“Poor Door” for lower-income tenants underscores class divide in New York

Steve Light
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In New York City a new example of the growing social divide, the so-called “poor door,” has provoked outrage. The provision of a handful of “affordable” apartments in a luxury development on Manhattan’s Upper West Side has only succeeded in spelling out the aristocratic contempt of the super-rich for the “lower orders.”

A 33-story luxury building under construction by Extell Development Company, at 40 Riverside Boulevard on the Hudson River, will have a front entrance for residents who buy the 219 high-priced condominiums with a river view, while a separate entrance in the back will be provided for lower-income residents who rent 55 cheaper apartments facing side streets.

In return for including 25 percent of the units at lower rents that are subsidized by the city and state, the developer receives a 20-year tax break and a “bonus density” allowing it to build more units than would normally be allowed. While the law requires market-rate and affordable apartments in a building to be integrated, it also allows affordable apartments to be in a separate “bonus density” building. Extell claimed both categories exist in its “segmented building.”

The “poor door,” almost unprecedented in this country, is the result of Extell’s fears that its very wealthy buyers would not pay top dollar for properties if they had to mingle with poorer renters. In its adjacent property, at 50 Riverside Boulevard, a 7-bedroom, 9.5 bathroom penthouse apartment sold for $25.7 million. As for rents, the New York Rent Guidelines Board reported in 2013 that while landlords’ operating costs went up 8.4 percent, average rents went up 12.5 percent, the difference going into the landlords’ pockets.

The city’s administration under Democratic Mayor Bill de Blasio has approved the segregated building plan at 40 Riverside, claiming the law was in effect and that six floors had been constructed before he took office seven months ago. De Blasio and other elected officials say they will ensure that future affordable housing projects are integrated.

Actually, in 1988 the city won a case to force a developer to tear down floors of a building that exceeded what was allowed by zoning regulations. Such action is beyond the ability of today’s self-styled “progressives” like de Blasio. Furthermore, his promise to create 200,000 affordable units in ten years is a hodge-podge of individual transactions that will end up funneling shrinking federal and state funds to private developers.

The “poor door” is a byproduct of government incentives favorable to large corporate developers. The 10-to-25-year tax break of the 421-a exemptions for new buildings, combined with a “J-51” tax break for improvements to existing buildings, costs the city $1.1 billion a year in revenue. According to the *New York Post*, five of Extell’s towers “cost the city $21.8 million in tax revenue in their first year alone. Together, the buildings paid just $567,337 in annual taxes. Without the 421-a program, they would have paid the city $22 million.”

Extell Development Company was one of five luxury housing developers for which a special tax break law was passed in January 2013. This was in part the motivation for the creation of the Moreland Commission to investigate corruption in New York State. The commission was created by Democratic Governor Andrew Cuomo, who disbanded it when it issued subpoenas connected to the governor’s campaign fundraising.

Though the “inclusionary zoning” mandate requiring affordable rentals provides a small number of such apartments, it also results in an expansion by four or five times the number of expensive market-rate units, of which New York has an abundance. In 2011, the Census showed that 34,000 apartments in Manhattan were vacant more than ten months of the year, mostly because of wealthy absentee owners or renters using an apartment for vacation purposes or as an investment. This reflects the re-inflation of the financial bubble since the collapse in 2007-8, as well as the revival of the market for luxury housing.

Civil rights advocates say there may be lawsuits over the “poor door” on the grounds that public tax breaks are being given to a building that is constitutionally “separate and unequal,” a reference to the Supreme Court’s 60-year-old landmark *Brown v. Board of Education* decision, which held that “separate educational facilities are inherently unequal.”

A development in West Hollywood, California not only called for separate entrances for lower-income residents but also would have denied them access to a pool that could be viewed from their apartments. In London, where the trend for discriminatory entrances for lower-income apartments is more developed, Mayor Boris Johnson has refused to ban “poor doors.”

New York City is listed as the ninth most unequal major city in the world out of 120 in a United Nations report on the urban environment in 2008. The report warned, “Growing inequality in US cities could lead to widespread social unrest and increased mortality.”

The 40 Riverside site is on the southern end of Riverside South--a complex of luxury high rise residential towers, originally known as Trump City, with spectacular views stretching along the Hudson River for a half mile. Extell and the Carlyle Group took over the ownership from Donald Trump, the original developer, when he went bankrupt. The Carlyle Group, a global private equity firm, has included former President George H. W. Bush and Arthur Levitt, Chairman of the Securities and Exchange Commission (SEC) under President Bill Clinton, as senior advisors.

With a 2.8 percent rental vacancy rate in New York City, there is a lack of available affordable housing. Thirty percent of the residents of 280,000 rent-regulated apartments in Manhattan moved into their homes more than 20 years ago and are unable or unwilling to move. More people are renting in the face of tight credit for mortgages. In June, the new Sugar Hill project in Harlem, with 124 affordable units, drew 50,000 applications. Gentrification is eliminating affordable housing at an increasing rate in areas such as Harlem, Corona and Bedford-Stuyvesant.

According to the Furman Center for Real Estate and Urban Policy, income has remained stagnant while rent has nearly doubled for New Yorkers in recent years. Landlords try to blame rent regulation. But the long-term housing crisis has been created by a government that gives license to mercenary open-market forces while decreasing regulated and subsidized housing. This has resulted in more than 60,000 homeless in New York City. Of these, 13,000 are families, including 23,000 children.

Moreover, what is being passed off as “affordable” housing is no such thing for many New Yorkers. Extell says it will rent the affordable two-bedroom apartments in its luxury building for about $1,100 per month, or $14,000 per year. Renters of the affordable apartments will have incomes from $35,280 to $50,340. At the minimum wage in New York State of $8 an hour, two adults working a 40-hour week will make $32,000 per year. The affordable apartments being made available by Extell are beyond the reach of millions of poorer residents.

More than 45 percent of New Yorkers are living at the “near-poverty” level of $36,000 annual income. For residents earning below 50 percent of median income, only 18 percent of all rental units and just 4 percent of market rate rental units were considered affordable in 2009. In addition, even if someone can afford the “affordable” rent at 40 Riverside, they will need luck to win the lottery by which the very limited supply of such housing is distributed.

New York is the most expensive city in the U.S., with average rents in the central borough of Manhattan at $3,973 a month. According to Kiplinger, “Housing costs in Manhattan are more than 4.5 times the national average. But the financial pain doesn’t stop there: Groceries, utilities and transportation cost 35.5 percent, 33.8 percent and 26.7 percent more than average, respectively.” According to the *New York Times*, household incomes in Manhattan are about as evenly distributed as they are in Bolivia or Sierra Leone. The wealthiest fifth of Manhattanites make forty times more than the lowest fifth, according to 2010 census data.