THE NEW YORK OBSERVER

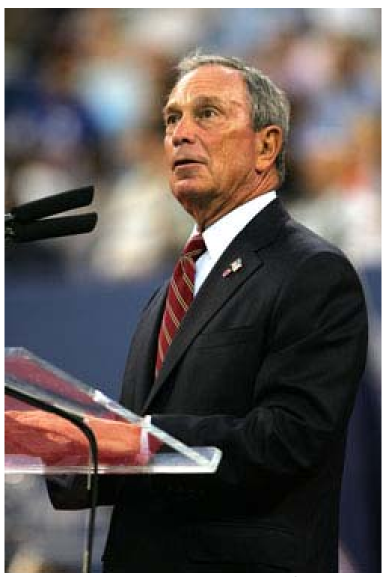
REAL ESTATE

Tougher Times Hobble Mayor's Affordable Housing Ambitions

Focus shifts to preservation as administration struggles toward magic number

BY **ELIOT BROWN** | 7:55 PM SEPTEMBER 23, 2008 | **TAGS:** REAL ESTATE 2008 FINANCIAL CRISIS MICHAEL BLOOMBERG

Mayor Bloomberg's plan to create and preserve 165,000 units of below-market rate housing over 10 years is one of the more ambitious initiatives of his administration, and indeed he touted its merits Tuesday at a press conference announcing that the plan had passed its halfway mark.



Getty Images

But as the financial industry hits major turbulence and the city's once lush climate for development turns dry, the Bloomberg administration is struggling to meet its goals for new construction (currently targeted at 91,637 units) and will likely need to shift the balance more toward preservation (73,395 units).

More than five years since the mayor rolled out the plan in an earlier form, the city has no doubt exceeded expectations in preserving affordable apartments, counting more than 50,000 units in that category.

But the creation of new ones, which is considered substantially more important in terms of increasing affordability citywide, has lagged far behind the pace needed to reach the 10-year goal, and as of the end of June, five years in, is at just 30,393. Although city officials say the original plan emphasized preservation in its early years, the reality of an inclement market has caused reevaluation, and the administration says it will likely need to lower its goals for creating new units, and increase its goals for preserving current ones.

The mayor's housing plan initially started in a smaller version in 2003 with a goal of 65,000 preserved or new below-market rate units by 2009. But during his reelection campaign in 2005, the mayor upped the ante and announced the current targets. Finalized in 2006, the revised plan called for an array of tools and mechanisms to hit the goal, and was considered by experts in the field to be highly ambitious. It called for a total of $7.5 billion in mostly city money.

Preservation of new units has surged ahead of the city's forecasts. Typically, the city steps in to subsidize—usually in the form of low-interest or tax-free loans—thereby extending the time that developments must keep their rents or co-op prices below market rates. For instance, according to the Bloomberg administration's numbers released Tuesday, the city had preserved more than 21,000 apartments in Mitchell-Lama affordable housing developments.

On the new construction side, the city has an array of programs that fall under the plan, including an initiative to build affordable housing on New York City Housing Authority (NYCHA) parking lots; a mechanism to put low-income apartments in some luxury developments; and a broader strategy of emptying the once vast stores of city-owned land acquired in the 1970s when the city foreclosed on delinquent landlords.

The city has counted new construction start-ups annually of between 5,000 and 7,000 units since the plan started.

CITY OFFICIALS HAD said they intended to pick up the pace of housing creation in the second half of the plan, given that many larger projects—including the planned development of thousands of apartments at Hunter's Point South in Long Island City—needed lengthy approvals.

But in just the past year and a half, expectations have lowered as credit has dried up. In early 2007, the city-produced Mayor's Management Report projected new construction of affordable units would jump in the 2008 fiscal year to 11,587. Months later, the projection was trimmed down to 8,568, and by the time the fiscal year ended three months ago, the city counted 6,682.

Shaun Donovan, commissioner of the Department of Housing Preservation and Development and a chief architect of the plan, acknowledged in an interview that "we didn't expect the market to be where it is today. It's going to cause us to adjust the new construction and preservation goals."

Mr. Donovan defended the plan's progress, saying the total goal of 165,000 preserved and built units still remains, and a shift away from new construction toward preservation is not particularly troublesome given that market-rate development has shot well past where the administration estimated, easing pressure on prices.

"Yes, we were short on the target for new construction last year, but in the larger picture, the projection for the split between new construction and preservation was not something we felt was sacrosanct," Mr. Donovan said. "The critical number and target was 165,000 units, and we're on track for that."

Aside from financing challenges, the city faces other hurdles, including soaring construction costs; the slow-down in development connected to market-rate projects; a shorter supply of certain tax credits due to the Wall Street crisis; a drying up in the pipeline of city-owned properties that underwent foreclosure in prior decades; and rezonings by the administration of large swaths of the city for less-dense development, which make it harder to build below-market rate projects.

"There's just a real shortage of land that's just buildable," said Vicki Been, director of the Furman Center for Real Estate and Urban Policy at N.Y.U. "There's also been an awful lot of land that's been rezoned throughout Queens, throughout Brooklyn, to make it unavailable for affordable housing."

All is not to say that the city isn't trying. Affordable housing advocates and the real estate industry are quick to praise the administration for the amounts of energy and money it's put into new housing, and for its high goals.

"Costs have gone up and the markets have gone down. There's still good targets; it's still a good road map," Brad Lander, director of the Pratt Center for Community Development, said of the plan. "Was it influenced by the rose-colored glasses that everyone was wearing in 2005? Of course it was."

ebrown@observer.com