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Gale A. Brewer, Borough President

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**Gale A. Brewer, Manhattan Borough President
Testimony before the New York City Council
Committee on Public Housing
On NYCHA Development and Privatization**

My name is Gale Brewer and I am the Manhattan Borough President. Thank you, Chair Ampry-Samuel, and the members of the Committee on Public Housing for holding today's hearing.

When considering NYCHA's financial needs and what the agency is doing to bring in revenue, we must examine the cost benefits of NYCHA's proposed solutions carefully. At the forefront of the NextGeneration NYCHA plan is NextGen Neighborhoods, or NYCHA's program for infill developments that is expected to bring in a projected \$300 to \$600 million over the next decade to meet the increasing capital needs at NYCHA developments.

In Manhattan to date, two infill projects have been announced, one at Holmes Towers on the Upper East Side and one at LaGuardia Houses at the Lower East Side. Of the two, NYCHA has selected Fetner Properties as the developer for the Holmes project.

Under Fetner Properties' proposal, the company would pay NYCHA \$26.25 million in upfront payment to lease the land to construct a new building. The building will be 47 stories with 350 units, half (or 175 units) of which will be affordable housing. Additionally, Fetner has partnered with a local community organization, Asphalt Green, which will occupy the community facility space on the ground floor and will offer programs and services at a discounted rate to NYCHA residents at Holmes Towers and the nearby Isaacs Houses.

I and my staff have met with Mr. Hal Fetner and his team several times over the past year. It is my understanding that in order to finance the construction of the affordable units, Fetner Properties expects to leverage federal Low Income Housing Tax Credits (LIHTC) and city subsidies through HPD. Mr. Fetner has not yet confirmed which HPD subsidies it is seeking, but has mentioned as a possibility the Extremely Low & Low-Income Affordability Program, also known as ELLA. Under ELLA, developers are required to offer affordable units at income bands ranging from 30% to 60% of Area Median Income (AMI) with the option of incorporating units at 70% to 100% AMI. In exchange, HPD offers anywhere from \$130,000 to \$150,000 in subsidies for each affordable unit.

In my conversation with Mr. Fetner, I understand that he is seeking higher subsidy amounts per unit than what ELLA offers to ensure the project is financially viable. But even without knowing the exact layering of finances, if we simply calculate \$150,000 of potential ELLA subsidies for

the 175 affordable units, we would arrive at \$26.25 million — the same amount that Fetner Properties is offering to NYCHA for the ground lease. So it costs the city just as much or more to generate capital repair dollars for NYCHA through infill. The administration might as well write a check to NYCHA and save on the years of construction and loss of open space to Holmes residents.

The question that needs answering is whether NextGen Neighborhoods is as profitable a revenue-generating strategy as NYCHA had hoped: to bring in the projected \$300 to \$600 million for capital repairs, how many tens or hundreds of millions of dollars will the city contribute in subsidies? I urge members of this committee to look into the other 50-50 infill project that is progressing at similar pace as Holmes Towers — the Wyckoff Gardens infill in Brooklyn — on that project's net cost to the city. And in Manhattan, with LaGuardia next in the pipeline, the financing of that project will also shed light on the true cost of infill developments.

Now, I understand that any affordable housing project needs government subsidies for it to be financially viable, and in light of New York City's lack of affordable housing, a certain amount of city subsidies should be expected of all projects, including NYCHA infills. In fact, I have been vocal about the need for all NextGen Neighborhoods projects to be 100% affordable, which will require more subsidies. But while subsidies are an integral part of reaching 300,000 units of affordable housing in New York City, as a way to generate capital repair money for NYCHA, it is clearly not profitable.

We all recognize that NYCHA needs money, and that infill projects can be part of the solution toward closing NYCHA's capital shortfall. This is why we must ensure that future infill projects should at the minimum generate higher ground lease payments than the amount of subsidies the city will contribute.

Regardless of a project's finances, affordable units promised to the community must be honored. I continue to support 100% of affordable units with no additional market rate housing for the proposed new construction at Harborview Terraces. This project was the culmination of a Community Development Plan negotiated after an extensive community process that included NYCHA tenants, community members, and elected officials for the purpose of offsetting massive market-rate development at Hudson Yards. To incorporate market units into the Harborview project not only negates the fundamental purpose of the Community Development Plan, but it is an insult to tenants at Harborview Terraces, who supported a fully affordable project.

I will close by stressing that proper oversight can only come from a formal land use review process. In Holmes's case, constructing a 47-story building is very much a significant change to the neighborhood and should have undergone ULURP. I strongly believe that all NextGen Neighborhoods projects must trigger ULURP so that Community Board members, Borough Presidents, and Councilmembers can work with NYCHA residents and other community stakeholders to review project plans and approve only the proposals that will benefit both NYCHA and the community.

Thank you for the opportunity to testify. I look forward to working with you to ensure NYCHA residents and the community truly benefit from NextGen Neighborhoods.