

Alert

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Brooklyn Development Roadmap 2023

While the New York City real estate market has never been for the faint-hearted or undercapitalized, the combination of post-pandemic shifts in office demand and high interest rates has made this the most challenging era since the 1970s fiscal crisis. One critical difference is the political shift, most notably with the expiration of the RPTL 421-a tax incentive for residential development, originally instituted in 1971. Likewise, in 1971, control over rent stabilization was shifted to the state level. In 2019, some of the incentives introduced in the 1990s to spur investment in multifamily housing were reduced significantly. These reductions were so significant that there are currently several legal challenges to these changes awaiting a decision in the U.S. Supreme Court.

Nonetheless, both New York state and New York City are taking steps intended to encourage development over the long term, including infrastructure investments, targeted financial incentives, and rezonings.

This alert is centered on the initiatives affecting Brooklyn because it has shown significant momentum in the last decade, and we anticipate this trend will continue. We have updated our 2019 development roadmap to see where opportunities for the future might be found. *(Click the map below to zoom in.)*



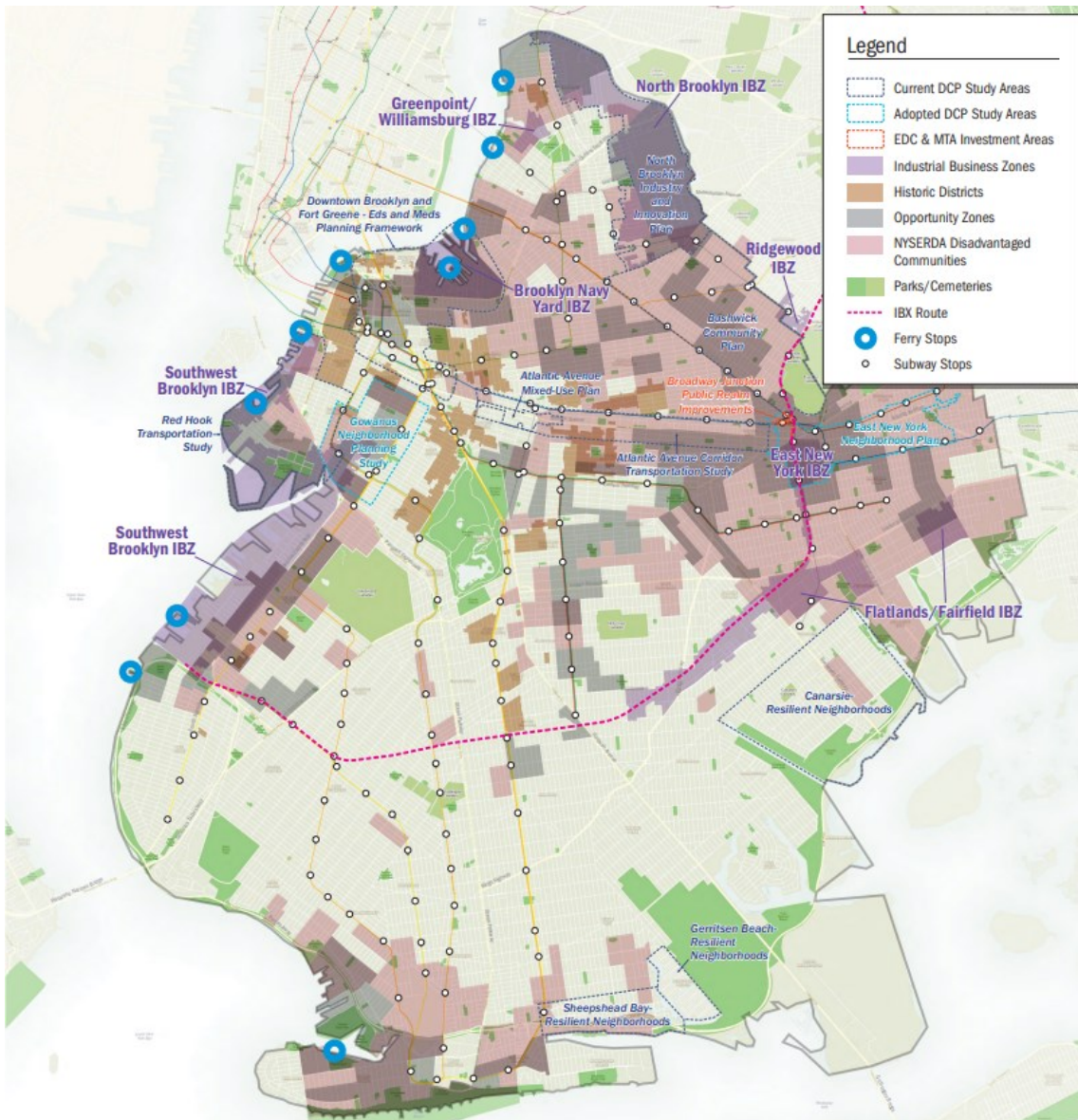
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On the state level, the most intriguing endeavor involves the current planning of a new light rail passenger line. This line will stretch across a 14-mile corridor, following the Long Island Railroad right of way from Bay Ridge in Brooklyn to Jackson Heights in Queens, which is currently exclusively utilized for freight services. Known as the Interborough Express (IBX), this project will feature connections to 17 different subway lines and the Long Island Railroad at multiple points. Although funding for the project remains uncertain, the engineering work is progressing at full speed.

Historically, development has always followed transit expansion in New York, and locations along the IBX will likely garner a lot of attention if the line is built. Its success would highlight the potential for the similarly named BQX light rail, which was proposed to run from Bay Ridge to Astoria in Queens during Mayor Bill de Blasio's tenure. While that plan has not advanced, the logic of connecting workers (especially isolated residents of waterfront NYC Housing Authority properties) to the creative and tech hubs of Industry City, DUMBO, the Brooklyn Navy Yard, and Long Island City still holds merit. The two lines could join up in Bay Ridge.

Another state initiative worth watching is the designation of the South Brooklyn Marine Terminal as a port facility to support offshore wind energy by the New York State Energy Research and Development Authority (NYSERDA), along with several other designated landing locations for offshore wind cables. All levels of government are committed to reducing reliance on fossil fuels by making renewable energy more available. Private sector projects to support wind energy, solar energy, and battery storage are receiving significant federal and state funding. This represents a significant engineering, logistical, and manufacturing undertaking on a scale not witnessed in New York City since World War II. Brooklyn's waterfront makes it a key location for these efforts.

Although the 421-a program was not renewed by the New York State Legislature, Governor Kathy Hochul has announced a similar program through NYS Empire State Development to allow residential development in the 2021 Gowanus rezoning area to proceed with the same benefits. Projects that commenced their foundation work prior to the expiration of the 421-a program but might not meet the June 2026 deadline for completion will provide thousands of new housing units. These projects include a substantial portion of affordable housing, open space development, and brownfield remediation efforts, all of which would have been at risk.

The city is currently focused on streamlining internal procedures that hinder development, especially at the Department of Buildings and the Department of City Planning. Combined with proposed text amendments to the NYC Zoning Resolution designed to modernize zoning restrictions, the initiative is collectively known as the "City of Yes" initiative. The citywide zoning initiatives focus on simplifying the introduction of alternative energy and carbon reduction measures, fostering economic development, and stimulating housing production. Each of these initiatives requires careful technical vetting as well as socialization with community boards across the city before proceeding to the city's public review process, ultimately reaching the City Planning Commission and City Council. The cumulative effect of these efforts will be to make it a little easier to meet the city's future growth needs.

The initial city-sponsored rezoning initiative under the Adams administration aims to revitalize a 13-block section of Atlantic Avenue, running from Crown Heights and Bedford Stuyvesant between Vanderbilt and Nostrand Avenues. Similar to the Gowanus rezoning, the Atlantic Avenue plan is based on years of community engagement. It aims to preserve commercial and light manufacturing jobs where possible while stimulating significant new housing development.

Further down Atlantic Avenue, the NYC Economic Development Corporation is leading an effort to revitalize the Broadway Junction and East New York, investing almost \$100 million in streetscape and public space improvements. The endeavor is designed to leverage \$400 million of transit improvements being made by the MTA at a transit hub featuring five subway lines, six bus routes, and the Long Island Railroad. The location offers convenient travel times: just fifteen minutes to Downtown Brooklyn, Jamaica, and Williamsburg, 20 minutes to Lower Manhattan, and 35 minutes to either Midtown or JFK Airport. The Adams initiative seeks to use city office relocations to the area to spur economic development, together with existing Industrial Business Zone protected enterprises.

Recognizing the necessity of political action to address the housing shortage and respond to current economic and social conditions, now may be the best time to look forward to Brooklyn's future.

Although we often advise clients on development strategies, we are not architects, appraisers, brokers, or financial consultants and don't hold ourselves out as having the expertise of those or similar professions. We are, however, available to help think through how to benefit from these government programs and plans.