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Should the next mayor support the New York City Housing Authority's plan to lease its undeveloped land for the construction of market-rate rental housing?



WHY IT MATTERS

The New York City Housing Authority's (NYCHA) Public Housing Program includes 178,911 apartments in 334 developments, which together house approximately five percent of New York City's population¹ and 8.2 percent of the city's renter households.² The agency is facing dire financial shortfalls, however, that threaten the long-term viability

of its stock. NYCHA has seen reductions of \$700 million in federal operating assistance since 2002.³ And, if new revenue is not generated, NYCHA projects a \$13 billion capital investment shortfall through 2017.⁴

1 New York City Housing Authority. (2013). Development Data Book. Retrieved from <http://www.nycha.gov/html/nycha/downloads/pdf1/pdb2013.pdf>

2 New York City Housing and Vacancy Survey, 2011.

3 New York City Housing Authority. (2011, December). *Plan NYCHA: A Roadmap for Preservation*. Retrieved from <http://www.nyc.gov/html/nycha/downloads/pdf/plan-nycha.pdf>

4 New York City Housing Authority. (2013, May 22). *Five Year Capital Plan Calendar Years 2013-2017*. Retrieved from <http://www.nyc.gov/html/nycha/downloads/pdf/Five%20Year%20Capital%20Plan%202013-2017.pdf>

TABLE 1: Proposed NYCHA Infill Development Sites

<i>NYCHA Development</i>	<i>Neighborhood</i>	<i>NYCHA Proposed Site Name</i>	<i>Proposed Site Area (sq. ft.)</i>	<i>Proposed Residential Floor Area (sq. ft.)</i>	<i>Estimated Residential Units</i>	<i>Proposed Community Facility Floor Area (sq. ft.)</i>
Campos Plaza	Lower East Side	East 12th Street	28,256	90,000	97	n.a.
Carver Houses	East Harlem	Madison Avenue Park Avenue	16,716 22,109	242,000	262	500,000
LaGuardia Houses	Lower East Side	Madison Street Rutgers Street	10,038 8,371	126,000 112,000	276	n.a.
Meltzer Tower	Lower East Side	East 1st Street	18,798	121,445	97	18,798
Washington Houses	East Harlem	3rd Ave & East 99th St East 99th St.	57,649 18,953	500,000 350,000	919	n.a.
Baruch Houses	Lower East Side	East Houston St.	22,493	350,000	375*	n.a.
Smith Houses	Two Bridges/ Chinatown	R.F. Wagner Place South Street	16,941 55,134	339,000 700,000	1,151	n.a.
Douglass Houses	Manhattan Valley	Manhattan Avenue West 104th Street West 100th Street	17,784 16,107 21,164	340,000 175,000 220,000	794	n.a.
TOTAL			330,513		3,971	518,798

*Unit count for Baruch Houses estimated by Furman Center based on average square footage of total units.

Source: New York City Housing Authority. Lease Sites. Retrieved from <http://www.nyc.gov/html/nycha/html/preserving/leasing-land-sites.shtml> (see Lease Land Proposals for listed developments) Furman Center for Real Estate and Urban Policy



THE BASICS

NYCHA's assets consist of the largely residential developments on its land as well as a significant amount of "vacant" land (land without any buildings) and unused development rights. In considering ways that NYCHA could raise revenue to meet its long-term projected capital improvement needs, its leadership has proposed leasing the land on 14 sites across eight NYCHA developments in Manhattan for private, mixed-income development. NYCHA estimates that approximately 4,000 housing units and a limited amount of retail and community-facility space could be built on the sites without zoning changes. The sites are not presently used for housing but do support a variety of existing uses—primarily parking, recreational and open space, and a community center building. NYCHA estimates that ground leases for the sites, for a typical 99-year term, would generate \$30-50 million in revenue per year.

Although the proposal designates 20 percent of the new housing units for low-income households, the plan has been questioned by existing tenants and advocates who argue that the land should be used only for additional units of low-income housing. Others argue the land should not be developed at all, either because they fear that the amenities lost on the sites will not be adequately relocated elsewhere within these developments, or because they object to the additional density that development will bring. Some stakeholders are concerned that the developments will not provide sufficient benefits (such as employment opportunities) to residents of the public housing.

Table 1 presents details on the proposed development sites. Five of the eight sites are located in the Lower East Side and the other three are in Manhattan Valley and East Harlem. The projects could result in a total of 3,971 units.

QUESTIONS & CONSIDERATIONS

NYCHA needs to close its operating and capital budget gaps, and has a limited number of options to do so. Notably, New York City is one of the few big cities that has not demolished a significant number of public housing units. Its leasing proposal would provide NYCHA significant and much-needed cash flows to address its capital needs. In addition, the aggregate supply of affordable housing would increase because 20 percent of new units will be permanently affordable to low-income households.⁵ The proposal also will result in many new units of market-rate housing in desirable neighborhoods, and the increased supply will take pressure off market rents as well.

In addition, the proposal has the potential to improve the public housing near the new developments. NYCHA has committed to using the lease proceeds to bring the participating developments to a state of good repair before any proceeds can be used elsewhere in the NYCHA portfolio.⁶ NYCHA also plans to add new infrastructure and services to the existing sites (e.g., lighting, security improvements, and resiliency features such as back-up power⁷); and the new developments could be designed to better integrate existing sites into the streetscape. The new developments will

5 New York City Housing Authority. *Land Lease Proposal to Preserve Public Housing*. Retrieved from <http://www.nyc.gov/html/nycha/html/preserving/leasing-land-proposal.shtml>

6 New York City Housing Authority. *Land Lease Opportunity to Preserve Public Housing Frequently Asked Questions*. Retrieved from <http://www.nyc.gov/html/nycha/html/preserving/leasing-land-faqs.shtml>

7 New York City Housing Authority. *Land Lease Initiative Pre RFP Discussion Document*. Retrieved from <http://www.nyc.gov/html/nycha/downloads/pdf/land-lease-initiative-pre-rfp-discussion-document.pdf>



increase the economic diversity of the blocks. Further, they could bring additional jobs for NYCHA residents, and NYCHA has committed to resident hiring preferences when contracting with developers.⁸ The purchasing power of the new residents also may attract more economic activity and wider retail offerings near the public housing.

On the other hand, some NYCHA residents and other critics have raised a number of concerns. Like all new construction, the proposed developments may take away some of the benefits the absence of development brought to neighbors (the public housing residents and others), such as open space and parking for residents and employees. NYCHA plans to replace all parking for existing resident permit-holders, and will also replace other lost amenities (like gardens or seating) where land is available.⁹ But existing residents often oppose new development because they fear that promises won't be kept, or that the new amenities will not be to their liking. Further, like many people around the city seeing new development go up around them, the residents of the public housing fear inconvenience or detrimental public health effects from unwanted noise, vibration, and increased traffic the construction may cause, disruptions in some existing amenities, and change more generally.

Some object that more than 20 percent of the units should be devoted to affordable housing (some argue that all the units should be affordable, but that would result in no revenue for NYCHA, so it misses the point of the proposal). NYCHA's leasing proposal presents

an implicit tradeoff—creating more affordable housing in the developments would mean less revenue for NYCHA.

Residents also worry that this is the start of a trend that will result in a wider private-sector encroachment onto NYCHA land that might mean comparable increases in density and losses of open space at NYCHA properties across the city. But others argue that NYCHA residents, like other owners and renters throughout the city, have no right to freeze development of neighboring areas at the level it was when they moved in.

Whether or not it moves forward with this proposal, there is little question that NYCHA and the city must think creatively about how to address NYCHA's long term capital needs and preserve this critical source of affordable housing. The mayoral candidates should offer specifics about what changes, if any, they would want to make to NYCHA's proposal, and explain how they would make up the revenues lost through any proposed limits. More generally, the candidates should be asked for details about how they plan to work with NYCHA to both decrease costs and increase revenues in order to reduce its operating deficit and provide a capital budget adequate to maintain and improve the aging NYCHA stock.

⁸ New York City Housing Authority. *Land Lease Initiative Pre RFP Discussion Document*.

⁹ New York City Housing Authority. *Lease Sites*.