Sale of New York City housing complex highlights social polarization

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The recent announcement that New York's giant Stuyvesant Town and Peter Cooper Village housing developments are being put up for sale has focused attention on the deepening crisis of affordable housing in the US financial, cultural and commercial capital, as well as throughout the country.

Stuyvesant Town, located between 14th and 20th Streets and from First Avenue to Avenue C in lower Manhattan, is known all over the world. Planned during the Second World War as affordable housing for returning veterans, it opened in August 1947. It was built by the Metropolitan Life Insurance Company, which remains its owner today. Some 100,000 applications were submitted for the 11,250 units in Stuyvesant Town and the smaller Peter Cooper Village, directly to its north.

The story of Stuyvesant Town, along with Parkchester in the Bronx, a similarly massive complex built about five years earlier, is also noteworthy for the outrageous racial discrimination practiced by MetLife, which refused to rent to black families, a policy that was upheld in July 1947 by the US Supreme Court. Though it was not integrated until some years later, Stuyvesant Town was successful in providing decent housing in a desirable and convenient area, within walking distance or a trip of minutes by bus or subway from Manhattan's major business, shopping and entertainment districts.

MetLife's decision to sell the complexes has understandably aroused the concern of many of the 25,000 people living there today. The newspaper headlines portraying the impending sale as a sudden threat to affordable housing, however, were somewhat misleading. The loss of reasonably priced apartments at Stuyvesant Town and Peter Cooper Village was already well underway.

Nearly 30 percent of the apartments in the developments have already been removed from the city's complicated and weakened system of rent regulation. About 1 million apartments in New York are covered by the city's rent stabilization program. Under this system, landlords are entitled to annual rent increases set by the Rent Guidelines Board, a body that has recently been allowing rises outpacing the inflation rate. Moreover, landlords are permitted to pass on the cost of capital improvements and remove an apartment from rent stabilization entirely after the monthly rent surpasses $2,000.

This has been happening at Stuyvesant Town. MetLife is already collecting "market" rents for nearly 3,000 of the apartments in the complex. Tenants in regulated apartments now pay an average of $1,096 for a one-bedroom apartment and $1,514 for three bedrooms in Stuyvesant Town, rents that are manageable only for two-income families and are reasonable only in comparison with the market rents, which range from $2,406 to $3,833 in Stuyvesant Town. At adjacent Peter Cooper Village, where the apartments are larger, the rents range from $1,178 to $1,581 for regulated units and from $2,662 all the way up to an astronomical $5,842 for market-rate apartments.

The process of removing apartments from regulation will continue whether the complex is sold or not. MetLife has made more than $320 million in capital improvements since 2002, including modernized elevators and lobbies, a new community center, and photo ID key-cards to replace existing keys. It has passed these charges onto tenants in the form of higher rents, while obviously preparing to market the complexes for the highest possible price.

The sale, which is expected to be announced some time within the next two months, will accelerate the process of turning the whole complex into housing for the wealthy. October 5 is the deadline for a first round of bids, and nearly all of the city's major real estate firms and developers have expressed interest. The new owner is expected to pay up to $5 billion, making the transaction the biggest ever for a single property. An aggressive campaign to raise rents and pressure tenants to move is certain to follow the sale.

MetLife has gone so far as to spell out, in its offering memorandum, how this could be done. By 2018, it assures prospective buyers, the current ratio of 30 percent to 70 percent market-rate to regulated apartments could be reversed, with 70 percent of the more than 11,000 units rented to the very wealthy, bringing in about $519 million at Stuyvesant Town and $170 million at Peter Cooper.

The memorandum suggests that a new owner would be able to carry out "aggressive investigation of potential stabilization violations." The new landlord could also count on the deaths or departures of elderly tenants. Various other improvements, such as adding doormen and premium parking along interior roadways, could be used to increase rents, leading to departures of other families who could no longer afford the higher costs.

The sale of Stuyvesant Town exposes the puny scale of the program for low- and moderate-income housing that New York Mayor Michael Bloomberg has proposed. Bloomberg announced a $7.5 billion plan nearly four years ago, which envisioned the creation or preservation of some 165,000 housing units by 2013.

This program, welcomed by some housing and tenant advocates, reflected the political and economic concerns of the city’s corporate and financial establishment whom the billionaire mayor represents. The city’s economy would eventually cease to function if low-wage workers, including millions of immigrants who have streamed into the city in the last two and a half decades and helped fuel New York’s vaunted economic recovery, have nowhere to live and are forced to commute long distances. Secondly, the ruling elite fears a social and political explosion if it makes no pretense of concern over the continuously widening gap between the rich and poor.

Now, however, observers have pointed out that Bloomberg’s very modest plans are in jeopardy. “We’re losing more at one end than we’re gaining in affordable housing at the other end through the mayor’s plan,” said a spokesman for the Community Service Society. While Bloomberg “preserves” some units, many thousands of others are removed from the total of affordable places to live for the working class. The conversion of Stuyvesant Town and similar areas into wealthy communities means that the proposed 165,000 affordable homes and apartments may not make up for the disappearing affordable units.

The housing crisis is the responsibility of both the Republican Mayor and the Democrats who control New York City Council and nearly every other major local office. That is why the claim by some of these local Democrats, such as City Councilman Daniel Garodnick, that they will protect the tenants is not to be taken seriously.

Garodnick, who lives in Peter Cooper Village, claims support from New York’s Democratic senators Charles Schumer and Hillary Clinton, and says he is hoping to come up with a competitive bid for the complex by the October 5 deadline. There is talk of trying to get the city’s Housing Development Corporation to provide loans to a prospective buyer who would arrange for conversions to condominiums at more affordable prices for current tenants.

Even in the unlikely event that a sale to a tenant-backed bidder comes to pass, it will do very little to remedy the shortage of affordable housing. Working class families are being steadily squeezed out of Manhattan and the areas of the city’s outer boroughs that are closest to the city’s center. Most of lower Manhattan has been overtaken by gentrification, and the same process is very far advanced in the northern Brooklyn neighborhoods of Fort Greene, Cobble Hill, Boerum Hill, Prospect Heights and others.

In the 1940s, developments such as Parkchester and Stuyvesant Town provided tens of thousands of housing units for the working class. Later, in the 1960s, such massive developments as Co-op City in the Bronx, Starrett City in Brooklyn and Rochdale Village and Lefrak City in Queens provided decent housing for several hundred thousand more. While these co-operative and rental developments remain among the declining bastions of affordable housing in New York, they are also facing escalating costs and have recently seen major increases in rents or maintenance charges.

New York City is disproportionately a city of renters, who have been hard hit by the escalating price of real estate. An analysis of census data just released shows that the housing crisis, severe in New York, is even worse in many suburban areas, not only in New York but nationally as well.

In New York City, more than half of all renters spend at least 30 percent of their income for housing, the figure usually referred to as the limit of affordability. In the borough of Staten Island, the situation is even worse, with the percentage paying at least 30 percent now up to 60 percent of renters, compared to 40 percent only five years ago.

In the supposedly middle-class suburbs, the situation is worse yet. Working class families seeking to buy homes have moved out of the city in large numbers and are increasingly finding it impossible to meet mortgage payments. In the nearby counties of Nassau, Dutchess, Orange and Putnam, there were huge increases in the number of those paying at least 30 percent of their income for housing, as well as those paying at least 50 percent.

The data, as reported in the *New York Times*, give the examples of Clifton, New Jersey, and New Britain, Connecticut. In Clifton, those spending at least 50 percent of their income on housing rose from 12 percent in 2000 to 27 percent in 2005. In New Britain, those paying at least 30 percent jumped from 27 percent to 57 percent of the population. These numbers, which cover a period of economic “recovery” over the past four years, are an indication of looming disaster.

This crisis is nationwide. The biggest jumps in the percentage of mortgage holders spending more than 30 percent of their incoming on housing in the past five years have taken place in other parts of the US, including the states of Florida, Minnesota, Texas, Colorado and California. It is precisely the lower-paid workers, who have sought housing in less expensive areas relatively far from major cities, that are now threatened in record numbers with the loss of their homes.