
NEW YORK CITY HOUSING AUTHORITY



RAISING REVENUE THROUGH PRIVATE DEVELOPMENT

IS IT FEASIBLE TO RAISE REVENUE BY TURNING PARTS OF NYCHA PROPERTY OVER TO PRIVATE DEVELOPERS?

Agency's Challenge



RATIONALE FOR PRIVATIZATION

Policy Problem

- NYC needs affordable housing
- Private sector won't build affordable housing
- NYCHA severely underfunded

Considerations

- Real estate is NYCHA's most valuable asset
- Underutilized land can generate revenue

Policy Strategy

- Privatization: NYCHA-owned land is turned over to private developers

AGENDA

- Policy Problem
- Considerations
- Policy Strategy: Privatization
 - Privatization: Bloomberg vs. De Blasio
- Evaluating Current Privatization strategy
 - Details
 - Benefits
 - Challenges
 - Solutions

POLICY PROBLEM

What policy problems is privatization supposed to solve?



MARKET TRENDS: DIMINISHING AFFORDABILITY

Erosion of purchasing power

- Average monthly rents rose 40% over last 20 years
- But wages only rose by 15%

Gentrification

- Demand for NYC housing far exceeds supply
- Result: rising land prices, rents, residents priced out of neighborhoods

POLICY RESPONSE: AFFORDABLE HOUSING PLAN

Mayor De Blasio's Plan : To build or preserve 200,000 units of quality affordable housing to meet the needs of more than 500,000 people by:

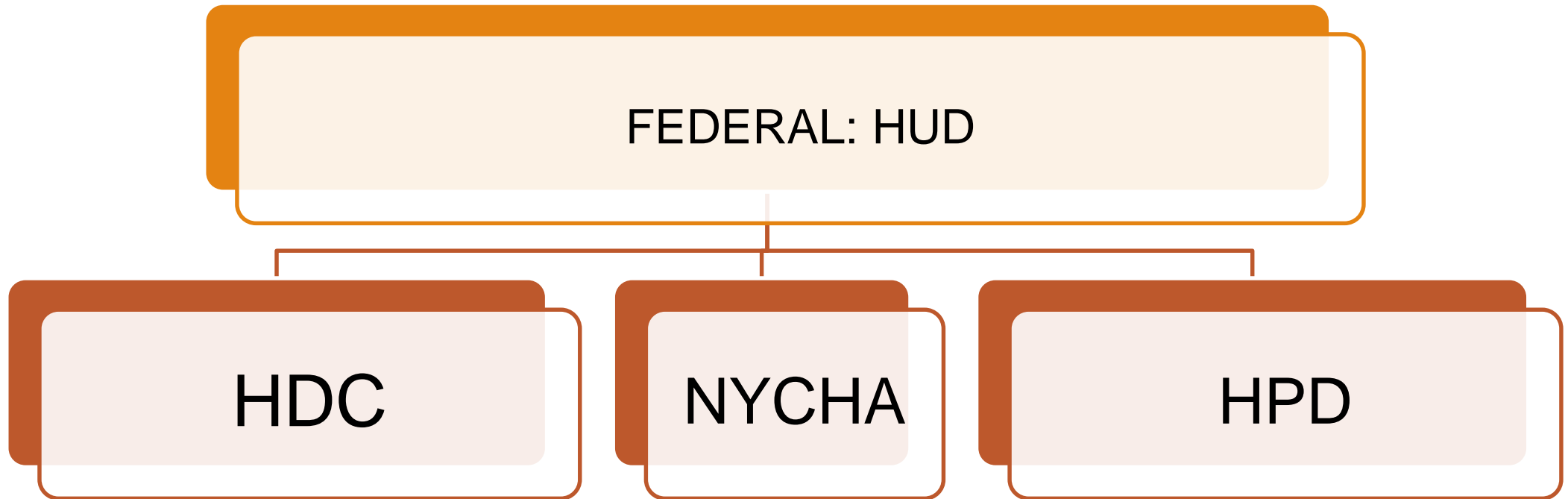
1. *Fostering diverse, liveable neighbourhoods*
2. *Preserving affordability & quality of existing housing stock*
3. *Building new affordable housing for all New Yorkers*
4. *Helping the vulnerable: Homeless, senior and disabled*
5. *Refining City financing tools, expanding funding sources*



Image courtesy of *Politico New York*

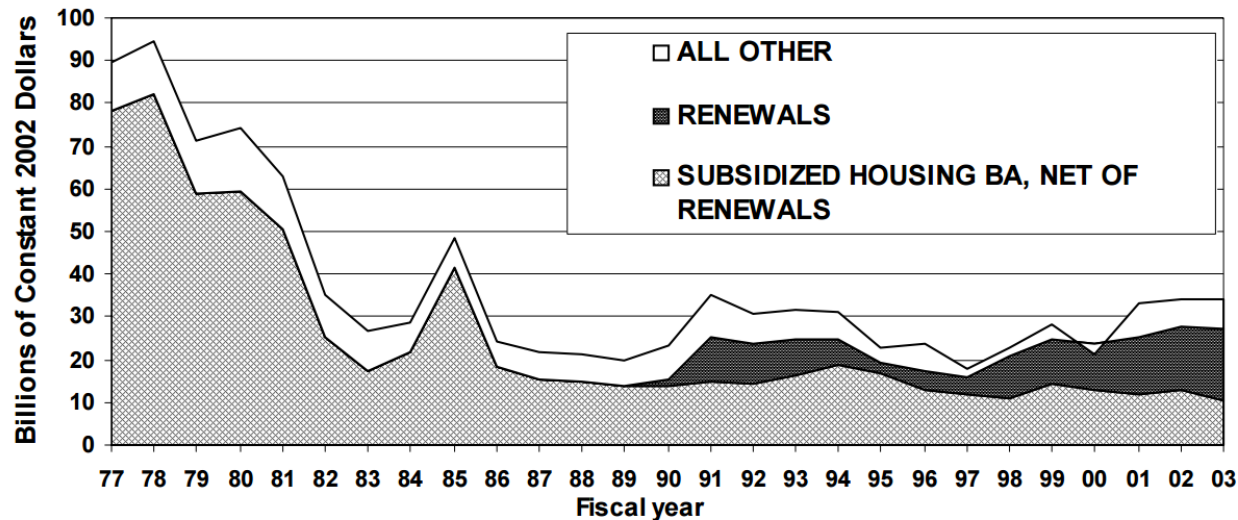
These plans require an immense amount of funding. New legislation (MIH & ZQA) passed on March 23, 2016 will help HPD achieve goals (1) and (3) – but NYCHA still struggles with (2)

HOUSING DEPARTMENTS & AGENCIES



UNDERFUNDED NYCHA: 40 YEARS OF FEDERAL FUNDING CUTS

GRAPH 10. HUD BUDGET AUTHORITY TRENDS, 1976-2003



Source: National Low Income Housing Coalition tabulations of HUD Budget Summary data. 1985 BA spike was for one-time conversion of outstanding public housing debt to grants. This saved money in the outyears, but added no additional units.

'78 –
'83

Severe cuts in HUD funding

1974

Shift from **construction** to **vouchers** with Section 8 Leased Housing

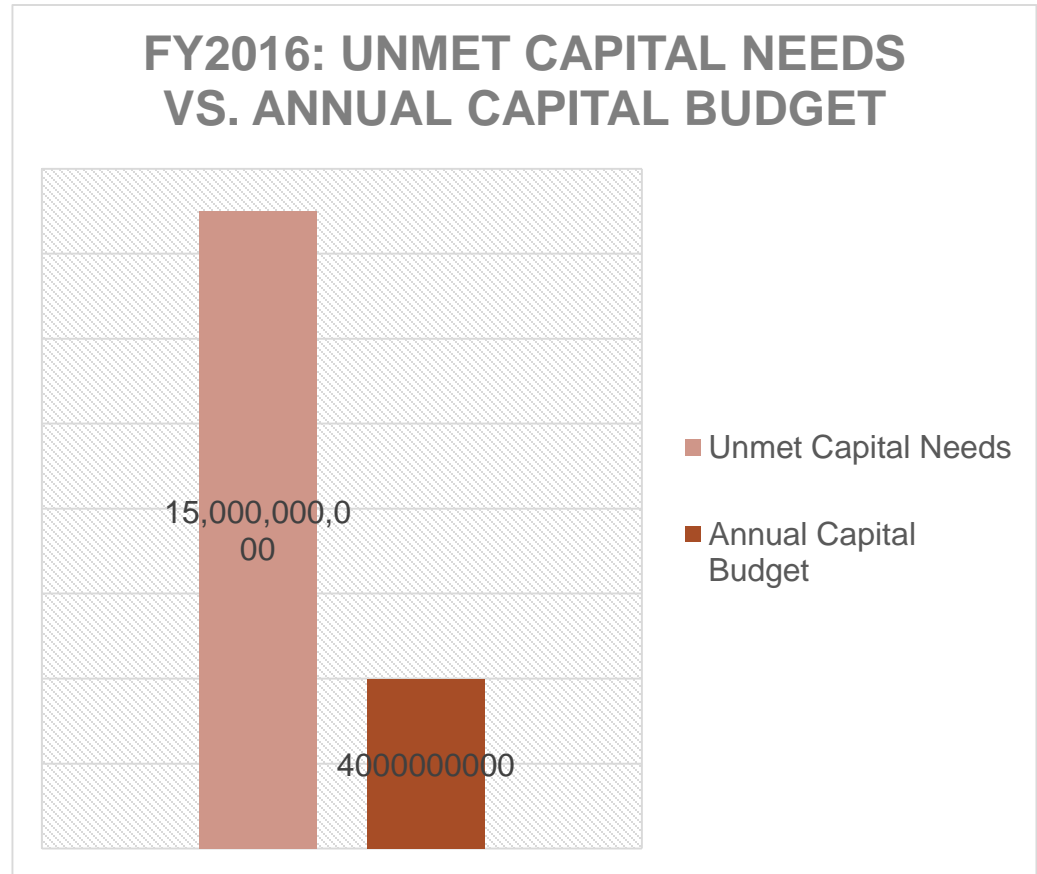
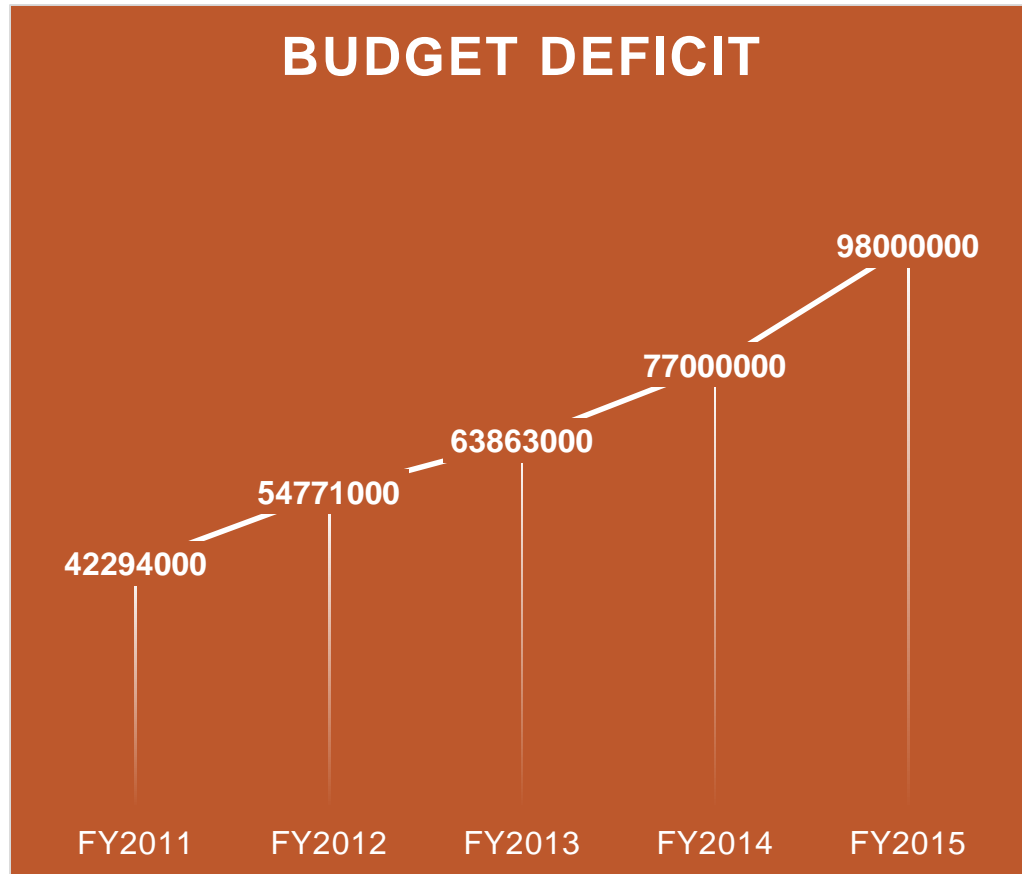
1992

HOPE VI: HUD starts funding **demolition** of ageing housing complexes

2000s

From 2001 to 2015, annual federal capital grants declined 27%, from \$420 million to \$306 million.

UNDERFUNDED NYCHA: STATE OF FINANCIAL CRISIS TODAY

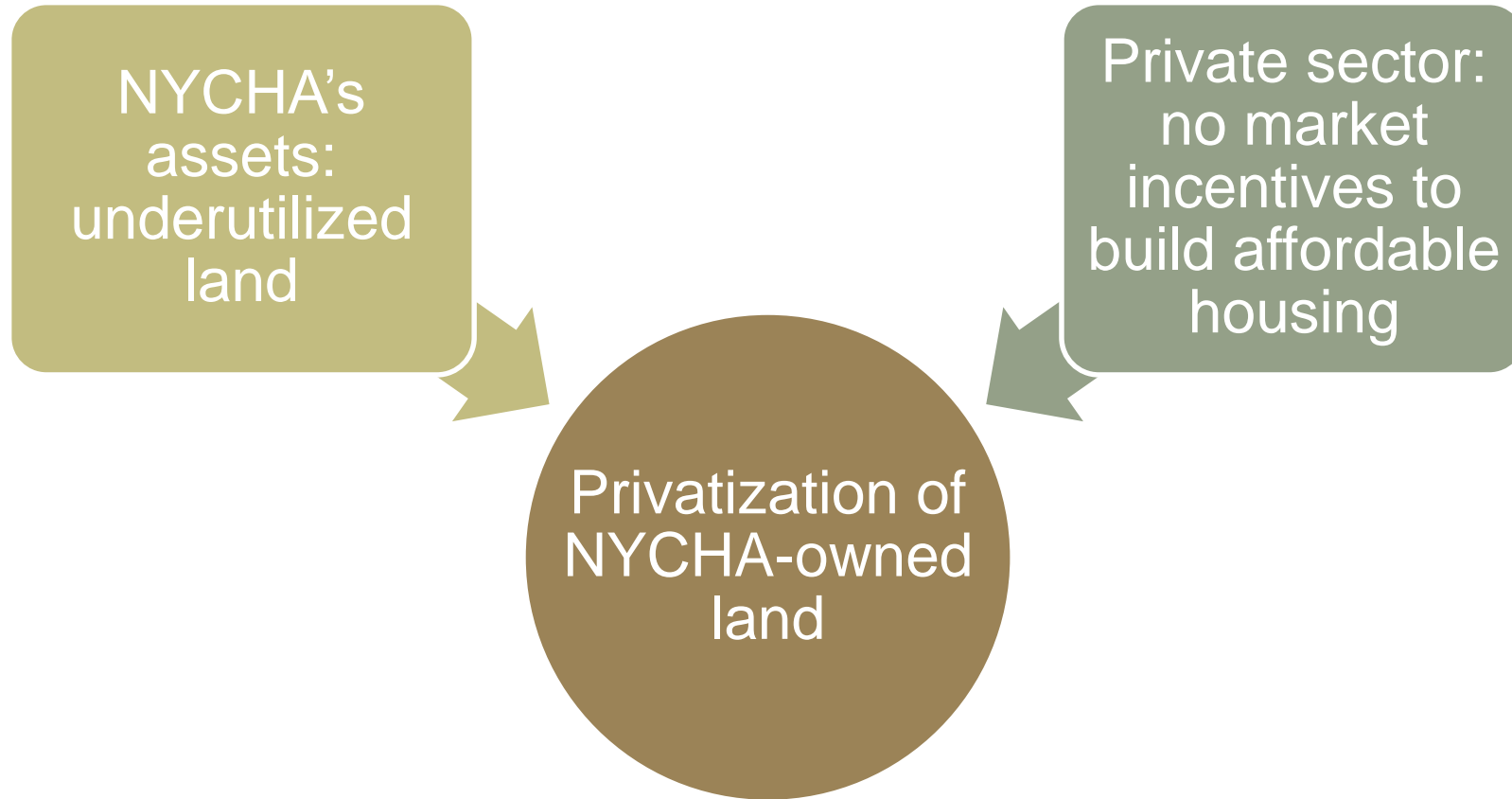


POLICY CONSIDERATIONS > POLICY STRATEGY

NYCHA's options & decision



NYCHA'S CONSIDERATIONS & POLICY STRATEGY



PRIVATIZATION

BLOOMBERG VS. DE BLASIO

Comparing revenue-raising strategies



EXPLANATORY NOTE: INCOME CLASSIFICATION

Low-income

- <60% Area Median Income, or AMI

Mixed income

- <40 – 50% AMI

Moderate – middle income

- <100 – 195% of AMI

MIXED-INCOME HOUSING

INFILL PROJECTS, LAND-LEASE PROJECTS

BLOOMBERG: Pro-Market

- Scope: 6000 new units
- 2005 NYCHA-HPD partnership: identify and sell underutilized NYCHA-owned land for private residential development
 - >25 projects initiated from 2005 – 2013
 - Proportion allocated to low-income (<60% AMI) tenants: 20 – 100%
- [FAILED] 2013 Land Lease Initiative
 - 80/20 split for market-rate and affordable housing
 - Failed: strong opposition to 'luxury housing'

DE BLASIO: More protections

- Scope: 17,000 new units, of which 13,500 affordable
- 2015: Proposal to lease parcels of NYCHA-owned land for private developments
 - 75% of private developments to be reserved entirely for low-income tenants. 25% for mixed-income developments.
 - Mixed-income units: at least 50% for those on low incomes (<60% AMI)
- No plans to re-introduce Land Lease initiative

RESIDENTIAL ENGAGEMENT

BLOOMBERG: Reactive Approach



- Bloomberg implemented a plan which was more market-oriented and top-down
- No direct mention of residential engagement in the plan
- This led to much criticism by residents who regarded his plan as an “elitist scheme”
- Council member Bill Perkins:
 - "Only one-third of the people in my neighborhood in Harlem can participate in this program...This is top down planning. And those at the bottom are getting left out."

DE BLASIO: Proactive approach – with limits



- Pursuing a more targeted, neighborhood-based approach to preservation, engaging communities to identify needs and implement strategies
- Linking affordable housing to the City’s broader workforce development programs
- Eliminating NYCHA’s customer-call center; residents must call 311 with requests for repairs and complaints

HOWEVER

- Comptroller Scott Stringer’s criticism of administration not consulting communities enough about zoning plans

PRIVATIZATION PROPOSALS: DETAILS

TYPES OF PRIVATIZATION PROGRAMS

Affordable Housing on Small Vacant Sites

Run by HPD

Consolidating small parcels of land to build housing

100% affordable units

NIHOP, NCP

Affordable Housing on NYCHA property

HPD-NYCHA collaboration

Lease underutilized land to private developers

100% affordable units; NYCHA residents priority for 25% units

Ingersoll, Van Dyke, Mill Brook

Mixed-Income Housing on NYCHA property

NYCHA project

Lease underutilized land to private developers

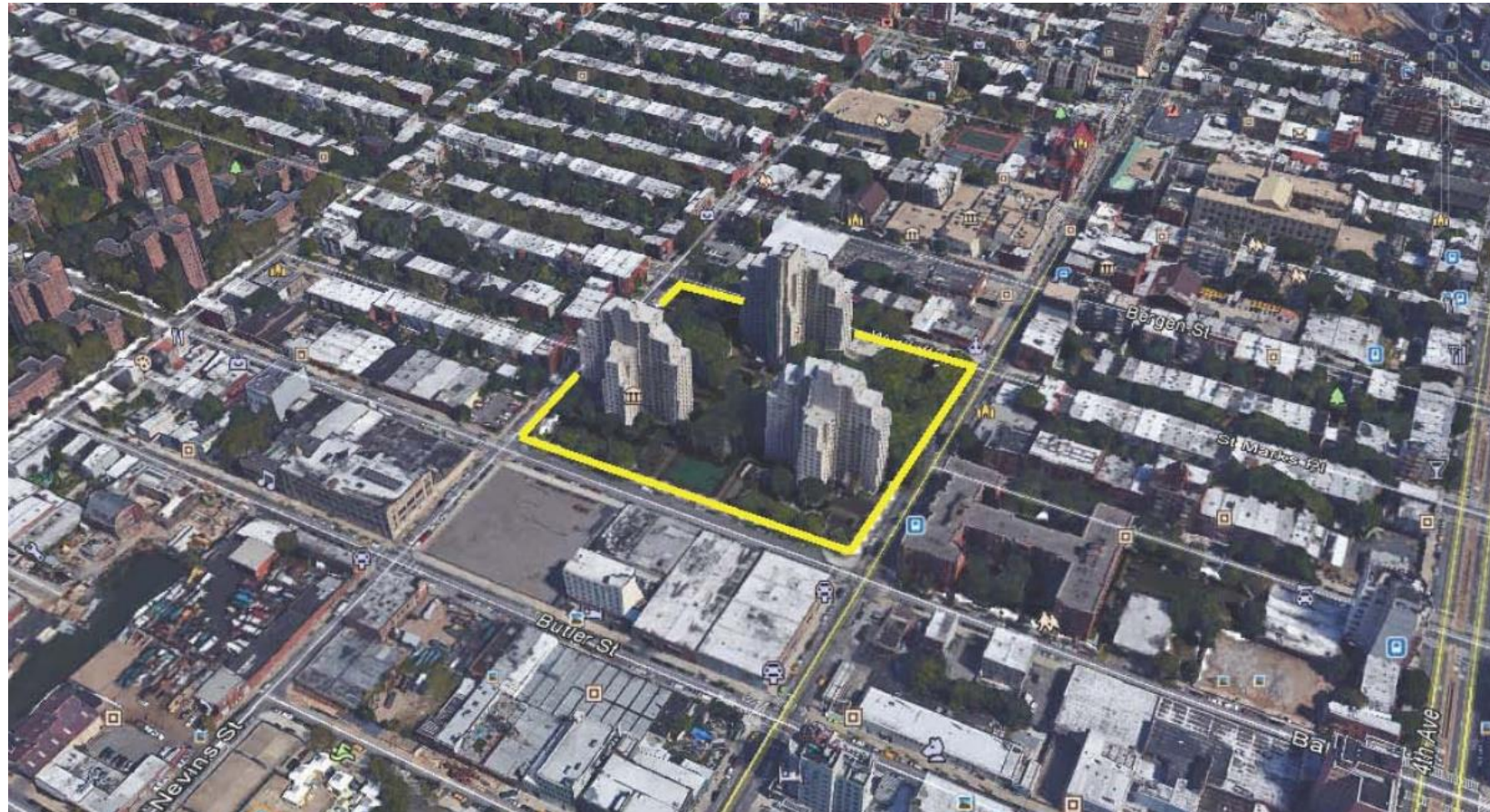
50/50 split between affordable (<60% AMI) and market-rate

Holmes Towers, Wyckoff Gardens

AFFORDABLE HOUSING IN NYCHA PROPERTIES: MILL-BROOK



MIXED-INCOME HOUSING IN NYCHA PROPERTIES: WYCKOFF GARDENS

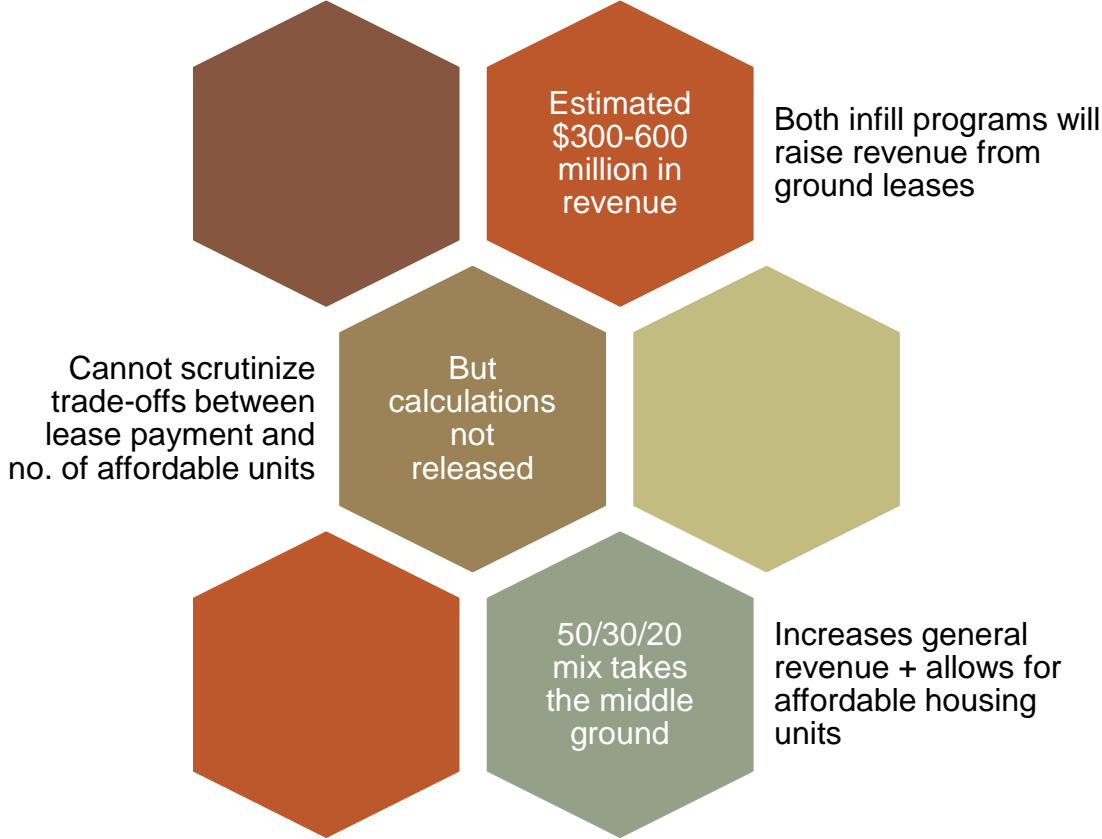


EVALUATION

BENEFITS, CHALLENGES, SOLUTIONS



BENEFITS: RAISING REVENUE



BENEFITS: SECURITY, DIVERSITY, & ECONOMIC GROWTH

- According to many urban planners: centering population growth in high density areas and near transportation and jobs is both **sustainable and fiscally smart**
- Jane Jacobs: argued for density and mixed-use developments
 - Encouraged diversity and range of skills among residents
 - Maintaining public safety as residents utilize various facilities and keep an eye out on the street
 - Mingling buildings that vary in age and condition



- Edward Glaeser: argues for density as a key to economic growth, attributing steep rise in housing costs in select U.S. Markets to regulations which limit construction

OVERALL CHALLENGES: MISTRUST



CHALLENGES

- Residents mistrust NYCHA due to a history of neglect, specifically unfinished repairs and maintenance
- Lack of communication and transparency on the part of NYCHA

SOLUTIONS

Improve resident engagement through setting up residential associations with the power to:

Engage in participatory **budgeting**

Encourage **earlier** involvement of residents in decision-making

Improving frequency and transparency of **communications**

OVERALL EVALUATION

A STEP IN THE RIGHT DIRECTION ...

- NYCHA's greatest asset is, indeed, its underutilized land
- 50/30/20 mix strikes a fairer balance between raising revenue for NYCHA (through higher rents) and maintaining affordable housing
- More directed and proactive attempts to engage residents: RFPs for mixed-income housing developments all include detailed 'visioning' plans from residents

WITH SCOPE FOR IMPROVEMENT

- Long history of mistrust cannot be solved overnight
- Relations between NYCHA & residents must be improved across the board, and take strategic priority – not just at proposed development sites

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