

# Battery Park City and New York City's Affordable Housing Crisis

## Unfulfilled Promises and New Opportunities



October 2004

It is widely recognized that New York City is facing its most acute affordable housing shortage in at least 50 years. The lack of housing affordable to average New Yorkers jeopardizes the well being of our families, neighborhoods and economy. And yet after 35 years New York City and New York State have failed to achieve the central public purpose of the Battery Park City project: the creation of affordable housing for low and middle-income families. We now confront a historic opportunity to leverage the financial strength of Battery Park City to make good on this unfulfilled promise and significantly expand the city's efforts to create badly needed affordable housing.

The 1969 master plan for Battery Park City called for 14,100 apartments: "One-third of these apartments are to be low-income, one-third middle-income, one-third conventionally financed units. The units will be thoroughly mixed throughout the project to create an economically and racially integrated community without enclaves of high or low rent housing."

Yet by 1986 this plan remained unrealized and Governor Mario Cuomo and the state legislature entered into an agreement with the city to use Battery Park City revenues to build and save 24,000 low and middle-income units off-site through issuance of \$400 million in bonds. In 1987 \$210 million in bonds were sold and \$143 million was paid to the City for rehabilitation of 1,557 low-income units in the Bronx and Harlem. **No other housing has been built or preserved with Battery Park City revenue.**

**"The city should not use, as it is doing, the escalating Battery Park City Authority surplus funds for general purposes. Those funds were earmarked in an agreement entered into by Gov. Mario M. Cuomo and me to provide financing for affordable housing."**

— Mayor Edward I. Koch, letter to the New York Times, January 2001

**"Residential Area consists of approximately 79 acres and will contain approximately 14,100 apartments. One-third of these apartments are to be low income, one-third middle income, one-third conventionally financed units. The units will be thoroughly mixed throughout the project to create an economically and racially integrated community without enclaves of high or low rent housing."**

— Battery Park City Master Development Plan  
August 18, 1969

In late 1989, Mayor Ed Koch and Battery Park City Authority president David Emil signed an agreement committing \$600 million in funding for off-site affordable housing. The agreement stipulated that the funds were to be made available through annual payments to the city beginning in 1994 and that they should augment, not substitute for, city spending. A broadly worded exception, however, permitted the City to use the funds for other purposes in order to "maintain fiscal stability...or existing services."

This past March, the Battery Park City Authority (BPCA) announced that it had satisfied its obligation under the 1989 agreement. But a recent report by the New York City Independent Budget Office (IBO) confirmed that **none of the \$600 million provided to the City for affordable housing was used as intended**. The funds were used for general budget purposes, regardless of the city's actual fiscal condition in the year the funds were received.

Battery Park City mainly generates revenues from land rent and PILOT payments made to the BPCA. Based on a formula established by the 1986 agreement, the excess revenues that remain after the BPCA pays its operating costs and debt service are allocated between direct payments to the City and to "Joint Purpose Funds" – an account which is jointly controlled by the Mayor, city Comptroller and the Authority. Based on current projections by the BPCA and the NYC OMB (see Figure 1), **Battery Park City will generate excess revenues of at least \$75 million each year for the foreseeable future.**

Moreover, these projections do not include estimates of significant additional revenue that will be generated as a result of future development projects such as the new headquarters for Goldman Sachs expected to be complete in 2009. In addition to PILOT payments, Goldman Sachs will make a one-time ground lease payment of \$161 million to the BPCA in 2006. Battery Park City will generate even more revenue into the future.

Meanwhile, the city's capital program for housing has eroded significantly over the past two years. Housing has slipped from more than 8% of total capital commitments to less than 5%. Projected 10-year city capital funding for housing has been cut by \$1.3 billion. Even with the Mayor's commitment of \$500 million from the Housing Development Corporation, the city is still \$800 million behind where it was in Spring 2001. This represents roughly 10,000 to 15,000 units of affordable housing that will not be built or saved over the next 10 years.

| Year  | Payments to the City | Joint Purpose Funds | Total Excess Revenues |
|-------|----------------------|---------------------|-----------------------|
| 2005  | 88.1                 | 30.0                | 118.1                 |
| 2006  | 81.7                 | 30.0                | 111.7                 |
| 2007  | 57.9                 | 30.0                | 87.9                  |
| 2008+ | 57.9                 | 17.0                | 74.9                  |

**An annual revenue stream of \$75 million generated by Battery Park City could leverage approximately \$875 million in new capital funds, enough to build or preserve between 12,000 and 16,000 homes affordable to low income and working New Yorkers.**

The financial resources of Battery Park City will continue to grow into the future. It is critical that excess revenues from Battery Park City dedicated to affordable housing are provided to the City through an administrative mechanism that **ensures that the funds will not be diverted to other purposes, and that the funds will augment – not replace – other local, state and federal housing funds.**

By dedicating future excess revenues generated by Battery Park City to new affordable housing development, we can restore the public trust and offer many more New Yorkers the hope that they will one day have a decent, affordable place to call home.