] Similarly, an analysis of the overall Ten-Year Plan found that larger influxes of Ten-Year Plan-related units correlated with substantial reductions in blighted property and an increase in property values.[66] Regardless of the reason, evidence suggests that the New Homes Program was part of a remarkable turnaround in disinvested neighborhoods. Communities that once could have reasonably considered themselves abandoned by lawmakers and business leaders now had tangible evidence that these actors had at least some vested interest in their livelihoods. More importantly, the New Homes Program gave residents an incentive to move to or remain in previously disinvested neighborhoods, thus igniting a virtuous cycle of homebuyers making an investment in a neighborhood that they may have otherwise avoided. As summarized by a member of the New Homes Program building team, "if you had told me five years ago that people would pick a lottery number and line up to buy a house from me, I would have laughed at you."[67] Over 13,000 families did buy those homes, though, and, in doing so, made a statement that they were willing to create lives in previously distressed neighborhoods.

This is not to say the New Homes Program was without limitations. While the overall Ten-Year Plan helped build and restore over 160,000 rental units citywide,[68] the New Homes Program was designed only to reach a relatively narrow group – middle-income homebuyers. The program-built homes and increased property values for its target population, but it is worth noting that the majority of people in neighborhoods where the New Homes Program operated were renters.[69] Similarly, while the NYU Furman Center provided bullish evidence regarding the New Homes Program's economic impact, researchers also noted that a spike in property values may cause neighborhood rents to increase. Therefore, "for low- and moderate-income households already having difficulty paying their rents, an increase in homeownership in the community may be a mixed blessing."[70] This latter point fits into a contentious debate regarding gentrification and the potential unintended consequences of housing development, including its possible nexus to NYC's current affordability issues. Applying that debate to the New Homes Program or Ten-Year Plan is beyond this paper's scope. It is simply worth noting these limitations as a reminder that, whatever decisions policymakers make regarding hotel-to-housing conversions, the intervention will only be a single initiative with defined goals, not a solution for all of NYC's obdurate housing problems.

Ultimately, the New Homes Program did exactly what it was supposed to do – generate economic revitalization in NYC and help retain middle-income households by building middle-income housing, especially in its low-income neighborhoods. The program should be commended for its innovation and for showing the crucial role a well-coordinated government response, beyond only providing subsidies, and public-private partnerships can play in a housing policy intervention. Policymakers should therefore focus on immediate problems, including an overall lack of affordable housing. To borrow a quote from the NYU Furman Center, "the City government must figure out how to do more with less – less vacant land and fewer capital resources. The City has been proven to be a pioneer in housing policy in the past; today's challenges once again call for innovative strategies and approaches."[71] It is in that spirit that this paper turns to the lessons that the New Homes Program can have for NYC's hotel-to-housing conversion efforts.

II. NYC Hotel-To-Housing Conversions

Background

As it did in the 1970s, the City once again faces numerous socioeconomic challenges. Instead of blight, a shrinking population, and diminishing home values, today's issues are tied to limited affordable housing and changing economic conditions driven by the COVID-19 pandemic.

NYC's economy grew rapidly in the decade following the Great Recession, with the addition of 800,000 new jobs from 2009 - 2018.[72] However, over the same time period, only about 100,000 new housing units were built and rents rose by 24% on average.[73] The widening gap between available housing and the growing population has contributed to an ongoing housing affordability crisis. By 2018, over 24% of NYC renters were moderately rent-burdened (i.e. spending 30% - 50% of their income on rent).[74] Rising rent has hit low-income residents especially hard. In 2018, 69% of renters earning less than 30% of the area median income were severely rent-burdened (i.e. spending over 50% of their income on rent).[75] The dearth of affordable housing has directly contributed to the growing unsheltered population, which reached its highest levels since the Great Depression.[76] Between April 2019 - March 2020, nearly 60,000 people slept in NYC shelters each night.[77] This existing affordability crisis made NYC residents particularly vulnerable to COVID-19's economic and public health shocks.

Just as fires and disorder made an already difficult economic context even more challenging in the 1970s, COVID-19 layered another crisis on top of NYC's existing issues. The pandemic has killed over 35,000 NYC residents as of December 2021.[78] Meanwhile, the City shed 11.8% of its jobs from February 2020 - April 2021.[79] As the tourism, hospitality, and retail sectors continue to lag, NYC had an unemployment rate of 9% as of November 2021 – more than double the national rate.[80] Once again, low-income residents, especially lower-income residents of color, have suffered disproportionately. Black patients are more likely to die from COVID-19[81] exacerbating neighborhood-level health disparities and mirroring gaps in other socioeconomic indicators including household income and eviction rates. For example, as of February 2021, nearly four times as many evictions were filed in the 25% of Zip Codes with the highest Covid-19 death rates than in the 25% of Zip Codes with the lowest death rates.[82] Roughly 68% of residents in the former were people of color, compared to only 29% in the least affected areas.[83]

In addition to disproportionately hitting specific demographics and neighborhoods, the pandemic has also significantly impacted certain sectors. In particular, NYC's hotel industry was crippled as tourism and business travel halted. From March 2020 - June 2021, around 200 hotels were shuttered[84] and, by April 2021, NYC hotels accumulated $1.8 billion in unpaid mortgage balances.[85] While City contracts to house healthcare workers and people experiencing homelessness bolstered otherwise moribund hotel occupancy rates for much of the pandemic, the industry is still struggling. As of October 2021, occupancy rates were at 45% compared[86] to 85% prior to the pandemic.[87] All told, as of November 2021, almost 100 hotels remain closed[88] and the Hotel Association of NYC does not expect the industry to fully recover until at least 2025.[89]

Given these challenges, converting defunct hotels into affordable and/or supportive housing for a city in need of new housing stock is a central focus at the State and City levels. In August 2021, the Housing Our Neighbors with Dignity Act (HONDA) was signed. HONDA provides up to $100 million for the State to acquire distressed hotels and commercial properties for conversion to affordable housing for people experiencing homelessness or households earning under 80% of the area median income.[90] Despite restrictions (for instance, the law requires that units have kitchens and bathrooms)[91] this funding could finance 'proof of concept' hotel-to-housing conversions. Similarly, NYC Mayor Eric Adams has proposed turning 25,000 hotel rooms into affordable and supportive housing units.[92] The Hotel Trades Council union favors the Mayor's plan, which tentatively focuses on shuttered hotels outside of Manhattan which has the most unionized hotels.[93] The consolidation of political will around a housing policy solution as a tonic for a mass of connected problems echoes calls to action that inspired the New Homes Program.

While NYC's socioeconomic tribulations are far different today than they were in the 1970s and 1980s, the clamor for bold housing policy strategies to help solve obdurate problems is familiar. While the New Homes Program was able to leverage a glut of vacant land to develop on, today the City is constrained, in part, by a paucity of plots, which further incentivizes finding new means of generating housing stock, such as repurposing closed commercial properties. The following sections unpack the opportunities and pitfalls presented by creating affordable and/or supportive housing out of defunct hotels and then outline key lessons that stakeholders can draw from the New Homes Program as they pursue hotel-to-housing conversions. These lessons may help guide policymakers as they make hard choices in a fluid, unprecedented context.

Potential Barriers to Hotel-to-Housing Conversions

The notion behind hotel-to-housing conversions is compelling given the depth of socioeconomic challenges NYC faces. With most of the City's hotel rooms empty, turning some into housing seemingly presents an opportunity to tackle the City's housing affordability and homelessness crisis in one go. Just as the New Homes Program helped tap into latent demand amongst a growing population of middle-income homebuyers by leveraging vacant land to build housing stock, hotel-to-housing conversions can help increase affordability by adding to the supply of available housing stock for low-income renters and/or the unsheltered. Moreover, given a dearth of vacant land to develop on, failed hotels seemingly present a means of using the City's existing built environment to create residential housing via infill development. However, a comprehensive brief from the NYU Furman Center suggests that, while there are situations in which converting hotels into affordable and supportive housing will be an appropriate policy intervention, the process faces substantial barriers.[94] Reviewing those hurdles demonstrates that hotel-to-housing conversions are unlikely to have the same impact on housing production for a targeted, NYC population (i.e. middle-income homebuyers v. low-income renters and/or people experiencing homelessness) as the New Homes Program had.

The following two sections review media reports and Furman Center research to convey the challenges policymakers will face in converting hotels to residences and possible remedies. Researchers identify four possibilities that can make hotels strong candidates for conversion into affordable housing: cheaper acquisition costs, lower construction costs, higher revenues, and rapid construction.[95] Each condition faces headwinds in the affordable housing context (though, as described later, barriers may be reduced for supportive housing).

Reduced acquisition costs rest on the assumption that hotel owners may eagerly offload distressed properties at a discounted price. Despite the pandemic, per-unit acquisition costs vary widely based on a number of factors including location, design, building age, workforce unionization, and an owner's willingness to sell given alternative prospects. For example, Chase Hotel Group estimates that hotel owners could currently be bought out at an average rate of $225,000 - $250,000 per room, down from approximately $300,000 per unit before the pandemic.[96] Similarly, Ted Houghton of Gateway Housing (a nonprofit organization) notes that, in 2020, converting hotels to housing would cost 50% of the $500,000 to $600,000 average per unit price for ground-up construction.[97] However, there is at least anecdotal evidence that pandemic discounts may be inconsistent or fading. For example, when Gateway Housing offered to buy a Manhattan hotel for $200,000 per room at the height of the pandemic in 2020 they were turned down for anything less than $350,000 per room.[98] Similarly, while the Royalton Hotel on West 44th street sold in September 2020 for $42 million less than its pre-pandemic valuation (a 24% drop), the Cambria Times Square Hotel (only a few blocks away on West 46th street) sold for around its pre-pandemic valuation ($88.5 million) in September 2021.[99] Separately, policy changes, including recent City Council legislation[100] requiring short-term rental hosts to register with the City may make hotels more profitable, further increasing acquisition costs. Finally, hotel conversions are likely to focus on commercial properties in largely well-performing markets where residential properties have generally returned to, or exceeded, pre-COVID prices.[101] If hotel price points continue rebounding then funds from HONDA or the American Rescue Plan (which earmarked nearly $300 million to help New York State house its unsheltered population)[102] may only be able to subsidize a handful of costly acquisitions.

Beyond the challenges of navigating complex real estate deals, the unionized nature of NYC's hotel industry could also drive up acquisition costs. Of 1,022 hotels, around 202 (overwhelmingly Manhattan-based) have unionized workforces.[103] The contract covering Hotel Trades Council workers (around 75% of unionized hotel employees) includes a provision that would grant employees 15 days of severance pay per year of service if a hotel is converted to residential use.[104] This provision thus disincentivizes the residential conversion of 20% of the City's hotels. Accordingly, if owners hold out for tourism to rebound, alternative commercial buyers acquire the space, or other factors make residential conversions prohibitively expensive, it may be challenging to identify conversions that make economic sense.

It is also intuitive to assume that construction costs for converting hotels into housing would be lower than typical renovation costs. After all, hotel rooms are designed for sleeping. However, zoning and land use issues erect barriers that would likely inflate construction costs. For example, at the City level, density regulations limit how many apartments may be included in a building's envelope meaning hotels with smaller rooms would need to combine multiple rooms to create larger apartments.[105] Moreover, statutes governing residential conversions could limit the number of eligible hotels and drive up costs at suitable hotels. For example, Article I, Chapter 5 of the NYC Zoning Resolution permits non-residential buildings to convert to residential buildings while conforming to permissive rules regarding light, air, and open space.[106] However, there are a number of caveats to this process. Specifically, converted hotels could not be in a manufacturing zone, the mechanism is limited to 12 of the City's 59 community districts (a swath from downtown Manhattan to 59th street and sections of Brooklyn and Queens closest to Manhattan), and buildings need to have been constructed before 1961 (or 1977 in lower Manhattan).[107] Though these caveats would still permit approximately 25% of the City's total hotel rooms to be converted into housing, even those that can take advantage of Article I, Chapter 5 would face high construction costs. Specifically, NYC zoning laws generally require housing units to be dwelling units not rooming units, meaning, among other requirements, each unit would need to be renovated to include a kitchen.[108] City, State, and Federal regulations would also likely add to construction costs. For example, in many cases, compliance with the NYC Building Code's accessibility standards, the American with Disabilities Act, and federal Rehabilitation Act, "will require extensive renovations involving building-wide redesigns of hallways and unit layouts, as well as walls and plumbing."[109] If conforming with relevant laws requires gut renovations, the associated construction costs may be significant, if not prohibitive.

Another possibly appealing aspect of converting hotels to residential use is that their dense layouts and small units could allow for more revenue per square foot than most apartment buildings. For market-rate apartments, this would likely pencil out economically if developers were able to leverage hotel layouts to make a larger number of apartments than they would in ground-up construction, thereby earning greater rental or sales revenue than they would for many projects. Dense layouts may also help affordable housing developers stretch subsidies further, by increasing overall rental income.

Encouraging developers to convert hotels into affordable housing would still require significant financial incentives. Reducing the cost of subsidies would entail tradeoffs that diminish the overall number of affordable units that could be created in a former hotel, such as including numerous market-rate units.[110] While HONDA could cover some subsidies, this pool may only generate a small number of affordable units. For example, as of April 2021, California's Project Homekey spent nearly $1 billion to convert defunct hotels, dormitories, and commercial spaces into nearly 6,000 units for people experiencing homelessness.[111] These figures cannot be extrapolated to NYC because Project Homekey has a different regulatory framework than HONDA, let alone the vast differences between California and the City's housing markets and hotel stocks. That said, it stands to reason that $100 million will not likely be sufficient to convert enough commercial buildings to make an appreciable difference to NYC's unsheltered and/or rent-burdened populations. Turning hotels into market-rate units may increase revenue per square foot for developers and building owners but creating enough affordable units to have a transformative impact will likely require a far greater financial commitment from State and City lawmakers to cover the subsidies needed to jumpstart conversions.

Finally, the immediacy with which hotels could be leveraged to create residential units is compelling. NYC's housing crisis predates COVID. Moreover, the statewide eviction moratorium ended in January 2022, and unsheltered people are being relocated from hotels into congregate shelters, [112] inviting expeditious solutions. However, beyond the previously described barriers, the City's current regulatory framework is not generally designed to facilitate rapid development. For example, NYC's Uniform Land Use Review Procedure (ULURP) would be invoked for many hotel-to-housing conversions (for example, those located in manufacturing zones). Preparing and defending a ULURP application typically costs property owners upwards of $1 million and takes at least six months, not including the months or years spent developing an application.[113] If procedural delays, including those caused by ULURP, hinder projects to the point that currently vacant hotel rooms are once again filled by tourists, hotel-to-housing conversions may fail to come to fruition at scale. Additionally, a zoning text amendment approved by the City Council in December 2021[114] threatens to further complicate the situation. The amendment will require special permits for all new hotels, which could significantly reduce new hotel construction and yield a drop in the overall supply of citywide hotel rooms raising acquisition costs and further disincentivizing hotel-to-housing conversions. There is an impetus to convert failing hotels into residential properties while vacancy rates remain high but there are limited prospects for this process occurring rapidly.

The barriers described to this point imperil the prospects for rapidly turning a large number of hotels into affordable housing. Leveraging unused hotels to create market rate units would alleviate some financial burdens by reducing the need for subsidies. Moreover, research suggests that new market rate units can reduce rents overall by adding additional housing stock.[115] However, the new units themselves would generally be inaccessible to low- and middle-income residents who are most impacted by the City's affordability and public health crises. Therefore, just as lawmakers and business leaders focused the New Homes Program on middle-income homebuyers, it may be wise for stakeholders to emphasize a specific population, such as people experiencing homelessness, when converting defunct hotels into residential properties.

Possible Promises of Hotel-to-Housing Conversions

The previous section uses research from the NYU Furman Center to detail some of the regulatory constraints that may render hotel-to-housing conversions costly and sluggish. Yet, researchers also identified a potential workaround for some of these impediments – converting failed hotels into supportive housing. Not to be confused with homeless shelters, this rent-subsidized form of housing features on-site health and job services available to residents and is typically used as a platform for health and recovery following a period of homelessness, hospitalization, or incarceration. While legal, political, and financial considerations of hotel-to-housing conversions suggest that each project should be made on a case-by-case basis, converting buildings to supportive housing helps reduce some key impediments. Moreover, as the New Homes Program helped stabilize disinvested neighborhoods, creating additional supportive housing offers an opportunity to simultaneously aid a vulnerable population while generating spillover effects that benefit communities and the City writ large.

Many previously noted regulations do not apply to converting hotels to supportive housing because New York land use law considers these buildings to be community facilities, rather than residences. Supportive housing facilities would not be subject to density controls that cap the number of dwelling units allowed in a building and facilities would generally have more lenient yard size, parking, and light-and-air requirements than residential housing.[116] Moreover, many hotels could more readily and affordably be converted into supportive facilities because such buildings tend to emphasize shared recreational areas.[117] Among other benefits, the emphasis on communal space makes hotels' small rooms and dense layouts a boon rather than an impediment requiring expensive, time-consuming renovations. These advantages were recently displayed when the 508-room Jehovah's Witness hotel at 90 Sands Street in Brooklyn was converted into a facility comprising 300 supportive housing units and 200 below-market apartments.[118] It is worth noting that this building was designed to provide long-term shelter so minimal renovations were required by developers (HPD, the NYC Housing Development Corporation, and philanthropic backers). Furthermore, the project had to go through ULURP because the hotel at 90 Sands Street is located in a manufacturing zone.[119] Despite roadblocks, this project offers a potential model other hotels could follow when transitioning to supportive housing.

Possibly owing to the reduced administrative burden, and the City's large, vulnerable unsheltered population, Mayor Adams has made converting hotels into supportive housing a key policy objective. In September 2021, the Mayor's campaign announced a goal of building 25,000 supportive housing units in the City by about 2030,[120] primarily by leveraging hotels located outside of Manhattan (though it is worth noting that it will be challenging to hit this mark without converting at least some Manhattan hotels because approximately 43% of the City's 162,096 hotel rooms are located in Manhattan).[121] Fulfilling this objective could entail permanently converting rooms in hotels that were used as homeless shelters during the pandemic into supportive housing. To accelerate this goal, Mayor Adams' team has floated plans to create supportive housing by amending zoning laws to allow hotels to be more readily turned into "modernized" single-room occupancy (SRO) units.[122] Construction of new SROs, which historically were a housing model for low-income renters that feature shared bathrooms and kitchens, is restricted in NYC,[123] so the Mayor tentatively plans to amend the City's zoning laws to permit hotels to be turned into SROs. This process could take three - six months, and would ultimately be signed off on by the NYC Department of City Planning.[124] Other processes are available, such as a citywide text amendment but, according to Mayoral campaign staff,[125] the administration tentatively plans to facilitate the conversion of hotels into supportive housing with spot zoning, a process defined by the New York Court of Appeals as, "singling out a small parcel of land for a use classification totally different from that of the surrounding area" (*Rodgers v.* Tarrytown, 1951).[126] Rezoning specific parcels (i.e. hotels), may facilitate the rapid conversion of numerous defunct hotels into supportive housing while avoiding many regulatory burdens and prohibitive costs.

The Mayor's tentative plan is not a surefire option. According to Michael S. Hiller, a land-use attorney who successfully litigated to prevent the expansion of the Metropolitan Museum of Art further into Central Park, "Spot zoning, by definition, is illegal — period."[127] As laid out in *Rodgers v. Tarrytown*, if a spot zoning serves only to help a particular property owner without benefiting the surrounding community, then it is illegal. The existence of this precedent increases the likelihood of litigation to block Mayor Adams' plan. However, the conclusion that spot zoning is entirely illegal in New York appears to be premature. The decision in *Rodgers v. Tarrytown* states, "the relevant inquiry… is whether [the zoning in question] was accomplished for the benefit of individual owners rather than pursuant to a comprehensive plan for the general welfare of the community."[128] Effectively, rezoning a single parcel of land is not illegal simply because the property owner would benefit, as long as the spot zoning in question is part of a comprehensive plan. Therefore, according to a report by the NY Division of Local Government Services, "if the record shows that the zoning amendment seeks to accomplish valid public purposes and that 'sufficient forethought' has been given it, the comprehensive plan requirement is met, even where the zoning amendment provides distinct treatment to a relatively small parcel."[129] Accordingly, even if rezonings of particular hotels face legal challenges (which may not manifest at all), a new administration would have legal ground to stand on if they pursued a comprehensive hotel-to-housing conversion plan to address a compelling need.

A comprehensive plan to create permanent supportive housing (especially modernized SRO-style housing) for people experiencing homelessness could benefit the City economically and, as noted, offers distinct regulatory advantages. For example, NYC spends an annual average of $56,000 for each person in the shelter system, whereas it costs an annual average of $36,000 to place the same person in rent-subsidized supportive housing with on-site health and job services.[130] The potential for cost savings helps explain why, in 2016, NYC and New York State agreed to collaborate on creating 35,000 new supportive housing units statewide by 2031 (a portion of which will be added to NYC's existing, 35,000-strong supportive housing stock).[131] Additionally, NYC hotels have already been turned into SRO-style supportive housing. City rent laws allow hotels erected on or before July 1, 1969, to become rent-stabilized housing that, with minimal adjustments, can be operated as supportive housing.[132] In 1991, Breaking Ground used this loophole to convert the Times Square Hotel into 652 SRO-style supportive housing units for the recently homeless, the mentally ill, and those living with AIDS.[133] Breaking Ground is currently pursuing new hotel conversion projects that evolve on this approach with an eye towards creating supportive housing units that are roughly 250 square feet with their own bathroom, a mini-fridge, microwave or convection oven, and some sort of cooktop.[134] It is worth noting that these projects may not be classified as traditional SROs. For example, Breaking Ground does not consider its Jehovah's Witness hotel project to be SRO housing since units have kitchenettes.[135] Regardless, both the Times Square Hotel and Jehovah's Witness hotel offer examples that could inform comprehensive supportive housing strategies.

Just as the New Homes Program was co-managed by HPD and the NYC Housing Partnership, a comprehensive plan could benefit from public-private partnership. For example, the Jehovah's Witness hotel was purchased for $170 million in 2018 by Breaking Ground. While Breaking Ground sponsored a $6.7 million loan (also backed by $1.5 million from the Leviticus Fund) to finance acquisition and pre-construction costs, the overall acquisition required a $155 million loan from HPD, $2 million from NYC City Council, and a $10 million grant from Enterprise Community Partners.[136] Even though Breaking Ground is a nonprofit social services agency, this example demonstrates the broad range of partners and large, complex financial arrangements that will likely be required when acquiring hotels for conversion to affordable and/or supportive housing. If policymakers choose to pursue a comprehensive plan aiming to convert numerous hotels into supportive housing, it may be wise to identify a nonprofit intermediary (or multiple intermediaries) that could package and administer layered, multi-sourced financing while attracting qualified builders and dedicated investors to help facilitate hotel conversions.

In a larger sense, as the New Homes Program appealed to an array of actors, creating supportive housing out of defunct hotels may also generate political will by benefiting a variety of stakeholders and the City writ large. The proposal obviously appeals to people experiencing homelessness, many of whom would have increased access to permanent housing and necessary support services. This explains why many advocates for the unsheltered, including Shams Da Baron, have praised Mayor Adams' plan.[137] Moreover, as NYC steadily reopens from the COVID-19 pandemic, some members of the City's business community have pointed to a surge in street homelessness as a factor undermining economic recovery.[138] Notably, the influx in unsheltered individuals often overlaps with highly-trafficked commercial areas where hotels tend to be located. For example, from May - August 2021, the number of unsheltered people sleeping each night in eight major subway stations (including Times Square, Penn Station, and Atlantic Avenue) jumped by nearly 50 percent.[139] Vastly expanding the City's capacity to address this tragic situation by leveraging under-utilized properties that, in many cases, may become abandoned and are located in communities with large unsheltered populations, may ultimately aid the City overall by reducing its unsheltered population while benefiting commercial areas in similar ways that the New Homes Program stabilized disinvested residential neighborhoods.

To be sure, a comprehensive plan to convert closed hotels into supportive housing would face legal scrutiny, pushback, and tradeoffs. Renovation and construction costs may be reduced in some cases, but substantially higher government subsidies will almost certainly be required to facilitate sufficient conversions to meet Mayor Adams' plan. Moreover, the plan would likely confront political backlash. For instance, though the City's policy of housing thousands of people experiencing homeless in hotels during the pandemic was praised by multiple organizations[140] and elected officials,[141] it was also criticized by many groups. For instance, the West Side Community Organization managed to pressure lawmakers into removing over 300 unsheltered people from the Lucerne Hotel in summer 2021.[142] While there are notable differences between homeless shelters and supportive housing,[143] heated political debates are nevertheless likely to arise around hotel-to-supportive housing conversion projects which will require extensive community-level engagement to resolve. Another tradeoff is that leveraging hotels only for the purpose of creating supportive housing precludes the possibility of turning these structures into affordable or mixed-income housing, thereby missing a chance to provide stock that is accessible to middle-class residents who are greatly affected by the affordability crisis. This potential downside explains calls for alternative approaches, such as legalizing a change of use from hotel to apartments without requiring compliance with residential zoning codes (i.e. legalizing SROs by letting the general public live in hotel rooms in their present form).[144]

Ultimately, the City is facing an unprecedented situation and an unpredictable future, a context that will require foresight at times and flexibility at others. This challenging position shuns simple solutions and hard choices will be necessary. As lawmakers grapple with tradeoffs, they can look back to the New Homes Program to inform their decisions.

Relevant Lessons From the New Homes Program for Hotel-to-Housing Conversions

As noted, the New Homes Program and hotel-to-housing conversions initially appear to be unrelated. The former emphasized building new housing stock on scattered vacant residential lots of different sizes while the latter seeks to create large housing developments on single lots by repurposing distressed commercial properties. Despite these differences, the programs share significant policy and ideological similarities. Specifically, both policy interventions boil down to satisfying the City's housing needs while simultaneously addressing potential blight, abandonment, and underutilization of properties caused by changing economic conditions. Accordingly, key lessons that policymakers can draw from the New Homes Program as they pursue hotel-to-housing conversions are detailed below.

<u>Both policy interventions speak to the role housing can play in a City's recovery from a period of crisis and transition</u>**.** The New Homes Program was launched at a time when a primary housing policy objective was curbing the outflow of residents by reducing urban decay. Decades later, turning defunct hotels into affordable or supportive housing presents a chance to house the City's severely rent-burdened residents and/or its people experiencing homelessness. Furthermore, converting shuttered hotels into residences can prevent vacant hotels from turning into distressed properties, much like the New Homes Program helped reduce vacant city-owned land and blight. Despite numerous obstacles that may limit the overall number of conversions, the broad political support garnered by the idea of turning failed hotels into

affordable or supportive housing suggests that policymakers once again are hoping to reinvent NYC's housing profile by leveraging an otherwise underused asset.

<u>The NYC Housing Partnership demonstrates the value that a public-private partnership can offer policymakers when fulfilling housing objectives</u>**.** The New Homes Program was a well-coordinated government intervention by HPD, but the program would have likely faltered without the NYC Housing Partnership acting as an intermediary to facilitate development. The public-private partnership made the program more efficient and attractive to private (both for-profit and not-for-profit) developers. Given the mix of actors that will likely be attracted to hotel-to-housing conversions for various legal, political, and mission-based reasons, nonprofit intermediaries could once again play a vital go-between role for public and private partners. Working with an intermediary could help facilitate conversions if the private partner can effectively package and administer layered, multi-sourced financing while attracting qualified builders and dedicated investors. Alternatively, deals with multiple mission-driven developers could grant policymakers leeway to pursue projects with distinct goals. Regardless, given the relative dearth of subsidies currently available for converting commercial properties into residential housing, leveraging public-private partnerships can be a key means of tapping into private financing and expertise to advance an ambitious objective.

<u>The New Homes Program underscores why it is important for new housing stock to fit a city's current context.</u> The New Homes Program created units people wanted to live in at a time when the City's problems were largely related to depopulation and urban blight. Specifically, by filling unused parcels with homes that went on to appreciate in value, the program helped reverse the City's declining property values in areas that were hit especially hard by the City's 1970s socioeconomic crises. While the New Homes Program helped tap into latent demand of the City's growing middle-income families for affordable, owner-occupied housing, now NYC suffers from a lack of supply. Housing in NYC is unaffordable to a large portion of residents, and tens of thousands of residents reside in shelters, on park benches, and on subway platforms, but development has not matched the scale of the need. While there is not a glut of vacant land to develop like there was in the 1970s and 1980s, converting hotels is a creative way to leverage the City's built environment to add additional housing stock. In both cases, housing is a fulcrum for change that must match the current state of housing in the City.

<u>The New Homes Program demonstrates the value of infill development for a citywide initiative.</u> The new Homes Program generally took a scattered-site development approach by building one- to three-family homes across distressed neighborhoods. Hotel conversions can also nimbly create affordable and/or supportive housing in densely populated areas without relying on large tracts of vacant land. This may explain the appeal of a housing strategy that leverages spot zonings as part of a comprehensive plan that allows policymakers and private partners to target specific, distressed hotels for conversion into residential property. In short, just as the New Homes Program once leveraged vacant lots to build homes, permanently closed hotels can be repurposed to create housing stock in targeted locations.

Like the New Homes Program, hotel-to-housing conversions may generate spillover effects that improve surrounding areas or the City writ large**.** The New Homes Program and Ten-Year Plan's goals went beyond construction. The City, its private partners, and community sponsors targeted struggling markets to provide distressed areas with assets that helped stabilize and improve swaths of disinvested neighborhoods. Now, hotel conversions are likely to focus on commercial properties in largely well-performing markets where residential properties have generally returned to, or exceeded, pre-COVID prices. The immediate objectives relate to creating new housing stock for especially rent-burdened individuals and/or the unsheltered. One could argue that this relatively narrow goal markedly differentiates the New Homes Program and hotel-to-housing conversions. However, the latter intervention's impact may end up extending similarly far. For example, notwithstanding previously detailed regulatory and financial barriers, converted hotels could eventually permanently house hundreds, perhaps thousands, of unsheltered people, providing supportive services that, in many cases, help people transition from homelessness entirely. Accordingly, a building that may otherwise become a distressed property could be transformed into a vital neighborhood institution that benefits a community's people experiencing homelessness. Moreover, as noted, because supportive housing provides more structured assistance than emergency homeless shelters, it may appeal to various stakeholders, including some members of the business community who worry that street homelessness may harm economic recovery. Thus, much as the New Homes Program filled the vacant lots that represented NYC's urban decay, converted hotels could reduce unconscionable levels of homelessness while becoming a symbol of urban renewal. Regardless of whether or not policymakers aim to widen the intervention's scope, community engagement and working with community-based organizations in target localities can help reduce backlash while facilitating development. In short, the effects of seemingly limited conversion projects may reverberate throughout communities and the City.

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[1] I want to express my enormous appreciation and thanks for the feedback that Jess Wunsch, Noah Kazis, Ingrid Gould Ellen, and Mark Willis provided to me while I was writing this paper.

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