



Local

WARNING: Vultures Eyeing NYCHA

by Ari Paul

Looking north, east, or west from the roof of my Williamsburg apartment building, you can see plenty of steel-and-glass condos either recently built or nearing completion. But to the south, red brick projects dominate the skyline. At the moment immune from surrounding real estate market pressures, these high-rise, featureless housing blocks are what help keep Williamsburg south of Broadway multi-ethnic and blue collar—a world apart from the increasingly homogenized cultural extension of Manhattan along the waterfront.

New Yorkers might not believe it, but it's a fact: We have the best public housing system in the nation. Yes, the one with all the broken elevators, causing a five-year-old boy to fall down a shaft to his death in 2008. The one that covered up \$1 billion in federal funds while residents waited for basic repairs. And yes, the one where residents waited for months for heat and hot water after Hurricane Sandy.

The system is the best primarily because it still exists. From coast to coast, major cities have destroyed their high-rise projects, outsourced management, and embarked on public-private alternative housing models. Cabrini-Green in Chicago, once one of the nation's most famous projects, is now a near-empty plain. Atlanta tore down most of the Techwood homes to make way for the 1996 Olympics. And New Orleans reduced its housing stock by half *before* Hurricane Katrina, according to John Arena, author of *Driven from New Orleans* (University of Minnesota Press, 2012), who maintains that the massive flooding of the city was "a great opportunity to finish the rest off."

The New York City Housing Authority (NYCHA) never partook in the post-Reagan effort to destroy the New Deal's residential monuments in the name of urban renewal. With 403,000 residents—larger than the populations of Oakland, Cleveland, and Minneapolis, and accounting for eight percent of the city's rental units—NYCHA properties are also physically integrated into the city and not wholly isolated on the wrong side of the tracks. "Public housing is not everywhere in New York City, but it's in every borough," says Nicholas Bloom, author of *Public*

Housing That Worked: New York in the Twentieth Century (University of Pennsylvania Press, 2009). “Politicians tend to defend public housing and want it to be better rather than get rid of it.”

But privatization is creeping in. NYCHA has proposed leasing off park and courtyard space in otherwise prime locales such as the Lower East Side to luxury developers in order to bring in revenue for the authority, which is facing a \$40 million operational deficit and a \$6.6 billion capital deficit; with sequestration hitting federal funding, those totals will likely grow. Even so, residents haven’t been adequately informed about the proposed transformation. “The process is just moving way too fast. This is extremely anxiety producing,” says councilwoman Melissa Mark-Viverito, who sits on the public housing committee. “The residents in the developments are overwhelmed with information and are trying to understand what’s going on. I don’t think there’s been enough community input built into the process.”

What tenants rights advocates fear is that the proposed leasing is only the beginning of a delayed plan for New York City to follow the rest of the country and destroy public housing in order to hand the land over to developers. For decades, the real estate industry—firms that develop, build, and market high-end residences and commercial space—hasn’t had a crisis to exploit in order to make that happen. In that sense, NYCHA’s woes present a golden opportunity.

Real estate developers in this city are accustomed to getting their way, with community approval processes for new construction considered mere tiresome formalities. Neighborhoods once considered off limits to the gentrifying class can easily be converted into fertile soil for speculation. NYCHA is one of the few institutions that can decelerate the invasion. Consider the Lower East Side. Developers have built nearly all they can, while along the river and just below Delancey Street a sea of housing projects provides a home to thousands of lower and working class people.

Unlike other public housing agencies across the nation, NYCHA had been in good financial health until 2007. In the 1990s, Governor George Pataki terminated operating subsidies to public housing, and in 2004, Bloomberg followed suit. According to Victor Bach, senior housing analyst at the Community Service Society, as those cutbacks took place, the federal government also reformulated its funding model, which resulted in less cash for NYCHA. The economic crisis in the agency began, and as it has worsened, real estate sharks have waited for the moment to pounce. “There’s definitely a strong developer interest in these properties,” Bach says. “That’s part of the reason the pressure is being applied to NYCHA in the media, in order to declare it incompetent and allow it to be taken over more closely by private interests.”

The inside man for the real estate world is NYCHA chairman John Rhea, who has a long career in public administration. *Just kidding*. Before taking over in 2009, Rhea spent two decades in finance, including as a managing director at Barclays and as a member of the Boston Consulting

Group. Incidentally, that same outfit scored a \$10 million contract with NYCHA under Rhea to draft a cost-savings report, causing fed housing administrators to open an investigation into a conflict of interest last year.

Beyond simply the possible direct corruption, Rhea's mere presence, like that of Cathie Black in her short stint as schools chancellor, illustrates the Bloomberg administration's desire to implement private-sector management in public agencies. It's clear from his language. Last year before city council, Rhea referred to NYCHA's "assets," which provoked an angry response from Gregory Floyd, who is president of Teamsters Local 237, which represents most of the city's public housing front-line staff. "It seems like they forgot that NYCHA's assets are not just property," Floyd told the Council. "They must remember the people call those assets home or their job."

Such statements surface only when Rhea is available for comment, because he's often disdainful of public oversight of NYCHA management. In January, the *Daily News* reported that Rhea failed to show up for city council hearing on NYCHA's woeful response to Sandy, saying that he had jury duty when he actually didn't. In his place, the agency dispatched a technocrat with no real answers but whose name, Cecil House, at least suggested that he knew something about the issues.

In addition, as Bach explains, the state senate has approved a Bloomberg-backed measure that would create a NYCHA board serving under the mayor. Since nearly all of the mayoral candidates in the 2013 have the financial backing of real estate interests, developers would surely make their way onto that board, just as they have influenced the governing board of the Metropolitan Transit Authority.

As for the leasing proposal, Rachel LaForest, executive director of Right to the City, notes that the proliferation of luxury units invariably would have an adverse effect on the low-income anchor tenants. "The services in the neighborhood change to meet the new needs," she says. "Mom and pop stores are priced out with the rising rents and what replaces them are more expensive luxury retailers who are not there to feed, clothe, or care for the working family that has to use food stamps or just cannot afford to spend \$400 on weekly food shopping."

And others object to the idea that for-profit management cures waste and corruption. "I'm always a bit uneasy in terms entrusting social welfare policies to the private sector, because it's not really what drives them," says Edward Goetz, author of *Clearing the Way* (Urban Institute Press, 2003), about the downfall of public housing in America. "If you look at the privatization of welfare, you can see examples of scandal and the same types of behavior that we decry about public officials."

Developers, of course, have considerable influence over what happens in both city and state

politics. And the financing of large ventures ropes in private equity investors (e.g. Goldman Sachs) and a vast network of lawyers, architects, construction companies, and engineering firms. Meanwhile, many local media outlets rely on real estate money to stay afloat. Thus, opposing the demands of the industry is a complex task, especially when it comes to defending a mismanaged agency like NYCHA.

Even so, there are in fact alternatives to preserving public housing that don't involve selling it off to the city's one percent. Bach notes that each year NYCHA pays \$100 million to the city out of its operating budget, most of which goes toward policing, which private landlords get for no extra charge. A smaller chunk goes to the city in exchange for not paying property taxes, but huge non-profit landowners also enjoy not paying those taxes. Such payments to the city, Bach argues, should cease, thereby eliminating the agency's operating budget deficit.

To tackle the capital deficit, many are advocating that the state and city return to funding the authority. With Republicans in control of the House of Representatives, change at the federal levels seems impossible, but LaForest points to a bill introduced by Representative Keith Ellison. As she explains it, the bill would “replace the federal mortgage interest deduction with a 15 percent non-refundable tax credit for all mortgages up to \$500,000 and use the resulting federal budget savings to increase the Low-Income Housing Tax Credit and provide additional funding for the Housing Trust Fund, Section 8, and the Public Housing Capital Fund.”

Such a redistribution of wealth will require a realignment of the city's political center of gravity. It means electing politicians who see their boss as the public that elects them and not the real estate tycoons who fund them. In order for working class people to remain in the city, we need to maintain our existing public housing stock, and—though it sounds far-fetched—maybe even build more.