Alms for the Upper Middle Class: Subsidized Apartments Aim at $200K Earners

By Stephen Jacob Smith 6/18 7:39pm

Standing outside a shiny new red and tan brick building at 401 West 25th Street, indistinguishable from any other late-2000s new construction throughout the West Side, you can catch a glimpse of the future of housing if New York City’s Democratic mayoral candidates get their way.

A young woman who works in finance and moved into this building from a “real shithole” in the West Village, a computer programmer from South Carolina, a lifelong New Yorker who moved in from the projects a few blocks south, and a gay couple—one a playwright, the other a social worker—with a son, who moved from 14th Street and Seventh Avenue.

They all found places in a 22-story middle-income affordable housing development in an increasingly unaffordable Chelsea. The Elliott-Chelsea, developed by Artimus Construction, rose on New York City Housing Authority property with the help of an alphabet soup of government agencies. Some of the 168 units in the building are typical low-income units, reserved for families earning under $40,000 a year. But the bulk of the complex is set aside for middle-income earners, a group that this cycle’s crop of Democratic mayoral candidates get their way.

Some of these units can legitimately be called middle-income apartments, with half a dozen one-bedroom apartments available to couples earning a combined $64,000 to $101,000 a year. But there are also 45 two-bedrooms that go for $3,421 a month, for households, no matter the size, ranging in income from $119,143 to $190,080. In the world of New York City affordable housing, this is what passes for middle-income.

So-called middle-income housing wasn’t a huge part of Michael Bloomberg’s plan to create or preserve 165,000 subsidized affordable housing units by the end of his term. Of the 147,890 subsidized housing units created (or maintained) so far, only 11,877 are classified as “middle-income,” as defined by the federal Department of Housing and Urban Development.
Among them: The Acacia, on the gentrifying fringe of Bed-Stuy, aims at incomes from $66,686 to $194,415. Or there's Washington Mews at 89 Murray Street in Tribeca, which is open to those earning up to $150,325. If the New York City mayoral candidates get their way, there will be a lot more like them.

The pivot toward middle-income housing raises questions about whether the city can really afford to solve its housing program through subsidies—so limited compared with the need that they’re given out by lottery—especially now that the mandate has expanded to cover the vast number of New Yorkers who could plausibly be considered “not rich.”

With a limited pool of money for those in desperate need of housing—the Section 8 waiting list, for example, is completely closed—does it make sense for the city to be subsidizing new Manhattan construction for those who could pay the same in an older building in Park Slope or Yorkville.

It may be hard to see it now, but public and subsidized housing in New York was, in its early heyday, a middle-class effort aimed at shoring up declining neighborhoods. Programs like Mitchell-Lama that subsidized new construction through low-cost mortgages to developers were meant to prevent people who could afford the suburbs from fleeing the city. Rising housing costs weren’t the problem—they were the goal.

But with Americans' impression of cities, especially big cities, on the upswing, the market demand for the country’s densest urban centers has rendered the housing programs of the '70s and '80s obsolete, or at least has radically altered their goals.

Whereas Penn South, a Mitchell-Lama housing complex an avenue away, was built in a declining Chelsea, the Elliott-Chelsea building, which opened last year, was built in a neighborhood where one-bedroom apartments in non-doorman buildings rent for well over $3,000 a month. Especially by the standards of new construction, a $3,421 two-bedroom is certainly affordable.

At its groundbreaking, City Council Speaker Christine Quinn, the frontrunner for the Democratic nomination in the mayor’s race, heralded the project as “ensuring that Chelsea stays a vibrant and diverse neighborhood.” She hinted at the social engineering aims of such housing—intended not only to help New Yorkers find housing, but also to preserve a modicum of diversity within neighborhoods. Middle-income housing in New York seems to be as much about neighborhoods as it is about people.

In exchange for capping the rents at merely high levels as opposed to astronomical ones, Artimus was lavished with subsidies for the $65 million project. From cheap land (it paid only $4 million, of which more than a million was loaned to the company by NYCHA itself), to tens of millions in bond financing, millions in direct loans and a $1.5 million direct grant from the City Council, the city made significant contributions to the project.

What’s more, not all city-subsidized projects are affordable relative to their surroundings. At the Acacia, the $2,729-a-month three-bedroom units went quickly in a recent lottery. Smaller apartments are still available; when asked about the project, a woman from the neighborhood questioned whether the $1,887 starting rent was really any kind of deal in Bed-Stuy.

Indeed, a report by the Association for Neighborhood and Housing Development issued earlier this year found that her suspicions were not unfounded: two-thirds of units created through...
Mayor Bloomberg’s New Housing Marketplace Plan are too expensive for the majority of residents in the neighborhoods in which they were built.

Part of the problem is how “middle-income” is defined. The definition revolves around an all-important number called “area median income,” or AMI, which the federal government calculates based on the greater New York area’s population—an area that includes wealthy suburbs in Westchester, Long Island and New Jersey.

“Middle-income’ becomes a subset of the top third of all households” in the city, ANHD’s Moses Gates told The Observer. He placed those who qualify for the apartments somewhere between the 70th and 90th percentiles of earners. “It’s upper-middle-income housing.”

So for example, at the Acacia in Bed-Stuy, not only are the units not middle-income by the neighborhood’s standards, but they’re not even particularly middling by the standards of the city’s population.

And there’s no limit to how much tenants can earn once they qualify. “Once you’re in, you’re in,” explained the young computer programmer on Ninth Avenue. (He said it was the first thing he asked.) Even if he or the young woman in finance ends up with a household income over the $190,080 limit, they can keep their subsidized apartments.

And neither of the plans—or even Mayor Bloomberg’s, which was far more ambitious—even comes close to replacing the dwindling stock of rent-stabilized units. In 2009, the Furman Center for Real Estate and Urban Policy at New York University found that 200,000 affordable, mostly unsubsidized apartments were lost to market increases in rent.

With nearly half of the rental units within the five boroughs falling under the rent-stabilization program, it is far and away the largest government effort aimed at maintaining affordability in the city. But with no appetite for strengthening the laws among upstate Republicans, who hold the reins on rent regulation, the prospects of reversing the program’s decline seem slim.

And then there’s the market cure: simply allowing more housing to be built, in the hope that if supply is allowed to meet demand, rents will at least level off. Economists of all stripes tend to agree that New York City’s fundamental housing problem is that not enough new market-rate buildings are allowed to rise.

The city has cemented neighborhoods as they were in 1961, when the modern zoning code was adopted, with only pockets of growth allowed—in Downtown Brooklyn, Long Island City and the Far West Side today, for example.

“In New York has made it so difficult to build that you forget what free and easy supply really does,” said Harvard economics professor Ed Glaeser, who co-authored a study a decade ago that found that half of the cost of housing in Manhattan could be blamed on artificial supply constraints. “Chicago remains a vastly more affordable city because Mayor Daley unleashed the cranes on Lake Michigan”—a reference to the Windy City’s far more lenient land-use
When it comes to New York City housing policy, said Mr. Glaeser, “there's been a funny combination, from an economic point of view, of on one level making it difficult to build housing supply, and then trying to make up for it on a smaller scale by giving a privileged few access to housing.” In other words, those lucky enough to win the housing lottery like the couple at Elliott-Chelsea, who said they’d been applying for 15 years before they won a spot.

For better or for worse, middle-income affordable housing may be the best chance those who are neither poor nor rich have to move to Manhattan south of Harlem. Meanwhile, for those who earn between $73,166 and $150,325 a year, there's a lottery for a new $2,000 one-bedroom at 89 Murray Street in Tribeca.