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Rezoning, Real Estate, and The Dynamics of Displacement in Inwood

Damaly Gonzalez
The Graduate Center, City University of New York

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REZONING, REAL ESTATE, AND THE DYNAMICS OF DISPLACEMENT IN INWOOD

by

DAMALY GONZALEZ

A master’s thesis submitted to the Graduate Faculty in Liberal Studies in partial fulfillment of the requirements for the degree of Master of Arts, The City University of New York

2019
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by

Damaly Gonzalez

This manuscript has been read and accepted for the Graduate Faculty in Liberal Studies in satisfaction of the thesis requirement for the degree of Master of Arts.

Date

John Krinsky
Thesis Advisor

Date

Elizabeth Macaulay-Lewis
Executive Officer

THE CITY UNIVERSITY OF NEW YORK
ABSTRACT

Rezoning, Real Estate, and The Dynamics of Displacement in Inwood

by

Damaly Gonzalez

Advisor: John Krinsky

This thesis asks how New York City’s rezoning process combine with the dynamics of real-estate sales to create displacement pressures for low-income communities of color. A case study of the recent rezoning of Inwood, a neighborhood in upper Manhattan, in August 2018, will help to illustrate these dynamics. Through an analysis of building sales and extreme rent inflation embedded in a historical and contemporary analysis of zoning and the influence of real-estate developers and owners on these processes, this thesis paints a dire picture of the risks faced by the mostly-Dominican-American renters in Inwood. The principal contribution of the thesis lies both in the assembly and analysis of the building-sales and rent data, and in the focused, neighborhood-level analysis of what are often larger, more abstract debates in contemporary studies of housing policy and urban dynamics.
ACKNOWLEDGMENTS

I want to thank Ruth Wilson Gilmore, whose examination of how surpluses worked to create California’s massive prison system in her book *Golden Gulag*, greatly inspired the approach of this thesis.
TABLE OF CONTENTS

Chapter 1: Zoning in the Context of Gentrification 1
   Introduction 1
   Literature Review 4
   Methodology 8

Chapter 2: History of Rezoning and Real Estate Involvement in New York City 9
   1916 Zoning Resolution 9
   1961 Revision 12
   1969 Master Plan 14
   Finalizing city planning agencies 15
   Second and third waves of gentrification 20
   2000s: A new era of financialization 23

Chapter 3: Rezoning, Real Estate Sales, and Displacement in Inwood 28
   Inwood Rezoning 28
   Demographics 33
   Building Sales and Rent Increases 34
   2007 to 2012 36
   2013 to 2018 38
   Real Estate Companies 40
   Rent stabilization and new reforms 45
   Affordable housing 47
   Conclusion 50

Bibliography 53
LIST OF FIGURES

Figure 1 ULURP Procedure 17
Figure 2 NYC Rezoning Process 1 19
Figure 3 NYC Rezoning Process 2 19
Figure 4 Proposed rezonings under Bloomberg 25
Figure 5 Inwood Rezoning Map 32
Figure 6 MIH in Inwood 1 49
Figure 7 MIH in Inwood 2 49
Figure 8 Inwood household income 2016 50
LIST OF TABLES

Table 1 Buildings Sold in Inwood from 2007 to 2018 35
Table 2 Rents in Inwood 36
Table 3 Building Sales in Inwood, 2007-2012 37
Table 4 Monthly Targeted Rent for Sold Buildings w/ GRM of 11, 2007-2012 38
Table 5 Building Sales in Inwood, 2013-2018 39
Table 6 Monthly Targeted Rent for Sold Buildings w/ GRM of 11, 2013-2018 40
Table 7 Buildings Bought by Real Estate Companies, 2007-2012 41
Table 8 Buildings Bought by Real Estate Companies, 2013-2018 43
CHAPTER 1: ZONING IN THE CONTEXT OF GENTRIFICATION

“A particular kind of change is taking hold in many cities and towns around the world - one that presents itself as neighborhood revitalization but results in physical displacement and social disruption for the urban working class. In geographer Ipsita Chatterjee’s terms, it represents “the theft of space from labor and its conversion into spaces of profit.” - Samuel Stein

Introduction

The practice of zoning dates back to ancient cities such as the Zhou Dynasty in China, Greece in the fifth century, and during the Vedic Era in India, and the Roman Empire in Italy. Urban space during these time periods was divided in various ways including the division of social groups by ethnic and occupational lines (Hirt, 2014, 92). Today, zoning policies exist in many global urban city centers in countries like Germany, Japan, Singapore, New Zealand, Australia, France, and the United States, all functioning and administered differently.

The first zoning laws in the U.S. emerged in 1908 in the city of Los Angeles followed by New York City in 1916. This new concept of structuring land in the city emerged to set restrictions on height and density limits to maintain and protect individual real estate values. The zoning laws in New York City were revised in 1961, post-World War II, when dramatic changes to the demographic and physical landscape materialized. Zoning, has since functioned in three main components: how the land can be used in various ways, how much can be built on that land, calculated by a maximum Floor Area Ratio (FAR)\(^1\), and how much of the land can be unbuilt (Angotti, 2016, 19). After 1961, much of the city’s zoning had not changed, until the early-to mid 2000s, where the city government began to rely heavily on rezoning.

Rezoning, the re-categorization of how land is used and how much can and cannot be built on the land, has become one of the policies in land-use planning causing displacement

\(^1\) FAR is how much of floor area can be built on each zoning lot
across the five New York City boroughs. There are various types of zonings used in New York City: contextual zoning, inclusionary zoning, downzoning, and upzoning (includes incentive zoning). I mainly focus on upzoning, the practice of allowing increased commercial and residential density in an area. The city usually rewards density bonuses to developers (i.e. incentive zoning) in the form of additional floor area ratio (FAR), in exchange for the building of new public amenities or affordable housing units. Although rezoning itself doesn’t cause displacement and can be utilized in positive ways, the way city agencies work with the real estate industry increases land and property values. Upzoning is one tool that facilitates these increases.

Upzoning can be used as a financing tool if the market demand exists. Promises of density bonuses, such as additional FAR, has motivated the real estate industry in major U.S. cities, including New York, in the last three decades to buy land and property in urban areas for the potential of large profits (The World Bank, n.d.). Developers usually attracted to these bonuses are major corporate real estate companies who create development plans that would be constructed outside the existing zoning and building codes. When development needs zoning amendments (i.e. rezoning), special permits, authorizations and/or variances, called a discretionary action\(^2\), then the application process needs the review and approval from the City Planning Commission (CPC) or the Board of Standards and Appeals (BSA) (Brewer, 2015) which is entered into the rezoning process. Density bonuses is one of the reasons to request a rezoning but developers would speculate the land first.

Land speculation, the beginning of a rezoning process, promotes sales of buildings, and

\(^2\) The opposite would be if a proposed development fell under the requirements of the Zoning Resolution and the Building Code, then the development would be called an As-of-Right Development and the application would only involve the New York City Department of Buildings (DOB). The DOB is the city agency who enforces the city’s zoning regulations and building codes. (New York City Department of Buildings, n.d.)
the purchasing of land and/or vacant property for potential large-scale development. Investors pursue what is seen as “underutilized” land in areas that are historically disinvested because it is inexpensive. During this early stage in the process, land value doesn’t increase but when there is evidence that a development is forthcoming or there are rumors about a prospective rezoning, other investors buy more land or property in the area. The New York City Department of City Planning (DCP) is alerted that land speculation is occurring, although more often than not, they already know what is happening (Angotti, 2016, 30). At this stage, land value rises for both residential and commercial properties through the transaction of building and land sales, causing rents to increase. This activity can cause mass displacement. When a rezoning is passed, the area is further receptive to displacement, most notably, if it is an upzone, like many of rezonings passed during Mayor Bill de Blasio’s tenure, including Inwood. This activity is called the financialization of housing, the process that views and manages housing as a commodity (AAlbers, 2016, 2).

Investors started to view housing as safe and profitable investments after profits of once-dynamic sectors collapsed in the market over the past decades and the 2008 financial crisis. Urban real estate became central to upkeep capital globally, resulting in the commodification of housing that trades on the stock market. Municipal governments then work with the real estate industry locally in implementing policies like rezonings that increase land value and ultimately tenant rents, for the sake of moving wealth upward, a process which has facilitated a new wave of gentrification (Stein, 2019, 5).

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3 The New York City Department of Housing Preservation and Development (HPD) created a Speculation Watch List, a result of the Predatory Equity Bill proposed by Bronx City Councilman Ritchie Torres.

4 DCP is the city agency that today is accountable for land use, environmental reviews, constructing plans and policies, and guiding the public, the Mayor, Borough Presidents, City Council, Community Boards, and any other local government organizations on zoning, urban design and other planning decisions.
Stein appropriately defines this new wave of gentrification as, “the process by which capital is reinvested in urban neighborhoods, and poorer residents and their cultural products are displaced and replaced by richer people and their preferred aesthetics and amenities” (Stein, 2019, 41). Gentrification, however, did not begin this way but instead has gone through various stages since the term was first coined in the 1960s.

**Literature Review**

The word gentrification was first used in 1964 by British sociologist Ruth Glass to describe a low-scale movement of middle-class people into urban neighborhoods who were displacing the low-income communities in London. Two decades later, in 1984, Bruce London and J. John Palen, a pair of sociologists from the United States, wrote about five alternative theoretical approaches around urban renovation, revitalization and gentrification: 1) demographic-ecological, 2) sociocultural, 3) political-economic, 4) community networks, and 5) social movements (Palen & London, 1984, 1). The third and fifth theories are of concern here.

The *political-economic theory* gives two separate explanations, traditional or Marxist. The traditional approach is a supply and demand argument that says market forces such as inflation of suburban housing costs drove people to move to the city. The Marxist interpretation says the opposite: it is not an “invisible hand” such as market forces that causes gentrification but rather government intervention and economic interests driving the market that leads to changes in neighborhoods. On the other hand, the *social movements theory* – the urban reinvasion as a social movement – is based on an anti-urban ideology and reaction to industrial change led by large land developers, real estate interests, and lending institutions alongside the federal
government to suburbanize and develop “new towns” (Palen & London, 1984, 14).

The fifth theory was further developed by Scottish geographer Neil Smith in the 1990s, describing gentrification as the new urban frontier. With similar resemblance to Manifest Destiny in the 19th century, Smith describes this new frontier as the continuous effort of containing savagery and the reestablishment of civilization in the “urban jungle” that is run by disease, crime, danger, and disorder. The way Native Americans were viewed and treated as part of the savagery during westward expansion, this contemporary imagery treats and views urban low-income, communities of color in a similar light (Smith, 1996, 16).

Smith goes on to describe a process that started in the ‘70s called revanchism - originally from 1870s Europe – is the vengeful takeback by White upper classes from the lower classes who are accused of “stealing” the city. However, both Manifest Destiny and the revanchist city is not undertaken by individual “pioneers” settling lands but by the strategic effort of (then) banks, railways and the state and (today) banks, real estate developers, small and large-scale lenders, retail corporations, and the state. Today is not about expansion, though, but about changing the already-developed spaces from urbanized cities to suburbs, while profiting from the process and displacing low-income people of color. These ideologies are not exclusive to the United States but rather have contaminated and transformed major cities around the world through distinctive waves of gentrification (Smith, 1996, 18).

Smith proposed three waves of gentrification with transition periods between them. The first wave was from the 1950s to the mid-1970s where change was small, and without the support and backing from local government and financial institutions. The transition from the

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5 Suburbanization of cities brings the restructuring of land by large-scale investment and development who influence land use planning such as zoning; entering into the cycle of gentrification by using tools like rezoning that increase land values and eventually rents.
mid-1970s to late 1970s included developers and investors buying large parcels of property during a prolonged economic downturn and setting the stage for gentrification in the 1980s. The second wave was from the late 1970s to 1989, when revanchism began to come into practice in New York and other non-global cities. From 1989 to 1994, New York specifically experienced an economic recession, property values fell, and publications talked about degentrification. The alleged degentrification during this time was a myth, however, since housing was one of the few industries that continued to rise in price. Smith calls the third wave, from the beginning of 1994 to 1999, “Gentrification Generalized.” It continued postrecession, now linked to large-scale capital, where developers reconstruct neighborhoods with the support of the state. Smith did not propose a fourth wave before his passing in 2012 (AAlbers, 2018).

British urban geographer Loretta Lees identifies a more U.S.-centric fourth wave, a combination of the Third Wave with the financialization of housing towards the favoring of the richest households while dismantling the last social welfare programs from the 1960s (Moss, 2017, 39). This is the process Lees calls “super-gentrification” (Lees, 2003) or what blogger Jeremiah Moss calls hyper-gentrification (Moss, 2017, 39). Lees divides the shift from “classical gentrification” to a more aggressive and complicated state-supported process into subcategories: “new-build gentrification,” “tourist gentrification,” “retail gentrification,” and “studentification.” This fourth wave mirrors the former New York City Mayor Michael Bloomberg’s agenda (Osman, 2016).

Finally, there is a fifth wave proposed by Belgian human geographer, sociologist and urban planner Manuel B. Aalbers, who says the state continues to play a significant role in gentrification but is further strengthened by finance. The state is now defined by the increase of corporate landlords, highly leveraged housing, platform capitalism and touristification such as
Airbnb, transnational wealthy elites investing in cities, and further ‘naturalisation’ of state-sponsored gentrification (AAlbers, 2018). Dates and transition periods are not identified for the fourth and fifth waves.

Alongside Palen and London, Smith, Lees, and Aalbers, there are hundreds of articles on the political-economic process of gentrification and its consequences, including and specifically about zoning. Early research argues how zoning was used for the protection of private property from capitalist development and political centralization, to maintain high land values, and contain “undesirables” in specific areas (Plotkin 1987, Fischel 2015). Research on New York City has focused on the dilemma of planning and land use planners in cities dominated by the decision-making power of capital and real estate (Fainstein & Fainstein 1987, Wolf-Powers 2005, Stein 2019). Further research on the city has focused on the relationship between zoning policies and spatial location and spatial concentration of housing by race and class in relation to its financialization. Housing growth was achieved in historically disinvested, central neighborhoods of the city as it pushed out low-to- moderate income people of color from their communities (Goldberg 2015, Angotti & Morse 2016, Pough 2018).

In most discussions of zoning, however, there is little literature on the positioning of the real estate industry within and adjacent to city government and how financialization of housing works on the neighborhood level. Unless you know the power dynamics in city government and real estate dealings in low-income communities of color, you will not understand the full extent of the threats posed by rezoning. As the literature on gentrification progressed over its “waves,” we see an increased domination of the real estate industry and finance. This paper will join this literature to a clear case-study of how gentrification and rezoning works on the neighborhood level, and thus, to an explanation of how finance has and continues to take full control of cities.
I seek to explore: how New York City’s rezoning process, its relationship with the real estate industry, and real estate dealings displace low-income communities of color? A case study of the recent rezoning of Inwood, a neighborhood in upper Manhattan, will help to illustrate these dynamics.

**Methodology**

I manually documented information for the 420 buildings in Inwood: residential and commercial units, and deregulation and new sales risk data from the Displacement Alert Project Map 2.0 created by the Association for Neighborhood & Housing Development (ANHD). I then extracted the 85 sales of 106 apartment buildings between 2007 and 2018 and split them up into two groups to calculate the difference in sales price, price per unit, and targeted rent.

I first calculated the 33 sales of 34 buildings, excluding six townhouse sales, between 2007 and 2012 and then the 52 sales of 72 buildings, excluding 15 townhouse sales, during land speculation and the suspected rezoning proposal in 2013 to the final passing of the rezoning in 2018. Here I analyze whether there was a spike in building sale prices that would raise the price per unit and ultimately increase the rent leading to potential displacement of low-income people who are living in these buildings. For each building sale in these two groups, I used the Gross Rent Multiplier (GRM) of 11. The GRM is the ratio of a real estate investment price to its monthly or annual rental income before any other expenses are included such as property taxes, insurance, and utilities.

To get the targeted rent for each building, I divided the total sales price with the number of units to get a price per unit. Then, I divided price per unit by 11 to get the amount each unit would cost per year if it were paid off in 11 years. According to ANHD, the real estate industry
standard to pay off a building is 11 years. Finally, I divided the unit cost per year by 12 to get the potential target monthly rent. Some sales were package deals meaning more than one building was sold. The same calculations applied but with an extra step in the beginning. In this case, I added all the units from all the buildings to divide that total number by the total sales price.

There are 420 buildings in Inwood. Eighty-five sales and 106 apartment buildings were sold in a span of 11 years. This is a story through numbers of the daily occurrences of gentrification happening every day in New York City and other cities across the world, affecting and displacing poor, low-income, working-class communities.

CHAPTER 2: HISTORY OF REZONING AND REAL ESTATE INVOLVEMENT IN NEW YORK CITY

“Zoning neither builds nor destroys a city and is only partly responsible for the way the city looks and functions. The marketplace, politics, and charity all share those responsibilities.”

- Norman Marcus

1916 Zoning Resolution

The real estate industry has been involved in land use policy since the establishment of New York City’s first zoning ordinances in 1916. In fact, they were one of the advocates for restrictions on land use. Prior to 1916, the city was functioning from the Commissioners’ Plan of 1811, a two-dimensional blueprint that simply separated public and private space. This first attempt at expanding the city did not restrict building height or lot coverage, causing overbuilding (Willis, 1993, 3).

Urban reformers, architects, and other advisors advocated for stricter zoning laws against
overbuilding and skyrocketing towers for several decades but failed. In 1896, an architect
named Ernest Flagg publicly spoke against the rising commercial towers and proposed a plan on
height and density restrictions. He understood well this would not be possible in certain areas of
the city where there were significant real estate pressures but continued to promote the plan for
the next twenty years (Willis, 1993, 8). That same year, the Real Estate Board of New York
(REBNY) was formed, a trade association for the real estate industry, which would become
particularly powerful and influential in city politics.

It was not until 1909 when the prospects to pass a zoning plan changed due to the newly
elected Democratic Mayor William J. Gaynor and Manhattan Borough President George P.
McAneny. Although there was now support by the mayor and borough president to pass the
zoning laws, it was not enough – business and real estate needed to co-sign. This support
materialized between 1911 and 1913 when concern for overbuilding in lower Manhattan
increased due to the Equitable Building, and lobbying from the Fifth Avenue Association emerged (Willis, 1993, 10).

The Equitable Building, where the Equitable Life Insurance Company was housed, located in lower Manhattan was completed in 1915. The biggest known building in the world at the time, was the motivation for restricted zoning laws. Its enormous structure blocked light and air from other buildings causing property values to decline. This was a problem occurring in other parts of the city and a great concern to developers of other commercial property. Thus, the new zoning laws in 1916 were not meant to protect residential uses but to regulate commercial property and protect and stabilize real estate values in Manhattan.

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6 An amendment to the Tenement House Act in 1901 was passed to set height limits on residential buildings
7 The Fifth Avenue Association was a powerful group of merchants, hotel operators, and businesses organized in 1907 to fight against the spread of loft buildings in the retail district of 34th Street.
The resolution set two types of regulations. The first was establishing three separate uses of land by district: residence, business, and unrestricted. The second was regulating the height, bulk and area of buildings. The (then) Board of Estimate, made up of the Mayor, Borough Presidents, Comptroller and the (then) City Council President, was assigned to administer these regulations. The new policies did not stop real estate from constructing more skyscrapers in Manhattan around Grand Central Terminal and the outer boroughs in Court Street in Brooklyn, and Long Island City in Queens. Instead, the ordinances efficiently regulated the space between buildings and access to light and the waterfronts were used for industrial and manufacturing purposes, where half of New York’s workforce - many immigrants and blacks – worked (Willis, 1993, 10).

McAneny and other leaders in city government understood the need for a permanent planning body long before the 1916 zoning resolution and advocated for its creation. As they fought for a planning body, the Regional Plan Association (RPA) was established in 1922, a group of bankers and real estate developers who worked to dismantle the manufacturing industry and the jobs working class people depended on by rezoning those areas to claim the territories for finance, insurance, and real estate industries known as FIRE (Moss, 2017, 62).

After 20 years of contention, the City Planning Commission (CPC) was established in 1936 under Mayor Fiorello H. LaGuardia and the last year of the implementation of Franklin D. Roosevelt’s New Deal programs. Today, the CPC is a board under the umbrella of the New York City Department of City Planning (DCP). It is a 13-member body that vote on zoning changes. Seven appointments are made by the Mayor. One of the Mayor’s appointments is for Chair of the CPC but also serves as the Director of the DCP, “serving at the pleasure of the

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8 A series of programs of infrastructure development, financial reforms, and regulations to provide relief after the Great Depression from 1933 to 1936
Mayor” as stated verbatim on the DCP website. Each of the five Borough Presidents appoints one member each and the Public Advocate appoints one. The 12 of the 13 members serve a five-year term (New York City Department of City Planning, n.d.).

The CPC paved the way for the establishment of the DCP that same year. The initial mission of both agencies was to replace a system that functioned from the preferences of interest groups and political forces and serve the people of New York City through comprehensive planning. During the public hearings, McAneny expressed that the new agency should be advisory and have no zoning authority (New York City Department of City Planning, n.d.). Perhaps, he foresaw the future of an authoritarian commission. With the understanding that zoning was not comprehensive planning, the new planning agencies were making their way to creating a new master plan for New York City.

LaGuardia appointed economist and planner and former head of Roosevelt’s closest advisers, Rexford Guy Tugwell, as the first director of the CPC in 1938. Two years later, Tugwell drafted the commission’s first master plan for New York City. The plan proposed an entire restructuring of the city and its built environment based on Tugwell’s belief that government should regulate economic activity. Robert Moses, the infamously racist planner and “master builder”, who was the New York City Parks commissioner at the time, strongly opposed the plan and eventually it was not approved. He went as far to say that Tugwell’s plan was an attack on individual liberty (Alvey, 2019). Moses was a great advocate for catering to private developers’ needs (Caro 1974, Schwartz 1993, Ballon & Jackson 2007).

1961 Revision

The postwar era of the 1940s and 1950s transformed the demographic and physical landscape of New York City in a time of heightened contention between conservative and liberal
ideas. White flight\(^9\) to the suburbs was encouraged by federal mortgage and highway subsidies (excluding African Americans), as tenements were increasingly occupied by poor and working-class people of color and returning veterans. Areas such as the Lower East Side, Upper East and West Side, East and Central Harlem, Williamsburg, Greenpoint, Red Hook, and the South Bronx transformed. The public housing projects through the Federal Housing Act (FHA) created further segregation in the city. Public Housing started with the building of First Houses on the Lower East Side, Williamsburg Houses, and Harlem River Houses, before the FHA, and Red Hook Houses, and Queensbridge Houses shortly thereafter. Robert Moses became particularly powerful during this time. He altered the city by overseeing the enormous public housing projects and the construction of highways through poor neighborhoods in places like the South Bronx\(^{10}\). These unprecedented changes inspired criticisms of the 1916 zoning resolution (Strickland, 1993).

In 1950, the CPC sought recommendations from housing consultants, Harrison, Ballard & Allen to improve the current zoning laws. The eight proposals in their report failed to be adopted because of strong opposition from Robert Moses, the commissioner of CPC at the time. In 1958, a second report by architects Voorhees Walker Smith & Smith was submitted. The following year, James Felt, a wealthy real estate developer\(^{11}\) and chairman of the CPC since 1956, gave critical reasons against the old ordinances and proposed further guidelines for a revised zoning resolution. A combination of the two reports along with some of Felt’s recommendations became the 1961 Zoning Resolution\(^{12}\), a legal, living document that regulates...

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\(^9\) About 2 million white New Yorkers left by 1960

\(^{10}\) These projects displaced an upwards of 500,000 people from their homes.

\(^{11}\) His real estate company gathered the properties to create the Peter Cooper Village and Stuyvesant Town sites - (owned by Met Life) - private residential developments in the east side, once giving preference to returning WWII veterans

\(^{12}\) Urban writer and activist Jane Jacobs published *The Death and Life of Great American Cities* in 1961
these laws, instituted by DCP (New York City Department of City Planning, n.d.).

New York City’s first zoning revision established the concept of incentive zoning, incorporated parking requirements to accommodate the increasing car usage in the city as a result of the new highways and encouraged the production of open space. Land use was categorized under three broad districts: residential, commercial and manufacturing, each divided into 25 sub-districts (i.e. R1, C2, M3); and 47 districts were created combining bulk, parking, and loading uses. Manufacturing was restricted to the waterfront and large-scale development was encouraged in residential neighborhoods. Floor area ratios were now sized as lots, meaning if developers wanted to build larger buildings for more profit, they could but were required to provide large open spaces (Strickland, 1993, 54).

The new resolution was a postwar solution based off planning theories from before WWII that were introduced in the 1929-31 Regional Plan for New York and Its Environs proposed by RPA. The revisions were already endorsed and implemented by powerful government and business after the war, who never stopped being the driving force behind controlling land in the city. The zoning revision tempted a second effort to a master plan, which this time, considered accommodating all racial and class groups (Strickland, 1993, 55).

1969 Master Plan

In 1969, the CPC, under chairman Donald H. Elliott and Mayor John Lindsay, proposed the six-volume Plan for New York City. The first master plan of its kind considered and focused on the social environment as much as the physical landscape. It addressed all the people of New York City, its communities, and current social problems such as drug addiction and racial inequality. The plan presented detailed recommendations for each borough, discussed traditional land-use concerns like housing, zoning, and transportation and provided suggestions on job
training, community action and health. Lindsay also envisioned incorporating community participation during the development process. Overall, the goal under the Lindsay administration was to make the city comfortable to live in and not just a city of skyscrapers (The Center for New York City Law, 2013). As we can imagine, the real estate industry opposed the plan and it was never seriously discussed for implementation\(^\text{13}\) (Angotti, 2016, 19). Consequently, Lindsay’s strong focus on poor and minority groups, received backlash from the majority white, working and middle-class New Yorkers who were experiencing hardship from deindustrialization. Resentment led to the election of Abraham Beame as the next mayor, who pushed away from focusing on the poor areas of the city (Fainstein, 2010, 92).

Today RPA, now the Regional Planning Association and an independent non-profit, produces the closest we can get to a comprehensive land use plan like the *Regional Plan for New York* it proposed in 1929. RPA continues to influence city planning with a new generation, such as its board chair Scott Rechler of RXR Realty LLC, one of the largest real estate companies in New York City and one of its co-chairs, Janette Sadik-Khan, Principal of Transportation, Bloomerg’s former commissioner of transportation, who now works for Bloomberg Associates (Regional Plan Association, n.d.). Bloomberg Associates advises international city governments on urban environments, replicating the gentrification model used in New York City around the world (Bloomberg Associates, n.d.).

**Finalizing city planning agencies**

The years between 1970 and 1999 produced much of the zoning procedures the city uses and administers today. In the 1970s, with the election of Beame and New York City’s major

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\(^{13}\) Special Purpose Districts were approved towards the understanding that some districts are used differently than others
fiscal crisis, the government's philosophy transformed from a New Deal social-economic progressivism to a free-market capitalist ideology of neoliberalism. This new philosophy was based on “privatization, deregulation, fiscal austerity, small government, and the elevation of Wall Street. It would change the course of gentrification and eventually lead to Bloomberg’s luxury vision in the 2000s” (Moss, 2017, 37). During this time, President Jimmy Carter’s administration started to cut federal aid to cities, which halted new housing construction in places like New York City (Soffer, 2010). Aligned with Smith’s idea of the gentrification transition period from the mid-1970s to late 1970s\textsuperscript{14}, developers and investors began to practice \textit{revanchism} by buying cheap land as the city burned, was at the brink of bankruptcy, and worked on a “housing shrinkage plan” to drive blacks and Puerto Ricans out the city (Moss, 2017, 74).

Many communities resisted and asked for more central control of local land use planning decisions. Community Boards were established in the 1970s in each of the 59 city districts to give a voice to local communities on the land use planning process but with one catch – their input was to be advisory versus executive. They are appointed by the Borough President\textsuperscript{15} and (today) responsible for reviewing land use and zoning issues and evaluating the needs and concerns of community residents but again do not have executive power. By the late 1970s, the city was close to collapsing. Beame proposed a new approach for city planning that centralized authority of land use within the mayor’s role which put in place new zoning procedures (Davis-Cohen, 2016).

\textsuperscript{14} When developers and investors buying large parcels of property during a prolonged economic downturn and setting the stage for gentrification in the 1980s

\textsuperscript{15} The five Borough Presidents advocate for their borough in the budget, advise the mayor on land use items, and appoint some of the representatives on the Community Boards for two-year terms, the CPC, and the New York City Panel for Educational Policy. Borough Presidents had significant executive power such as sitting on the New York City Board of Estimate who are responsible for making decisions on land-use, budget and other city agenda items but this was taken away in the 1990s (New York City Mayor’s Community Affairs Unit, n.d.).
The City Environmental Quality Review (CEQR) and the Uniform Land-Use Review Procedure (ULURP) were added to the zoning process in 1976. CEQR is the fourth step in the rezoning process, conducted by the Mayor’s Office of Environmental Coordination to estimate any “reasonable worst-case scenarios” that would impact area conditionality such as socioeconomic conditions, natural resources, transportation, air quality and neighborhood character (Brewer, 2015, 29). The CEQR measures socioeconomic conditions but the scope is limited. The review only looks at percentages of racial demographics and median household income but do not investigate unemployment rates, health conditions, or any other social issues that could affect people during a rezoning process.

ULURP, an extensive seven-month public review process (as seen in Figure 1 above) which is conducted alongside the CEQR, involves and brings together several important parties to the table:

Department of City Planning, Community Board, Borough President, City Planning

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16 The first step in rezoning is land speculation; the second is a request for rezoning which can be requested by anyone but usually initiated by landowners, the DCP or private developers because they have the resources and money to do so; the third step is a zoning study conducted by the DCP.
Commission, City Council, and residents from the community through public hearings in
community board meetings (Brewer, 2015, 33). It is an important step in the rezoning process
that allows the community to express their concerns or thoughts on the proposed rezoning. In this
process, the neighborhood’s community board has 60-days to review the proposal and must hold
a public hearing. As mentioned, the input of community boards is advisory, including the
residents who testify at these public meetings (City Limits, n.d.). It is well-known today, that
once the DCP undergoes ULURP, the rezoning is expected to pass, unless the City Council,
Borough Presidents, and the Community Board vote against it (Angotti, 2016, 31).

In 1978, The NYC Department of Housing Preservation and Development (HPD) was
created. Today, HPD is responsible for preserving old and developing new affordable housing,
protecting tenants, enforcing the housing maintenance code, carrying out the mayor’s housing
plan, and engaging communities in the planning process (New York City Department Housing
Preservation and Development, n.d.). Ultimately, the zoning process became an intricate set of
webs (as detailed in the Figures 2 and 3 below) that are under the mayor’s guidance and his/her
politics, who appoints the leaders of the important departments such as the CPC, DCP, and HPD.
These new procedures further centralized land use within city government, paving the way for
the next gentrification phase in New York City.
Figure 2: NYC Rezoning Process 1

Figure 3: NYC Rezoning Process 2
Second and third waves of gentrification

From the late-1970s to 1989, the second wave of gentrification with the agenda to take back the city was on its way under Mayor Ed Koch. Koch was the doorway to coupling gentrification and neoliberalism within public policy that accelerated gentrification, strengthened a real estate-run governance, and conceived the expensive and luxury New York City of today. In his mayoral inaugural speech in 1978, he expressed the trajectory towards the goal of a state run by business:

“From its early days, this city has been a lifeboat for the homeless, a larder for the hungry, a living library for the intellectually starved, a refuge not only for the oppressed but also for the creative. New York is, and has been, the most open city in the world. That is its greatness but also its failing.” A new city for Koch was to provide, “a healthy climate for commerce, business, and industry” (Moss, 2017, 107).

In a conversation about gentrification also in 1984, Koch says: “We’re not catering to the poor anymore. There are four other boroughs they can live in. They don’t have to live in Manhattan” (Moss, 2017, 108). That same year, President Ronald Reagan, who disliked government housing programs, further reduced federal funds for housing to one-third of its levels in the 1980s. Koch used this as the pretext to institute the city’s first major housing plan and introduced the positioning of the city and the real estate industry to work closely on land use planning (Soffer, 2010).

In 1985, Koch created a five-year housing plan with $4.4 billion allocated (in creative ways) from within the city budget to build and rehabilitate 100,000 low and moderate-income units. The plan was expanded in 1989 as the Ten-Year Capital Plan, a commitment to build and rehabilitate 252,000 low and moderate-income housing units with $5.1 billion by 1996.
Bloomberg consulted and modeled his own housing agenda after Koch’s Ten-Year Capital Plan (Soffer, 2010). The seed to accommodate the rich to take over the city was planted. Tax breaks and subsidies were offered by the city to developers of luxury real estate to build affordable housing in the form of: 1) 421(a), a tax incentive that frees developers from paying the increases in property taxes for 10 to 25 years, and 2) J-51, another tax incentive for the renovation of residential apartment buildings. Hundreds of millions of dollars in the form of individual tax reductions were also given to corporations like AT&T to attract them into doing business in the city (Moss, 2017, 110).

In 1989, the Board of Estimate was eliminated when the Supreme Court found it violated the one-vote, one-person principle. The power for final approval of ULURP was transferred to the City Council. In response, the City Council created the Land Use Committee and the Land Use Division. Today, in addition to final approval of ULURP, the committee also designates landmarks and historic districts, approves sidewalk cafés, and can approve or disapprove the buying and selling of land and granting of tax exemptions by the city (New York City Council, n.d.). The City Council holds significant power in blocking a rezoning. In 1991, a new institution was founded that would grow to also have significant power within land use planning and politics, who utilized it in transformational ways for developers and the real estate industry.

The New York City Economic Development Corporation (NYCEDC) was established through the culmination of two major non-profits, Public Development Corporation (PDC)17 and Financial Services Corporation (FSC)18 and several other minor organizations during David Dinkins’ short administration (Clark, Huxley, & Mountford, 2010). EDC was a result of

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17 Organized in 1966 to salvage the city from an economic crisis by selling city property and leasing industrial space
18 Established in 1980 to promote business expansion through government financing programs
guidance from the consulting firm, McKinsey & Company. The consulting firm is a global management company who advises businesses, governments, and institutions on concepts like budget planning, organizational structures, and compensation. Founded in 1926, they have had exponential influence in major sectors worldwide over the decades. Recent projects included the consultancy of almost all of the Wall Street banks towards the securitization of mortgage assets which was a major cause for the 2008 financial crisis (Chu, 2014) and have performed $20 million consulting work for Immigration and Customs Enforcement (ICE) (Forsythe & Bogdanich, 2018).

EDC, today, is a non-profit corporation that promotes economic growth, most significantly through real estate development. It is a corporation, not a New York City agency, that self-funds through the projects it negotiates; meaning as a private agency they undergo limited government oversight. EDC oversees billions of dollars in subsidies, grants, and sales of public land. They work closely with DCP and the mayor appoints its president and board. Under, Bloomberg, EDC was centralized to be used as the main institution where all transactions were made. The mayor can now negotiate tax breaks, city land deals, and infrastructure benefits for developers (Oltman, 2018). By the mid-1990s, the city’s government was ripened for the third wave of gentrification, what Smith called “Gentrification Generalized,” under Mayor Rudolph Giuliani, who instead of substituting the federal cuts in affordable housing from the 1980s with city funds, further reduced the affordable housing budget in half to $300 million per year (Goldberg, 2015, 10).

Giuliani went into office with a militarized, zero-tolerance agenda to “clean up the city”

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19 This is a financial practice of merging various types of assets such as residential and commercial mortgages, and auto loans and credit card debt to sell to a third-party investor as security or also known as bonds. If the transaction is structured incorrectly, the credit can deteriorate dramatically.

20 Bloomberg kept affordable housing funds at the same level as Giuliani
and restructure it. His administration cracked down on squats, community gardens, and avant-garde spaces, as well as, jaywalking. Giuliani’s New York City Police Department (NYPD) under commissioner Bill Bratton adopted the “Broken Windows” strategy which meant suppressing small offenses like graffiti, jumping the turnstile, and panhandling. He rezoned Times Square to clear up the adult establishments in the area (Moss, 2017, 113) and neighborhoods like Long Island City at the end of his term to encourage residential and commercial use. Similar to Bloomberg, he believed too many areas of the city were zoned for industrial businesses (Savitch-Lew, 2018). The EDC began to appoint rezoning processes under Giuliani that targeted working-class neighborhoods (Latham, 2018). New York City residents had lost faith in Giuliani as a result of these changes but a major tragedy in 2001 was used to continue the neoliberal agenda on the table.

2000s: A new era of financialization

Exploiting the fears from September 11\textsuperscript{th}, the economic recession that followed, and a foreclosure crisis through what Naomi Klein calls the shock doctrine\textsuperscript{22}, the city underwent a “conservative shift”. This shift resulted in the election of Giuliani-sponsored Republican and millionaire Michael Bloomberg as mayor, who unexpectedly changed New York City forever (Moss, 2017, 115). From the start of Bloomberg’s time in office in 2002 to the end of his third term in 2013, almost 40\% of the city or roughly 120 neighborhoods were rezoned. The massive

\textsuperscript{21} About 114 of 750 of the city’s gardens went to auction, some were saved, and others went to developers

\textsuperscript{22} The Shock Doctrine: The Rise of Disaster Capitalism by author Naomi Klein argues that controversial policies, ideas, or agendas are pushed while citizens are too emotionally or physically distressed by recent disasters or tragedies to make clear and informed decisions

\textsuperscript{23} The city greatly trusted Giuliani again after his recovery efforts during 9/11, although many say he exaggerated his actual involvement.
upzonings in predominantly communities of color displaced thousands of people, as downzonings in middle to upper-middle class neighborhoods increased land value for homeowners. Between 2007 and 2011, the city’s median rent rose by 8.5 percent while the median income plunged 6.8 percent during the 2008 Great Recession (Rivlin-Nadler, 2016).

In the pursuit of two of his many goals, Bloomberg sought to transform New York City into a luxury commercial and residential metropolis and compete with other global cities, a grander vision of what Koch and Giuliani introduced (Goldberg, 2015, 6, 18). Bloomberg’s New Housing Marketplace Plan, 2003 to 2014, carried out by HPD, was the leading edge of this agenda. In a 2003 conference of business leaders, Bloomberg stated: “If New York City is a business, it isn't Wal-Mart -- it isn't trying to be the lowest-priced product in the market. It's a high-end product, maybe even a luxury product” (Goldberg, 2015, 17). From the start, he knew he wanted New York City to consist of luxury real estate designed for the superrich and for those who aspired to be superrich (Moss, 2017, 157).

The culmination of neoliberal, market-driven policies situated in the mid-1980s, deep cuts in federal funding for affordable housing, and the city’s economic decline post-9/11 geared the economy towards a reliance on luxury investment and development, tourism, and financialized the real-estate state. Bloomberg’s understanding of markets and regulation made it the impetus to welcoming real estate investments and partnerships with developers to “progress” the city (Goldberg, 2015, 15, 19).

Existing complaints about outdated zoning regulations in the resolution, the substantial growth of population in the 1990s, and the housing shortage were used to justify mass rezonings across the city (Goldberg, 2015, 10). With the leading members of the major city housing

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24 Bloomberg’s housing plan can be viewed [here](#).
institutions delegated by the mayor and EDC-appointed rezoning processes who were all deeply committed to the real estate industry’s needs and wants, the Bloomberg administration understood rezoning was the main tool to control land use and the reorganization of people for profit (Angotti & Morse, 2016, 15). In order to accommodate Bloomberg’s city for the superrich, the zoning laws put in place in 1961 had to be changed. This was done one neighborhood at a time.

Bloomberg’s goal of creating a “luxury” city for the professional class and elite, left out poor and working-class people. Thousands of people were displaced from the homes and neighborhoods they lived in for almost up to decades at a time, because of rising rents caused by the rezoning process. The market-driven agenda would restructure neighborhoods through the discriminatory structures within capitalism – a history New York City knows too well. New York City was already one of the most segregated cities in the world because of housing policies passed during Franklin D. Roosevelt’s New Deal such as redlining and the FHA. The housing policies were instituted through the

Figure 4: Proposed rezonings under Bloomberg. Source: Jeremiah’s Vanishing New York Blog
Federal Housing Administration (FHA) and Public Works Administration (PWA) (Gross, 2017) but the practice of racism itself dictated where people did or didn’t live long before the New Deal. Bloomberg’s agenda not only accelerated the existing gentrification but further increased segregation.

Most of the neighborhoods targeted for rezoning were densely populated with low-income, and Black and Latino people. Parts of Williamsburg/Greenpoint, Long Island City such as Hunters Point, Downtown Brooklyn such as Atlantic Yards and Brooklyn Bridge Park, Ozone Park, Harlem, the South Bronx, and Staten Island, as well as Downtown Manhattan and Times Square among many others were upzoned. Upper Manhattan, however, was not one of them, although it was on the agenda as you can see in Figure 4 above (Michael R. Bloomberg, Mayor, n.d.). It is important to note that there were many distinctive and strategic reasons why these neighborhoods were targeted – some being the proximity to subway lines and the island of Manhattan (Fessenden et al., 2013). Another reason was the neighborhood’s proximity to the waterfront. The 1961 resolution set strong restrictions on waterfront districts that could only be used for manufacturing purposes (a pre-deindustrialization regulation). With the rise in land value in the 1990s, developers were particularly interested in using this “underutilized” manufacturing-zoned land and create mixed-use zoning, with more bulk and higher height limits. This would allow construction for residential and commercial buildings, significantly on the waterfront (Goldberg, 2015, 15). This too was one of Bloomberg’s goals – transforming as many acres of land of the city’s waterfront as possible (Fessenden et al., 2013).

The city did make a commitment to preserve current affordable housing and build 165,000 new affordable housing units by 2014 through public-private partnerships. The City would let real estate developers build luxury apartment buildings, as long as they set aside
between 20 and 30 percent of the building for low-to-middle income people, in exchange for incentives like tax exemptions such as 421(a) and the J-51 (New York City Department of Housing Preservation and Development, 2013, 19). Percentage for affordable housing was optional under Bloomberg but de Blasio made it a requirement in 2016 calling it the Mandatory Inclusionary Housing (MIH) program (New York City Department of City Planning, n.d.). While promoted as a solution to the city’s affordable housing and housing shortage problems, these public-private partnerships instead exacerbated homelessness25 (Coalition for the Homeless, n.d.).

Mayor Bill de Blasio, elected in 2013, continues to fulfill Bloomberg’s vision by committing to 15 neighborhood rezonings during his time in office. His rezoning approach promises the construction of more affordable housing and the collaboration with neighborhoods and its communities to address issues as stated in his Housing New York: A Five-Borough, Ten-Year Plan26, dissimilar to Bloomberg’s luxury city campaign but with the same neo-liberal, market-driven agenda (Angotti & Morse, 2016, 13). Downtown Far Rockaway, Flushing in Queens, Long Island City, Bushwick, East New York and Gowanus in Brooklyn, the Bay Street Corridor on Staten Island, Chinatown, East Midtown, East Harlem and Inwood in Manhattan, and part of Jerome Avenue in the Bronx, and Southern Boulevard also in the Bronx and two others are all on the list for rezoning. The de Blasio administration released a NYC Rezoning Commitments Tracker on June 29, 201827 (Kully, 2019).

With much less potency and creativity and a greater set of limitations than Bloomberg, de

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25 I discuss some of the reasons in the Inwood case study such as average median income (AMI), rent increases during rezoning, and predatory activity by landlords.
26 De Blasio’s housing plan can be viewed here.
27 The interactive Zoning Tracker map can be found here. The city has also published ZoLa, a map to research zoning regulations and there is Oasis NYC, known to be more accessible and inclusive than ZoLa.
Blasio, in his second term (to date), has only rezoned five out of the 15 projected rezonings compared to Bloomberg’s quick rezoning turnarounds. East New York was approved in April 2016, 20 blocks in Downtown Far Rockaway in September 2017, 96 blocks in East Harlem in November 2017, part of Jerome Avenue in March 2018, 59 blocks in Inwood in August 2018, and 14 blocks in Bay Street Corridor in June 2019 was approved (Kully, 2019).

CHAPTER 3: REZONING, REAL ESTATE SALES, AND DISPLACEMENT IN INWOOD

“Mayor de Blasio has missed the opportunity to engage Washington Heights and Inwood residents in creating a rezoning plan that could benefit our community. Instead, he has chosen a massive upzoning of Inwood that will result in gentrification and displacement of our majority-Latinx community and immigrant-owned small businesses.”
- Joint statement by Inwood Preservation, Northern Manhattan Not for Sale, and Inwood Small Business Coalition on the City’s Certification of the Inwood Rezoning and start of the ULURP process

**Inwood Rezoning**

The Inwood-Sherman Creek rezoning was on Bloomberg’s agenda but was not initiated during his time in office. De Blasio went into office in 2014 and released his housing plan in May of that year. In early 2015, *The Inwood NYC Planning Initiative*, the process to “engage” the community for a rezoning led by EDC, community stakeholders, and other city agencies emerged (New York City Department of Economic Development Corporation, n.d., 9).

Acadia Sherman Avenue LLC and Washington Square Partners attempted a spot rezoning28 in January of 2016. They submitted an application under the new Mandatory Inclusionary Housing (MIH) program (at the time) and sought zoning amendments for their property in Inwood, 4650 Broadway, to develop a 23-story residential and commercial building

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28 A change in zoning for a single parcel of land. It would be under a different categorization of land use than the overall zoning for that area. It is ultimately for the benefit of the owner of that property.
(Leite, 2018, 8). After some fraught negotiations on the percentage of affordable housing provided by the developers and opposition by the community, Community Board 12 (CD12) and the City Council opposed the rezoning, who ultimately defeated it. While Inwood residents commended this, Mayor de Blasio criticized it, explaining that now the developers can build an as-of-right development without having to provide affordable housing (Leite, 2018, 9).

Two years later, the rezoning of Inwood was approved by the City Council in a 43-1 vote on August of 2018. The plan affects 59 blocks in the Northern Manhattan neighborhood. The city is promising a $200 million investment to “improve” Inwood in eight areas: housing, culture, economic and workforce development, education, transportation, water management, parks and open space, and historic preservation. This plan was proposed through collusion between the city and the real estate industry, and ultimately at the expense of low-income communities of color (Brown, 2018).

A January 2019 article published in the Gothamist titled, Developers Had City’s Ear in Rezoning While Inwood Residents Were Shut Out, Emails Reveal, provided emails acquired through the Freedom of Information Law (FOIL) dating back to 2016 where EDC was advising Taconic Investment Partners LLC, the development company requesting an overall rezoning in Inwood, who the important neighborhood groups are and how to approach them. In the same email thread, EDC warned Taconic Investment about a particular neighborhood stakeholder, St. Jude, who “most likely has a relationship with Centro Altagracia, an organization that works closely with the Northern Manhattan is Not For Sale (NMN4S) and similar groups” (Shore, 2019)

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29 Taconic Investment is a real estate developer based in New York City, well known for selling 111 Eighth Avenue to Google for $2 billion in 2010 and are involved in the Essex Crossing, American Bank Note Company Printing Plant, and Coney Island projects.
30 NMN4S is an activist anti-gentrification group in Washington Heights and Inwood
The article’s author, Jake Shore, explains on his Twitter that the investigative piece was inspired by a Wall Street Journal (WSJ) article that revealed Taconic Investment developers spent more than $200,000 on Capalino + Company to lobby the city for Inwood’s rezoning. The records indicate they lobbied EDC and Inwood’s City Councilman, Ydanis Rodriguez (Honan, 2018). WSJ quotes Charles Bendit, CEO of Taconic Investment Partners and EDC in the emails provided by Shore to justify the lobbying:

“We tried to reach out to those people in the community to put forth our rationale for development and for the rezoning and why we thought it was a good thing.

Another developer, Jorge Madruga from Madd Equities, spent $30,000 to lobby elected and city officials to favor the Inwood rezoning. Their partner, Eli Weiss, who owns Joy Construction, donated nearly $4,000 towards Mayor de Blasio’s campaign. Madruga also donated about $10,000 to de Blasio’s mayoral campaign. Both developers, in partnership, plan to build a 100% affordable housing development on 9th Avenue between 207th and 208th Streets (Honan, 2018).

What was different in the 2018 rezoning?

Advocates suspected major decisions for the 2018 rezoning were already made before the ULURP process began. Shore’s article begins to confirm this. Taconic Investment continued to talk with EDC throughout the ULURP process to prepare for items like testimonies for public hearings at community board meetings. This time, CD12 and Council Member Rodriguez supported the rezoning (Shore, 2019).

Under the de Blasio administration, Inwood is the second largest city-led rezoning passed after East Harlem in a low-income community of color. To date, Gowanus in Brooklyn with a

31 See tweet.
32 While building a 100% affordable housing sounds reasonable, Average Median Income (AMI) is used to calculate who qualifies for those apartments by income. The AMI used by the city is higher than what the average Inwood resident can afford. The question then would be, affordable for who?
proposal to rezone 80 blocks and Southern Boulevard rezoning in the Bronx proposing 130 blocks are two neighborhoods currently undergoing the rezoning process. When questioned about the pattern of rezonings occurring in low-income communities, de Blasio said in February 2018, that no conclusions could be made because the rezonings were small sample sizes (Raskin, 2018). The rezoning proposals, in fact, are becoming larger, activating and galvanizing people around the issues of racial and class politics and displacement. Inwood is a perfect example of city and real estate complicity, how race and class plays in the rezoning process, and who and how certain people become displaced.

For decades, Broadway in Inwood is the dividing line between two distinctive worlds. West of Broadway, 77% of households earn over $100,000, 90% of residents are white, and a large number of co-ops make up its housing stock (Schubach, 2016). To the east, where rentals make up most of the housing and where the rezoning was approved, a similar percentage of people, majority Hispanic, earn less than $28,000 (Leite, 2018). The majority of the building sales I analyzed occurred in the center of Inwood, east of Broadway.

The waterfront of Inwood, Sherman Creek, was a Manufacturing (M) zone and its Commercial Districts were categorized as C8-3 and C8-4 (bridging commercial and manufacturing uses – automotive and other heavy commercial services) near the waterfront and C4-4 (retail and specialty and department stores) more to the center of Inwood (Department of City Planning, n.d.). As Figure 5 shows below (City Planning Commission, n.d.), the new rezoning will change the waterfront to C6-2A and C4-4D zones that allow skyscraper-like towers to go up, not only of residential buildings but corporate headquarters and large hotels, and general department stores and entertainment facilities. The periphery around the R7A coded C4-

33 Dyckman Houses, a seven-building complex of 1,167 units total are located on the east side which means their household income is calculated into this number.
5D would look similar to the waterfront (Department of City Planning, n.d.). This new rezoning could cause mass displacement. Displacement concerns were one of the significant contentions among Inwood residents and anti-gentrification advocates during the fight against the area’s rezoning. The Uptown United Platform, a 16-page counter rezoning planning proposal by a coalition of Inwood organizations was released in early 2018, responding with alternative solutions to displacement concerns (Savitch-Lew, 2018).

In an attempt to further address displacement concerns, my research explains how the business of real estate connects to rezoning in increasing rents on the neighborhood level which displaces residents, by analyzing sales transactions in a span of 11 years from 2007 to 2018, where 106 apartment buildings were sold in 85 transactions in Inwood and the real estate companies who purchased them (Association for Neighborhood & Housing Development, n.d.). I prove this in three ways. First, I connected the increase of price appreciation and building sales to the increase of median rent and median asking rents. Second, I
compared prior sales price with latest sale price in two separate groups - from 2007 to 2012 and from 2013 to 2018 to show the increase of sales volume and prices during the rezoning process. Third, I calculated the targeted rent of each building sold with the GRM formula to illustrate the correlation between building sales and rising rents. I then look at other causes of and protections against displacement in three ways: 1) illegal activity by real estate companies, 2) deregulation of units, 3) rent stabilization laws, and 4) new affordable housing. To understand the gravity of displacement in Inwood, we must first look at its demographic landscape.

Demographics

In 2017, Inwood had a population of 43,491 with Hispanics at 73.2%; Dominicans alone making up 49.4% of the community\(^{34}\). The median household income\(^{35}\) for Inwood is $50,527. For Hispanic and Latino households, however, it is $36,059. The per capita income\(^{36}\) at $17,683 is even lower, and then half - 51.2 percent\(^{37}\) - of Latino households are below the poverty level compared to about 26% for Inwood as a whole. The area’s housing stock is nearly 90% renter-occupied (Leite, 2018, 4), meaning building sales that cause rent increases in a predominantly low-income neighborhood make the population especially vulnerable to displacement. However, at 74%, Inwood is one of the city’s neighborhoods who has the most rent stabilized apartments, which complicates the perception of displacement, where many may perceive that tenants are not at risk when rezoning and building sales occur. Given population breakdown, income and

\(^{34}\) Data used from the US Census Bureau, ACS 5-year Estimates 2013-2017 for Race and Hispanic or Latino by Specific Origin (Manhattan Census Tracts 291, 293, 295, 297, 299, 303, 307)

\(^{35}\) Measures the average of two aggregated income groups, those at the highest and those at the lowest

\(^{36}\) Measures the average income earned per person

poverty levels, it is safe to say Hispanics occupy a high proportion of the rent stabilized units\textsuperscript{38} in the area, including preferential rent units but again are also the most vulnerable.

Sixty-one percent of Inwood units are rent stabilized, including 29\% or 3,033 units are preferential rent units \textsuperscript{39}, six percent are government assisted (e.g. project-based Section 8, Mitchell Lama, Low income tax credit apartments (LIHTC), etc.), and three percent are public housing units. The rest of the 30\% are unregulated (Office of Neighborhood Strategies, 2018, 3). Preferential rent is a discretionary agreement between the landlord and tenant where the landlord agrees to charge a tenant rent below the allowable regulated rent\textsuperscript{40}, a transaction that did not exist before 2000 (Wishnia, 2017). Even though, preferential rent units are regulated under state rent laws, they could be easily deregulated, making 59\% of rental units in Inwood vulnerable to rent hike, most notably, during its rezoning process. However, new rent stabilization laws were passed in June 2019 that may slow down the process of displacement and land speculation, which I discuss later.

**Building Sales and Rent Increases**

In Washington Heights/Inwood (WH/IN), the price appreciation for all property types in the area went up four-fold between 2010 and 2017 and five-fold for 5+ unit buildings. The median sales price per unit increased $162,800 from $116,890 in 2010 to $279,690 in 2017. The sales volume in the area also almost doubled in the same years from 69 to 112. Median rent went up from $1,180 in 2010 to $1,300 in 2017 but median asking rent (what landlords ask on new

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\textsuperscript{38} [Am I Rent Stabilized?](https://www.ctrnyc.com/am-i-rent-stabilized) is a database of building history in New York City

\textsuperscript{39} Rent stabilization is different than rent control, the latter has stronger regulations than the former. Today, only 2\% of units are rent controlled and about 50\% of units are rent stabilized. Rent stabilization laws replaced rent control in the 1970s as rent control was slowly phased out.

\textsuperscript{40} Landlords weren’t able to raise the rent to the legal maximum
contract leases) skyrocketed from $1,600 to $2,090 in the same years. This means there is a correlation between the increased 1) sales volume of buildings, 2) median rents and median asking rents, and 3) building sales price.

Tables 1 and 2 below specifically shows this correlation in Inwood. The increase of buildings sold (sales volume) from 2010 to 2016 is correlated with the increase of median rents, but most significantly connected with the increase of median asking rents. Median asking rent skyrocketed between 2012 and 2013 and the three-year span between 2013 to 2016 had the highest rents and building sales volume, meaning land became more valuable in Inwood. This was the time de Blasio came into office and released his housing plan (2014), EDC began *The Inwood NYC Planning Initiative* (2015) and Acadia Sherman Avenue LLC and Washington Square Partners requested a spot rezoning (2016).
All numbers slightly decreased, however, between 2017 and 2018 in WH/IN. The index housing price appreciation\(^1\) for all property went down from 630.3 in 2017 to 565.2 in 2018 and for 5+ unit buildings decreased from 733.0 to 611.0. Median sales price per unit went down from $279,690 to $239,750 and sales volume went from 112 to 81 (NYU Furman Center, 2018, 83). The Inwood rezoning was passed in 2018, demonstrating land value slightly decreased this year.

### 2007 to 2012

When we look more closely at building sales in two separate time periods, we see a difference in sales volume, sales prices, and monthly targeted rent between 2007 to 2012 and 2013 to 2018, further proving the negative effects of rezoning. As we see in Table 3 below\(^2\), the

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\(^1\) Index of housing price appreciation is the average price changes in repeated sales of the same properties

\(^2\) The buildings in both charts were the only ones whose previous sales price was recorded in the New
prior sales price to latest sale price from 2007 to 2012 either insignificantly increased or decreased. The highest price for a building sale was $10.8 million or $118,681 per unit in an 89-unit building, compared to a building half the size that was sold for five times more between 2013 to 2018, as seen in Table 4. Thirty-four buildings were sold or 1,647 units in this time. Would have building sales in this time increased rent?

Since according to ANHD, the real estate industry standard to pay off a building is 11 years, I calculated the latest sale price of each building from 2007 to 2018 with the GRM of 11 formulae. Table 4 shows that tenants could have seen moderate to no rent increases for renewed or new contract leases when calculating the price per unit the landlord would need to pay off that

York City Department of Finance property documents.
unit per month in 11 years. The highest monthly price per unit was for 3855 10th Avenue at $1,406. Compared to building sales between 2013 and 2018, we see exorbitant monthly targeted rents in Table 6.

![Table 4: Monthly Targeted Rent for Sold Buildings w/ GRM of 11, 2007-2012](image)

### 2013 and 2018

As I mentioned above, the rezoning process in Inwood officially began in 2015. Its effects reflect in Table 5 below. Prior sale price to latest sale price fluctuated between 2013 and 2014 but skyrocketed in mid-2015 and late-2017; the highest sale price at $15.8 million or $329,166 per unit for a 48-unit building. These were the two points in which land speculation were at play in the area – the beginning of the rezoning process in 2015 and before the finalization of the rezoning process in 2018. Seventy-two buildings or 2,293 units were sold in this time.
Table 6 shows that tenants in apartment units would have seen high to extremely high rent increases for renewed and new contract leases between 2013 and 2018. The highest monthly price per unit to meet the 11 year pay-off standard for a landlord was for 256 Seaman Avenue at $2,613.63 a month; almost 1.5 times more than in the previous five years. Remember, monthly targeted rent by GRM of 11 excludes other expenses such as property taxes, insurance, and utilities.
Framing rent increases and monthly targeted rent of sold buildings in the context of displacement risk levels, we must acknowledge that all apartment units would not have seen increases because of rent stabilization. Inwood has one of the largest concentrations of rent stabilized units in New York City but was also one of the most vulnerable during its rezoning process because of predatory real estate companies. However, new rent stabilization laws were passed in June 2019 that may slow down the process of displacement and land speculation, which I discuss later.

### Real Estate Companies

Building sales transactions during Inwood’s rezoning process would increase rents, but it is not the only factor in displacing tenants. Predatory activity by real estate companies can assist
in displacement by, but not limited to, illegally deregulating rent stabilized units, evicting, and neglecting and harassing tenants. Historically, New York City has always had issues with neglectful and sometimes corrupt landlords but we can see a heightened difference before a speculated rezoning and what happens during a rezoning process.

The pattern in Table 7 below, indicates that there was not much interest to buy in Inwood nor was there a great deal of known tenant neglect cases reported by the media, but some which are still worth mentioning. Between 2007 and 2012, 34 buildings were sold in 33 transactions and a total of 23 separate (mostly) smaller real estate companies purchased one building each, with the exception of four companies.

### Table 7: Buildings Bought by Real Estate Companies, 2007-2012

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Buildings Bought</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC</td>
<td>6</td>
</tr>
<tr>
<td>XYZ</td>
<td>2</td>
</tr>
<tr>
<td>PQR</td>
<td>2</td>
</tr>
<tr>
<td>DEF</td>
<td>3</td>
</tr>
<tr>
<td>GHI</td>
<td>3</td>
</tr>
<tr>
<td>JKL</td>
<td>3</td>
</tr>
</tbody>
</table>

43 The city’s Public Advocate has created a Landlord Watch List.
During these five years there was less predatory activity than exceeding unresolved violations and general corruption. Maurice Sohaye, who bought one building in 2007 for example, ended up on the city’s 8 worst landlords list in 2016 for unresolved violations (Katz, 2016). Barry Rudofsky of Bronstein Properties, who bought four buildings in 2009 and two buildings in 2010 was sued by 67 tenants in 2017 alleging that Bronstein Properties overcharged them on rent for improvements on rent stabilized apartments the company did not perform. Individual apartment improvements (IAIs) were a common way for landlords to increase rent on rent stabilized units (Parker, 2017). Gerald Leibman, who bought a building in 2011, ended up on the public advocate’s bad landlord list (Fanelli & Weiss, 2016). Then, there is Labe Twerski, who bought a building in 2011, was accused of overcharging renters in co-op apartment by functioning as a for-profit rental building for decades (Lane, 2019). Finally, Arash Merabi, who bought 611 Academy Street in 2012, was on the public advocate’s landlord watch list in 2018 for the same building for exceeding violations (Public Advocate for the City of New York, n.d.).

The pattern in Table 8 below shows there was now an interest in investing from a concentrated group, the majority who were larger real estate companies buying two or more buildings, which invited a group of landlords who are accused of practicing illegal, neglectful, and harassment tactics. From 2013 to 2018, 72 apartment buildings were sold in 52 sales transactions, almost double than the previous five years. There were 23 separate real estate

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44 Rudofsky bought 118 Post Avenue, 55 Payson Avenue, 20 Seaman Avenue, and 521 Isham Street in 2009.  
45 Rudofsky bought 30 Seaman Avenue and 133 Seaman Avenue in 2010.  
46 One of the buildings was 30 Seaman Avenue.  
47 IAIs also went through a reform in June 2019, which I discuss later.  
48 Leibman donated to de Blasio’s transition team
companies who purchased property, the same amount as from 2007 to 2012. This shows that the proportion of companies buying property during 2013 and 2018 was much smaller than from 2007 to 2012.

During these six years, predatory activity by larger real estate companies was more prevalent. Efstathios Valiotis of Alma Realty and one of the 50th wealthiest Greek Americans bought two buildings in 2013 and two in 2014. Joseph Zitolo bought five buildings in 2013, who is a principal at Lemle & Wolff Companies, a major development, construction and management housing firm based in the Bronx. Saruhan Capin of two other major real estate companies, Solar Realty Management, Corp and Capin & Associates, Inc, who bought a building in 2014, was on Harlem’s worst landlord list in 2016 for violations.
Mark Scharfman\textsuperscript{49} of Scharfman Organization, Beach Lane Management, and other holding agencies, who bought one building in 2014, has a history of illegal activity. He was charged for falsifying renovation documents in one of his Bronx buildings and illegally deregulated rent stabilized apartments and increasing rents. Scharfman re-regulated 400 apartments but did not decrease the rents, while still receiving millions of dollars in J-51 benefits once he re-regulated them, a tactic called scheme swapping (Wishnia, 2018).

Shaul Kopelowitz, who bought a total of 9 buildings (one building in 2014, six buildings in 2015, one building in 2016, and one building in 2017) was accused of neglecting repairs such as mold, leaky roofs and collapsing ceilings in three of his other Inwood buildings (Krisel, 2017). Peter Rebenwurzel from Coney Island Realty Group, who bought four buildings (one in 2014 and three in 2017) was on the worst landlords list in 2017 (Nonko, 2017). Jair Guiterrez, who bought four buildings in 2017, was on the 2016 100 worst landlord list in New York City (Miller, 2016).

Major investors were also attracted to Inwood like Benzion Reifer of Bay Parkway Associates Holdings, who bought four buildings in 2015, is a major investor and owns many properties in Brooklyn. Johnathan Wiener of Chestnut Holdings of New York, Inc., who bought three buildings in 2015, is also a major investor and has amassed tons of property in the Bronx (Malesevic, 2016).

As I have demonstrated, the building sales analysis between 2007 and 2018 for Inwood shows the way the process of zoning, starting with land speculation, invites the larger and predatory real estate companies\textsuperscript{50} who can buy property for up to six times its previous worth,

\textsuperscript{49} He is known for contributing to St. Marks Place’s gentrification by bringing in The Gap and doubled the rent on one of New York City’s oldest and dearest cafés, Cornelia Street Café in the West Village.

\textsuperscript{50} Stabilizing NYC, a coalition of 16 grassroots neighborhood-based organization, organize efforts on ten identified predatory landlords throughout New York City. Coney Realty Group is on the list.
leading to rent increases as we saw in Table 4. While this is one example of real estate and city complicity and cause for displacement, it is important to talk about city policies to understand how it could be a significant part of how displacement plays out.

**Rent stabilization and new reforms**

Low-income communities like Inwood\(^{51}\) hold most of the rent stabilized and preferential rent units but simultaneously have been at risk of deregulation due to rent laws passed by Albany in favor of corporate landlords in the past 26 years. Such laws, for example, allowed landlords to potentially apply high increases to preferential rent units every time tenants renewed their lease (Wishnia, 2017). These were the same laws that have attracted the real estate industry to invest and consequently invite the activity of land speculation on a grand scale.

Rent laws to protect tenants started to erode in 1993 during Giuliani’s first term. For decades, the REBNY was instrumental in lobbying for state laws that would expedite deregulation in various ways. They were one of the groups who advocated for preferential rents which was achieved in the early 2000s (Oltman, 2018). Since the 1990s, 152,000 regulated apartments were pushed to the free market and 130,000 were deregulated in co-op and condo conversions (Barker, 2018). Between 2007 and 2015, the city lost 11% or roughly 30,000 of its rent stabilized units. Inwood lost 4% or almost 500 of its rent stabilized apartments in the same period (Leite, 2018, 6).

Looking specifically at the building sales between 2007 and 2012, Inwood gained 44 rent stabilized units but lost 62 rent stabilized units between 2013 and 2018. The data shows most of the units were lost in 2017, at the same time buildings were sold for higher prices than previous

\(^{51}\) The Bronx and lower Manhattan have some of the highest number of preferential rent units in the city
sales. Although many argue gentrification is natural, due to market changes, we can start to see here that it is not, but rather tied to political economy and collusion between powerful parties who have decision-making power. However, some hope for tenants appeared in June 2019 when new rent stabilization reforms due for revision were passed by the New York State legislature and signed by Andrew Cuomo (Baird-Remba, 2019). Grassroots tenant activists and organizations such as New York Communities for Change, Churches United for Fair Housing, and Riverside Edgecombe Neighborhood Association, among many others, fought for the reforms (Wang & Ferré-Sadurní, 2019), as the real estate industry such as the REBNY spent hundreds of thousands of dollars of ad campaigns against it (Wang, 2019).

There is no doubt the new laws are a big win for renters and a positive direction in minimizing displacement, leaning more in favor of the protection from deregulation and eviction. Some of the laws are (Baird-Remba, 2019):

- Units with preferential rents will no longer see rent increases at lease renewal
- Landlords can no longer raise rent for rent stabilized units to the deregulation threshold of $2,774 but affordable housing, 421(a) units can be deregulated at that threshold.
- Rent stabilization units provided by nonprofits to individuals who are homeless or at risk of homelessness will remain rent stabilized
- Owners who want to convert a building to a co-op or condo that has rent stabilized units must get permission from 51% of the tenants versus 15%

Other reforms passed which tenant advocates wanted to eliminate altogether:

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52 Affordable housing units are those in new buildings using the Affordable New York tax exemption, known as 421a
• For Individual Apartment Improvements (IAIs), landlords can now only charge $15,000 worth of renovations over the span of 15 years up to three IAIs in that period. This could limit renovating rent stabilized apartments to deregulate them, but even $89 monthly or $1,000 rent increase is extreme

• For Major Capital Improvements (MCIs), landlords will only be allowed to increase the rent by 2% versus 6% for major capital improvements or building upgrades

This is the beginning of a long list of reforms tenant advocates fought for and will continue (Murphy, 2019). In light of these new laws, I propose two reforms. The first is connected to new construction after the passing of a rezoning; convert affordable housing or 421a apartments to rent stabilized units to avoid being deregulated by the $2,774 threshold. The second proposal is to raise the percentage of new affordable housing units serving low-income families and lower the average median income requirements for MIH. New affordable housing units hold a significant role in displacement.

**Affordable housing**

The New York City population is at about 8.5 million. One in every 121 New Yorkers is homeless. The number of homeless people sleeping in shelters grew by 67% and the number of homeless single adults grew 142% in the last ten years, reaching the highest levels since the Great Depression of the 1930s. In addition, African Americans and Latinos in New York are the most affected by homelessness. Research by the Coalition for the Homeless have concluded that the primary reason for these high increases in homelessness is due to lack of affordable housing (Coalition for the Homeless, n.d.).
De Blasio has committed to 300,000 new affordable housing units by 2026 since his start in office. Ironically, this is the same amount of affordable housing lost between 1993 and 2018. Inwood’s rezoning proposal promised 1,925 new affordable housing units, almost three times more than units lost between 2007 and 2015. These new units, like others in low-income neighborhoods, are built under the Affordable New York tax exemption also known as 421a. This tax exemption is a negotiation between the city and real estate developers. One of the requirements to use 421a is to offer at least 20% of new units as affordable housing, mandatory under de Blasio but was optional under Bloomberg. In order to determine who occupies these apartments, income is determined by the AMI.

The AMI is calculated annually by the U.S. Department of Housing and Urban Development (HUD) and not the city of New York. HUD averages median family income in the five New York City boroughs, including the outer suburbs such as Westchester, Rockland, and Putnam counties. The NYU Furman Center stated in 2018 that removing the outer suburbs from its calculations “would not significantly change the metro-wide result,” which means the issue is not with AMI but between how local officials and the real estate industry negotiate for percentage of affordable housing units (Etherington, 2019). I contest the AMI is the issue and we can see the AMI used for Inwood and many of other rezoned neighborhoods does not serve New York City’s residents who are in need of true affordable housing.

When looking at the Inwood Housing Plan released by HPD in November 2018, two MIH options were presented to developers. In a new 100-unit building development, the first option was setting aside 25% or five or seven units for incomes that average at $56,000 or 60% AMI. Out of that 25%, at least 10% or 10 units would be set aside for incomes of $38,000 or

53 [Here](https://www.furmancenter.org/publications/article/the-ami-and-income-targets-for-affordable-rental-housing) is NYU Furman Center’s statement.
40% AMI. The remaining 10 units of the 25% would be for incomes at 80% AMI.

The second option offers a few more affordable units but in a similar trajectory.
Looking at Inwood’s household income distribution from 2016 on the left provided in the HPD housing plan, the largest income group, at 30%, earn $25,770. (Office of Neighborhood Strategies, 2018, 3). If Inwood residents wanted to apply to these affordable housing units, they would automatically be priced out at the 30% AMI level we see in the second MIH option above (Office of Neighborhood Strategies, 2018, 3). This is an example of new development with affordable housing excluding a large majority of residents from the neighborhood and New York City as a whole.

If we consider the incomes of New York City’s residents from all five boroughs in 2016, 30.7% earn $29,999 or less (10.2% make $10,000 or less) and 22.1% earn between $30,000 and $59,999\(^{54}\). How are 20 to 25 relatively affordable units out of 100 in one building resolving our affordable housing crisis? It’s not.

**Conclusion**

In this paper, I give an example of how rezoning and the real estate industry is connected to rent increases by the activity of land speculation where buildings and property are sold for a higher price, when an upzone rezoning is in process in a neighborhood. I then use the connection of rent increases and add the dynamics of deregulation, policy, and affordable housing to

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\(^{54}\) Data used from the US Census Bureau, ACS 5-year Estimates 2012-2016 for Household Income (In 2016 Inflation Adjusted Dollars) (Bronx, Kings, New York, Queens, and Richmond counties)
demonstrate how these factors play into displacement. I use Inwood as a case study by looking at the area’s building sales between 2007 and 2018 and further demographic and housing statistics to support these connections.

The city’s argument that gentrification has already started happening and a rezoning will combat it, is in disarray when the target incomes of the proposed affordable housing units does not match those of very low-income in the area. The change of migration, and movement of people is normal can be expressed but the involuntary movement of people is different, which is the case of gentrification and displacement. The changing of a place that doesn’t come from the majority of the community already living there not only violently takes away their agency of movement but limits their options to where they can move and how they can live, making them vulnerable to mental, physical, and emotional illnesses. When a community network is torn apart, whether gradual or immediate, there is not only serious health repercussions but identity and cultural disruptions both short-and long-term (Thompson Fullilove, 2016, 4).

While Dominicans are still the dominant ethnic group in WH/IN, as a majority they don’t hold economic power. Therefore, the main shopping areas of 181st and 207th where rezoning was passed is at great risk if the majority of their customers are Dominicans and Hispanics who live in the area are displaced or new residents don’t want to shop in stores the current majority shops in. Even though that area holds majority Dominican-owned businesses who hold economic power, they are contingent with the lower income Hispanic community. As residents are displaced and new businesses open to cater to the new residents, small and local businesses go out-of-business.

It is unfortunate to conclude that the collusion between city officials and politicians and real estate developers is causing serious damage to the very people that make this diverse city
invaluable. It is also safe to say that without the amount of money and resources developers have, community advocates and residents don’t stand a chance. Unless, the community has political and economic power to interrupt a beast like the process of rezoning, they alone cannot stop it. Rent regulations reforms liked the ones passed in June 2019 is a start.

When a neighborhood is rezoned by collusion between the city and the corporate real estate developers for the sake of capital, low-income communities are at risk of displacement. But when the political rhetoric is “this is being done to solve “our” affordable housing crisis”, we must continuously ask, “who created the crisis and how are they perpetuating it?”
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