New York City takes major step in privatization of public housing

By Philip Guelpa
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The administration of Bill de Blasio, New York's Democratic mayor, is moving forward with its initiative to turn over "underutilized" sections of New York City Housing Authority (NYCHA) public housing complexes to private developers.

This program, known as NextGeneration Neighborhoods (NextGen), is one component of de Blasio's overall program of massive giveaways to the city's powerful real estate industry under cover of addressing the acute shortage of affordable housing and simultaneous deterioration of conditions in NYCHA complexes.

The program is in its initial stages at two NYCHA developments: Wyckoff Gardens in Brooklyn and the Holmes Towers in Manhattan. Eventually, it is envisioned to encompass 50–60 NYCHA properties.

NextGen involves a process known as "infill," in which open space (including parking lots and green space) that was an integral part of the original design of these housing complexes and intended to make them livable environments for their working class tenants, is being leased to private developers for the construction of new apartments—nominally 50 percent "market rate" and 50 percent "affordable,"—as well as for retail space. It should be noted that the city's calculation of affordability excludes large numbers of low-income residents.

According to the city, the NextGen program is supposed to result in the construction of 17,000 "mixed-income" units over the next 10 years. This is a minuscule number compared to the overwhelming demand, especially since only half would be "affordable." At the beginning of his administration, Mayor de Blasio pledged to build or preserve 200,000 affordable housing units over 10 years, which itself is far below the actual need.

NextGen is a resurrection of a program first proposed by de Blasio's predecessor, Republican billionaire Michael Bloomberg. Although differing in some details (e.g., 50 percent "affordable" units versus 20 percent in the earlier version), they illustrate the fundamental continuity between Republican and Democratic policies of catering to wealthy developers.

The alleged justification for the NextGen program is that the currently available funds for maintenance of the existing buildings are woefully inadequate, resulting in severe physical deterioration and unhealthy conditions, which are left unaddressed by NYCHA for months and even years. The lack of money is all too real.

Beginning during the Great Depression, New York City built an extensive system of public housing, which provided decent and affordable apartments for a significant portion of the city's working class population. In recent decades, however, substantial reductions in funding from all levels of government have resulted in a steady decline in maintenance and renovation, creating the increasingly deplorable and unhealthy conditions, including chronic mold and mildew and lead in the water, which NYCHA tenants, totaling over 400,000, now face.

News accounts indicate that 55,000 NYCHA apartments have been found to contain lead paint. Investigations and legal actions, including one by Preet Bharara, US Attorney for the Southern District of New York, are reportedly underway regarding the potential negative health effects of mold and lead exposure to tenants and the city's under-reporting of the risks.

NYCHA is effectively bankrupt. According to the city, the authority currently has $17 billion in unmet capital needs and is chronically operating at a deficit now running at $2.5 billion.

At the same time, increasing economic inequality in the city, which accelerated following the 2008 crisis, has had the dual effect of fueling an exponential growth in the construction of new luxury housing for the city's elite while driving up housing costs for working and middle class residents via a process known as gentrification.

As a result, prime real estate for new construction in the core areas of the city has become increasingly scarce and expensive, prompting developers to look outward. The land on which many of the NYCHA complexes was built, generally in areas that were relatively marginal at the time, such as the Lower East Side and northern portions of Manhattan as well as the outer boroughs, is now highly attractive to private developers.

Despite the acute need for money to undertake repairs, the NextGen program has met with substantial opposition from NYCHA residents, who object to the loss of open space, overcrowding, dangers during construction and the likelihood that this will lead to gentrification and consequent loss of their homes.

NYCHA has launched an intense public relations campaign to stifle the opposition. Tenant advisory committees have been established, but these have little real power since the city is determined to move forward with the program and the residents are left merely to haggle over details. NYCHA's chairwoman, Shola Olatoye, in an interview with Politico, belittled concerns over the loss of open space as "nostalgia" and emphasized, "It's not a question of if. It will happen."

The huge amounts of wealth concentrated among the city's elite could provide ample funds to support necessary repairs and upkeep of the existing NYCHA system as well as to undertake a massive new construction program to meet the already severe and ever-increasing shortage of affordable housing.

Instead, the city is conducting a further attack on residents' living conditions by opening up "underutilized" portions of NYCHA property for the construction of more elite housing, with no guarantee that the lease revenues will make a significant dent in the housing authority's budget shortfall.

The city estimates the total amount of money it expects to receive from the private leases at between $300 million and $600 million. Given the shortfall of $17 billion in unmet capital needs alone, not to mention the deficit in current operating expenses, this amount, even if realized, will not come close to solving NYCHA's budget crisis.

Indeed, the de Blasio plan is undoubtedly the first step toward the eventual privatization of the NYCHA system as a whole. From the point of view of capitalist real estate developers, many, if not all, of the NYCHA properties, both the built and unbuilt portions, are "underutilized," since their conversion or reconstruction to market rate housing would bring in much more revenue, while driving the working class residents into even more marginal accommodations or on to the streets entirely.

In fact, the process of privatization of existing NYCHA properties has already begun. Last year, *Progress Queens* reported that 900 apartments, including four buildings that had recently been renovated using NYCHA funds, were sold to a consortium, half of which consists of private interests and the other half an entity controlled by NYCHA.

The report revealed that the private partners purchased these apartments, which fell under the federal Section 8 housing program of rent subsidies, using money obtained via a convoluted and questionable financing scheme involving both NYCHA and the Federal National Mortgage Association, or Fannie Mae. The funds are largely tax exempt. There are allegations that the city ignored its own Uniform Land Use Review Procedure (ULURP) in allowing the transaction to take place.

The utter hypocrisy of "progressive" Democrat de Blasio's 2013 election campaign pledge to fight against inequality, dubbed the "tale of two cities," is clearly exposed in the fact that, in case after case the administration's programs are structured to substantially benefit the real estate industry while the crisis of housing and homelessness in New York continues to worsen.