

The case of Battery Park City

How New York politicians scuttled plans for low-cost housing

Fred Mazelis
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On January 8, New York City Mayor Rudolph Giuliani announced proposals for about \$600 million in new spending for low and moderate-income housing over the next four years. The plans call for \$150 million annually in new public funds, along with a roughly equal amount from private sources.

While impressive sounding on the surface, the numbers hardly begin to make a difference in the massive need for affordable housing in New York. The mayor's office says that \$110 million in loans and grants will make possible the renovation of 1,100 apartments in 133 city-owned buildings, mostly run-down apartment houses abandoned by their owners. In addition, some \$400 million would be used to renovate about 6,000 units in other buildings. The city also proposes to double the size of an existing program to build hubs of housing and stores and other retail developments in poor neighborhoods. This would provide another 3,100 housing units.

Thus, even if all the goals are met, this spending will provide, through new building or renovation, about 10,000 apartments and houses in the city. Compare this to the "affordable housing gap" as defined in a recent report of the Coalition for the Homeless. This gap between the number of apartments available for the poorer sections of the working class and the number of households seeking this housing had reached 405,000 housing units by 1995. In the last five years, continued gentrification and skyrocketing rents have most likely led to a further increase in this shocking figure.

In the past two decades the "recovery" of New York City from the fiscal crisis and decay of the 1970s has enriched the top 10 percent of the population while the working class and the bulk of the middle class have struggled to maintain their living standards. Wealthy residents have been attracted to the city, leading to the gentrification of nearly every residential area of Manhattan south of 96th Street, as well as parts of the outer boroughs. Tens of thousands of luxury apartments have been built, renting for \$3,000 a month or

more, or selling, as co-operatives or condominiums, for more than \$500,000. Families with annual incomes of up to \$50,000, \$60,000 or more are increasingly unable to find any housing in the city.

One of the most prominent examples of this new luxury housing is the community of Battery Park City, built on landfill in lower Manhattan just north of the Battery and west of the financial district. A recent article in the *New York Times* reveals how this huge project was completed, with the assistance of city and state politicians who first promised a mixed-income community and then carried out the step-by-step repudiation of pledges of housing for working people.

Battery Park City had its genesis in the 1960s, with the plans for reviving an area of 20 collapsing Hudson River piers. The project was endorsed by then-Governor Nelson Rockefeller. A joint statement issued in 1968 by Rockefeller and then-Mayor John Lindsay promised that "the city would earmark funds it would normally receive from new commercial and luxury developments to underwrite land costs for new low- and moderate-income housing." The Battery Park City Authority was created in that year to collect rents and payments from landlords, and to eventually turn over millions of dollars annually to the city. Public land and public money were to be used to benefit a broad section of the population. Two-thirds of Battery Park City's 15,000 apartments were to be for families with incomes of up to about \$45,000, in today's terms.

Battery Park City was eventually completed some two decades later. It now includes 28 acres of parks, 25 residential buildings, a yacht harbor, the Museum of Jewish Heritage, Stuyvesant High School and four World Financial Center towers, and is touted as a great success in terms of its housing, retail space and other amenities. Only about 6,000 apartments were built, however, and contrary to the original plans, only about 5 percent of the complex's units are occupied by those who are not wealthy. Battery Park City is

home to about 9,000 people, about 40,000 work there each day, and two-bedroom apartments rent for \$3,800 to \$5,500 a month and sell for \$635,000 to \$800,000.

The project was stalled through the 1970s, as New York City struggled with its budget and flirted with bankruptcy. This became the excuse for abandoning the earlier promises for affordable housing. When construction finally began in the 1980s, the idea for low- and moderate-income housing was dropped, but was replaced by another promise—the use of money generated by the luxury housing and commercial rents at Battery Park City to finance affordable housing in other areas of the city.

By this time the governor's mansion in Albany and City Hall in New York were occupied by Democrats, Mario Cuomo and Ed Koch respectively. Cuomo and Koch worked out agreements that were eventually signed between the Battery Park City Authority and the city. They provided that the state would issue bonds that would provide a total of \$400 million to renovate 24,000 units of low-cost housing. Battery Park City also pledged to make additional direct payments of \$600 million to the city for the construction of low-cost housing. The total of affordable housing units envisioned was 60,000. Koch signed an agreement in December 1989, in his last month in office, promising that the city would not use any of these payments for other than housing programs.

The \$400 million in Battery Park City-financed bonds ran into trouble during the early 1990s recession, and only \$143 million was turned over to the city. In the long Wall Street boom that followed this recession, however, Battery Park officials claim they have made good on some of the \$600 million promised to the city. Payments began in 1992, and now total \$276.2 million.

Even this partial amount, however, has not been used for affordable housing. The Giuliani Administration, which took office in January 1994, claims that the commitment made in 1989 is not legally binding. Even as Battery Park City has turned over hundreds of millions of dollars, the administration has sharply reduced its spending on housing related construction and renovation. In 1991 this figure was \$940 million, while in 2000 it was \$535 million.

The funds from Battery Park City have been used for other purposes. A letter sent by the Giuliani administration to the Battery Park City Authority last June said that a \$46.6 million payment from the authority to the city had been used “to maintain existing city services.” The administration points to a loophole in the 1989 agreement allowing it to spend this money as it sees fit when the city is facing a deficit. The last fiscal year ended, however, with a \$3.2 billion surplus.

So brazen has this violation of the earlier agreements been

that even Meyer Frucher, now the chief executive of the Philadelphia Stock Exchange and from 1984 to 1988 the president of the Battery Park City Authority, has called it “an abomination” and “a breach of faith.”

The mayor has not had to worry about exposure and any serious political fight from his Democratic rivals, however. Of course they have known all about the budgetary defrauding of the city's poor and working class, and they hold a top-heavy majority in the City Council and in other city posts. But they have done nothing. Nor have the city's union leaders, most of whom endorsed Giuliani for reelection in 1997, uttered a peep.

The bipartisan contempt for the needs of the working class also found expression in the reaction to the mayor's latest housing proposals. The puny promise of 10,000 apartments was greeted with general enthusiasm. A spokesman for City Council President Peter Vallone, himself a candidate for mayor in this year's election, welcomed Giuliani's plan while also covering up his own role, saying “we have been calling for additional funding for affordable housing for some time.”

The story of Battery Park City illustrates in a concentrated fashion how political decisions have been used to cater to a small segment of the wealthy and the upper middle class, while ignoring the needs of the vast majority. It is countless decisions such as these, by big business politicians claiming to speak on behalf of the voters and the city as a whole, which have produced the present state of affairs, in which hundreds of thousands of families either spend 50 percent or more of their income on housing, or live in substandard housing or double up with relatives, or have been forced to leave the city. Needless to say, for the vast majority of families, the amenities of Battery Park City, with its parks and views of the Hudson, are no substitute for a place to live.



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