

CASE STUDY: NEW ROCHELLE

# ZONING & PERMITTING INNOVATIONS UNLOCK OPPORTUNITY

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#### INTRODUCTION: ZONING REFORM AND COMMUNITY TRANSFORMATION

New Rochelle, New York, is a dramatic example of how zoning reform can attract investment and generate economic growth for a community:

- The city employed innovative planning processes to reduce uncertainty for everyone involved.
- Private investments in the billions have surged into the once-stagnant city.
- After a public/private process put zoning reforms in place, economic activity followed, including job creation across many sectors, new building fees and incremental taxes to the City.
- And the new jobs, fees, and taxes generated from that investment have already greatly improved the fiscal health of New Rochelle, at a time when the health of many municipalities is in peril.

Two ingredients in New Rochelle's success stand out: the master developer and the Generic Environmental Impact Study (GEIS). By selecting a master developer — and compensating it with real estate options — the city guaranteed that at least one builder would have a vested interest in the city's success. The GEIS replaced the usual uncertainty of project-by-project studies which may result in significant changes in cost and timing. Instead, New Rochelle offers an up-front fee formula, so potential bidders know the costs and every competitor has the same information.

New Rochelle took a look at its zoning, picked a developer and together streamlined its process — and the results have been extraordinary.

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### ABOUT NEW ROCHELLE

New Rochelle is a city of approximately 80,000 people located in Westchester County, 20 miles northeast of Manhattan. The city was founded in 1688 and today is diverse, closely mirroring the demographics of the New York metro area.

Sylvan suburban areas in the city's north include some of the most expensive homes in the region while the southern part of the city is working class and predominantly Hispanic and Black. Downtown is a crucial shared space, with jobs, shopping, civic institutions, and transportation links.

Although downtown New Rochelle remained healthy, it had attracted little new investment since the exodus of retailers to shopping malls during the 1970s and 1980s. A few new buildings went up from 2004 to 2007, and some storefronts were renovated, but the existing development process was slow, risky, and frequently adversarial.

New investment came to a standstill in 2007 and showed no signs of returning.



### A BOLD STEP FOR REFORM

In 2014, Mayor Noam Bramson and Development Commissioner Luiz Aragon took action.

Through a request for proposals process, the city selected RDRXR, a joint venture of two for-profit development companies, as master developer to help the city re-engineer its planning and approval process. Over the following

**RDRXR** sought community input through meetings with community groups and public listening sessions. Through that process, citizens identified key goals including new affordable housing and funding for arts and open space.

year, the city and

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City leaders realized they could benefit everyone by flipping the development process on its head. Instead of waiting for developers to buy expensive land and roll the dice on an uncertain environmental review and community hearing process, the city would move first with a preemptive environmental study and a clear schedule of impact fees and incentives to provide affordable housing, arts, and culture.

Additionally, they simplified zoning restrictions in new downtown "overlay" districts and cleared a path through the approval and permitting process.





#### THE NEW PLAN

This plan was passed unanimously by the New Rochelle City Council at the end of 2015, and consisted of the following key elements:

#### GENERIC ENVIRONMENTAL IMPACT STUDY (GEIS)

- Estimated the infrastructural & environmental impact of 10 years of growth under the new plan.
- Satisfies the state requirement for environmental studies of any compliant project.

#### MINISTERIAL APPROVAL FOR COMPLIANT PROJECTS

- Planning Board verifies compliance within 90 days
- No discretionary review by Planning Board or City Council if requirements are met

#### A FIXED COMMUNITY BENEFIT SCHEDULE

A formula for "fair share" fees, which fund ex-

- pansions of infrastructure, services, and schools which accommodate new growth.
- All residential buildings were required to offer 10 percent of units at below-market rates.
- Any builder could "buy" a height bonus by funding historic preservation, arts or cultural space, or setting aside more units at below-market rates.

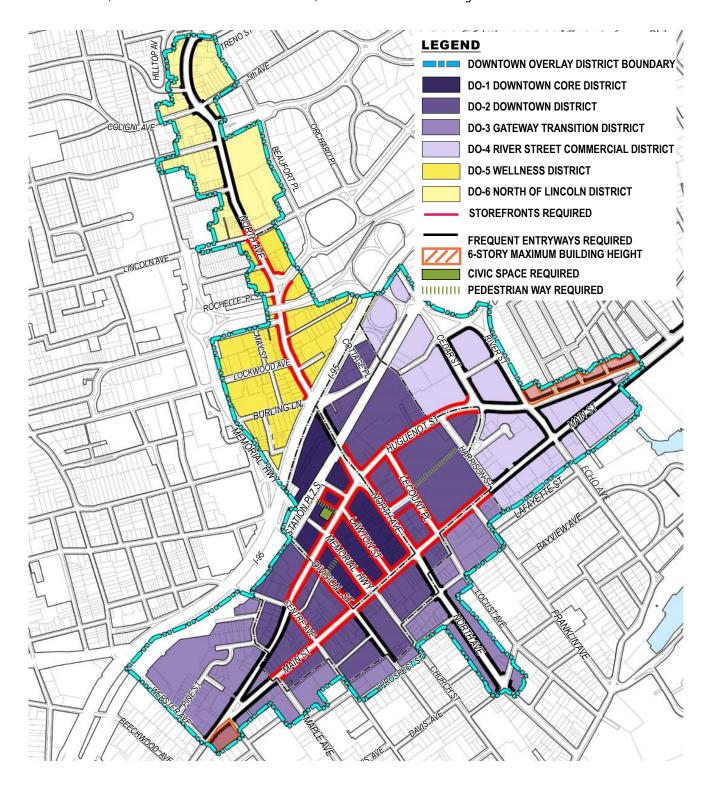
#### **DOWNTOWN OVERLAY DISTRICTS**

- Cover 275 acres
- "Form-based": the new code sets height and street frontage rules, but allows builders to mix and match residential, retail, office, and other uses as the market dictates.
- The zones vary from allowing 48 stories at the center to 5 stories at the edge of downtown.

#### **NEW ROCHELLE DOWNTOWN OVERLAY DISTRICTS MAP**

The Downtown District was divided into six overlay zones in a rezoned area of 280 acres, which is less than 5% of the area of New Rochelle. Each of the overlay zones has its own density levels, which in turn vary by size of lot — the larger the lot, the higher the number of floors permitted.

The zones are arranged in concentric circles emanating from the Metro North train station, which is in DO-1. For the properties located in DO-1, a large lot that made use of all available density bonuses, a building of 48 stories is permitted. In DO-2, the next rung, the maximum building height drops to 28 stories, which continues to diminish until DO-6, the furthest from the train station, where the maximum height is six stories.



# TWO KEYS: A MASTER DEVELOPER AND A GENERIC ENVIRONMENTAL IMPACT STUDY

# The master developer, RDRXR, was involved from the beginning and helped the city see through a builder's eyes.

RDRXR helped convince the city and citizens that developers would be happy to pay fees and provide community benefits — provided they knew the prices and options up front. (Full disclosure: one of the authors, Wharton, worked for RDRXR at the time, and was a leader of its engagement with New Rochelle).

After the city council approved the redevelopment plan, RDRXR sponsored a generic environmental impact study (GEIS) to address the impact of development based on a projection of how much downtown New Rochelle would grow over the next 10 years under the new rules. The GEIS estimated the impact on infrastructure if all that development came to pass. Using the GEIS, the city set fair share fees so that a growing downtown would fund the necessary expansions of city services.

Rather than pay for the consulting services out of pocket, New Rochelle had RDRXR pay for the consultants and compensated RDRXR with options to purchase several downtown city-owned parking lots. That gave RDRXR skin in the game: If the new plan had been a flop, RDRXR would have lost that money.



#### A FORMULA FOR SUCCESS

In place of an adversarial process between developer and community, the city worked with residents and civic groups in a year-long process to craft community benefits developers can provide in exchange for additional height. The potential bonus differs by zone. Developers choose which community benefits to offer at each site.

BONUS CATEGORY	BONUS ELIGIBILITY	FORMULA
Historic Preservation	25%, 50%, or 100% of potential bonus, based on significance of preservation, at discretion of Commissioner of Develop- ment with approval by Historic Landmarks Review Board	Permanent preservation by developer, on- or off-site (or a combination thereof), of all or a portion of an "historically significant structure" in an "historically appropriate way" (as determined by the Commissioner of Development and approved by the Historic Landmarks Review Board)
Arts and Cultural Space	25%, 50%, or 100% of potential bonus, based on significance of provision, at dis- cretion of Commissioner of Development with approval by Planning Board	Provision by developer, on- or off-site, of a "meaningful space" for an arts and cultural organization at a "substantial discount" for a "substantial period of time" (as determined by the Commissioner of Development and approved by the Planning Board)
Community Facility	25%, 50%, or 100% of potential bonus, based on significance of provision, at dis- cretion of Commissioner of Development with approval by Planning Board	Provision by developer, on- or off-site, of a "meaningful space" for an arts and cultural organization at a "substantial discount" for a "substantial period of time" (as determined by the Commissioner of Development and approved by the Planning Board)
Transit and Parking	Up to 100% of potential bonus, pro rata based on contribution	Permanent provision by developer, on- or off-site, of a "substantial number" of parking spaces open to the public at costs per space consistent with public parking offered by the City, with operating terms and allocation of economics satisfactory to the City (as determined by the Commissioner of Development and approved by the Planning Board)
Green	25%, 50%, or 100% of potential bonus, based on significance of provision, at dis- cretion of the Commissioner of Develop- ment with approval by Planning Board	Incorporation of on-site of "meaningful green elements" (e.g., LEED certification, microgrid, etc.) beyond what is required by zoning or other regulation (as determined by the Commissioner of Development and approved by the Planning Board)
Pedestrian Passage	25% or 50% of potential bonus, per Formula. Bonus may be taken on- or off-site and is for permanent provision by developer of public passage (maintained by developer), meeting guidelines and locations set forth immediately following passage of Overlay Zone by Commissioner of Development and approved by Planning Board.	<ul> <li>33 LeCount Place ("New Roc City") Passage: 50% of potential bonus for public passage between LeCount Place and Harrison Street</li> <li>Master Developer Passages: 50% of potential bonus for public passage between LeCount Place and Memorial Highway</li> <li>40 Memorial Highway ("Halstead New Rochelle") Passage: 25% of potential bonus for public passage between Memorial Highway and Division Street</li> </ul>
Open Space	25%, 50%, or 100% of potential bonus, based on significance of provision, at dis- cretion of the Commissioner of Develop- ment with approval by Planning Board	Permanent provision by developer, on- or off-site, of a "meaningful public open space" (maintained by developer and as determined by the Commissioner of Development and approved by the Planning Board), meeting guidelines set forth immediately following passage of Overlay Zone.
Housing	25%, 50%, or 100% of potential bonus, based on significance of provision, at dis- cretion of the Commissioner of Develop- ment with approval by Planning Board	Permanent provision by developer of one of the following:  Up to 5% of units @ 60% AMI/5% of units @ 80% AMI  11%-20% of units @ 80% AMI Community Benefits Fund
Community Benefits Fund	Up to 100% of potential bonus.	Contribution by developer of applicable Community Benefits Fund Amount/gross bonus SF to Community Benefits Fund.





7,000
NEW
APARTMENTS



1,000
AT
BELOW-MARKET
RENTS

#### **IMMEDIATE IMPACTS**

As soon as the new zoning was passed and the GEIS was in place, new projects were proposed faster than anyone expected.

As of April 2021, 32 projects had been approved by the Planning Board, of which 6 had already been completed, and 10 were under construction (see Downtown Developments Map).

A typical project is 360 Huguenot Street, a 28-story mixed use tower at the former Loews Theater. It consists of 280 apartments, 17,285 square foot of retail space, and associated parking. The development included the restoration of the theater façade and set aside of 10,000 square feet for use by the community for a black box theater. The latter two elements were community benefits that enabled

360 Huguenot to obtain a zoning bonus under the new overlay district formula. And at full assessment, the new 360 Huguenot will pay \$31 million per year in property taxes.

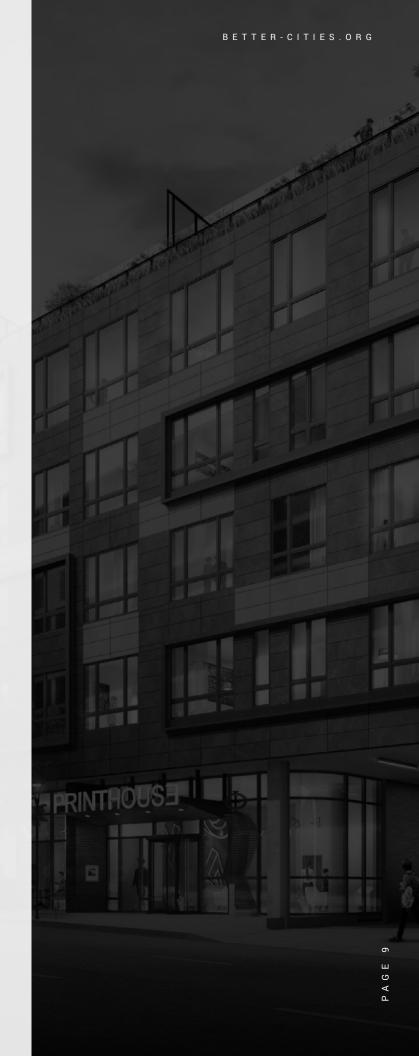
Altogether, the new projects will bring nearly 7,000 new apartments, including 1,000 at below-market rents, already exceeding the 10-year market estimates contained in the GEIS.

The increased economic activity from this population in the Downtown will support New Rochelle businesses for many years to come, just as the additional property taxes coming from the new buildings support city services.

And the community benefited from the many projects that elected to provide one or more Community Benefits for the zoning bonus.

It was a great result by any measure.

THE CITY OF NEW ROCHELLE RECEIVED OVER \$20 MILLION IN FEES, INCLUDING \$10 MILLION OF BUILDING DEPARTMENT FEES, \$4 MILLION OF MITIGATION FEES, AND \$6 MILLION OF PLANNING BOARD AND OTHER FEES, MORE THAN ENOUGH TO COMPENSATE FOR THE EXTRA DEMAND ON CITY SERVICES.







#### LEARNING FROM NEW ROCHELLE

# What was the secret to New Rochelle's success? Is it a model that can be repeated elsewhere?

New Rochelle had good fundamentals — proximity to New York City, good public transit, Long Island Sound shoreline, and the bones of a charming downtown. Rents and prices were high, indicating strong demand.

What made the difference? Simplifying the approval process.

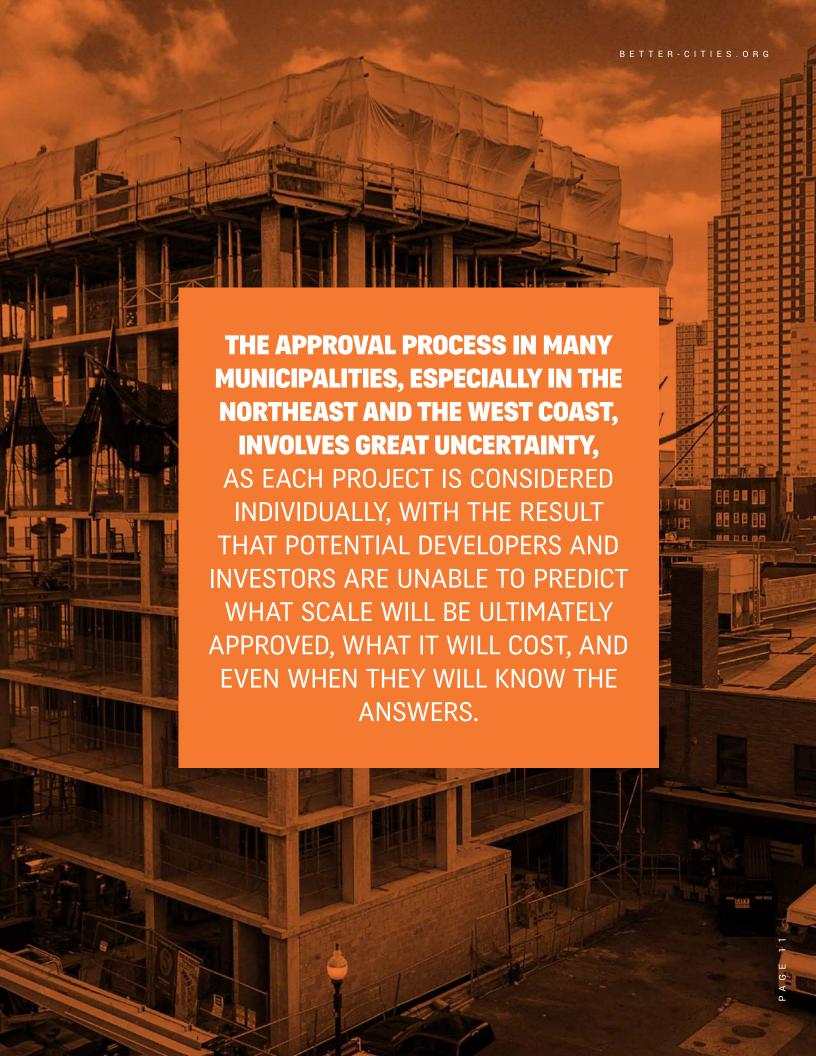
The approvals process in many municipalities, especially in the Northeast and the West Coast, involves great uncertainty, as each project is considered individually, with the result that potential developers and investors are unable to predict what scale will be ultimately approved, what it will cost, and even when they will know the answers. In fact, right now it is hardest to build where housing is the most needed — in areas of high job growth and in-migration.

Cities that want to follow New Rochelle's lead will need

to tailor an approach to their own circumstances and state laws. Here are the essential steps:

- Listen to both current residents and prospective builders.
- Look at the big picture not just the merits and faults of an individual project
- Resolve the uncertainties up front so that developers know what they can build and what fees they'll owe when they do so, and
- Guarantee quick city decisions based on clear, objective criteria

There are a number of zoning reforms with similar ambitions going on in municipalities across the country, and the example of New Rochelle is proof that if done right, reform can work, and quickly.



#### **ABOUT THE AUTHORS**

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Phil Wharton is chief investment officer at Twining Properties. He was on the forefront of development and investment in Long Island city and downtown Brooklyn while at AvalonBay Communities, and he helped reshape the downtown of New Rochelle, New York through the innovative public/private partnership between RXR Realty and the City of New Rochelle.

Wharton built the residential development platform for RXR Realty, one of the largest owners, managers, and developers and operators in the NYC Tri-State area. At RXR, he oversaw the development of 1,792 apartments at a cost of \$813 million. Prior to that role, he developed residential and mixed use developments at Brookfield Property Group and AvalonBay Communities, for a total of 3.5 million square feet and including 4,903 apartment homes, at a total cost of approximately \$2.4 billion. He serves on several boards, including the Council on Economic Education, which trains approximately 55,000 teachers annually, and ChaShaMa, which places artists' studios and exhibits in vacant retail spaces. He holds an MBA from University of Pennsylvania's Wharton School of Business and a BA from Harvard College.



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Furth's writing has appeared in National Affairs, American Affairs, The City, Public Discourse, and numerous newspapers. He previously worked at the Heritage Foundation and taught at Amherst College, and earned his Ph.D. in economics from the University of Rochester in 2011.





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