New York City mayor falsely hails sale of Stuyvesant Town complex as advance for affordable housing

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Ownership of the massive Stuyvesant Town-Peter Cooper Village apartment complex in lower Manhattan is changing hands for the third time in less than a decade. An October 20 news conference announced the sale of the 11,232-unit development to the Blackstone Group for more than $5.3 billion.

The sale is part of a deal that was hailed by New York City Mayor Bill de Blasio as a major advance for affordable housing in the city. A look at the details of the regulatory agreement shows that this claim is a lie. The Democratic mayor's definition of affordability excludes nearly 90 percent of the city's population.

The Stuyvesant Town complex was built by the Metropolitan Life Insurance Company in the late 1940s. For decades it remained a bastion of genuinely affordable housing for public employees and other sections of the working class. The situation began to change about 30 years ago as the Wall Street boom of the 1990s and early 2000s was accompanied by the loss of thousands of rent-regulated apartments in Stuyvesant Town, as elsewhere in New York.

In 2006 the attack on affordability reached a new level, with the sale of the complex to real estate giant Tishman Speyer Properties and its Wall Street partner, Black Rock. The new owners set out to remove existing tenants as quickly as possible and to jack up rents to market rates. The speculators gambled that the boom would continue and they would make a killing by attracting tenants willing to pay $4,000 every month, and in some cases much more.

The gamble did not pay off. The Tishman Speyer deal fell apart amid the Wall Street crash of 2008. The multi-billion dollar owners took a loss of about $100 million, a rounding error for them. CW Capital took over the complex in 2010, while tenants remained in limbo and uncertain what they would be paying or whether they would be able to remain in their apartments.

Now the new owner of Stuyvesant Town, in a deal with the de Blasio administration, promises that 5,000 apartments, about 45 percent of the total, will remain "affordable." This means, according to the details reported in the *New York Times*, that a family of three with an annual income of $128,210 would pay $3,205 monthly for a two-bedroom apartment.

This yardstick of affordability for an apartment for a family of three compares to a citywide median household income of about $60,000, less than half this amount. In Brooklyn and the Bronx, the median income is even less—about $45,000 in Brooklyn and less than $40,000 in the Bronx, the city's poorest borough.

This notion of affordability is pitched to the top 10 percent of the city's earners, at best. In addition, in a backhanded admission of just how limited this deal is, Blackstone tosses a few tiny crumbs to families that fall below six-figure annual incomes. The owners promise to put aside 500 apartments in the complex, less than 5 percent of the total, for families making up to $62,150 annually. They would pay up to $1,553 a month for two bedrooms. Even this figure, covering a tiny fraction of the apartments in the complex, is beyond the means of a majority of families.

There are other aspects of the agreement that are equally significant. The owners promise that they will keep 5,000 apartments within the "affordable" range, but only for 20 years. Younger families, even those few who can meet the high rents, will not be able to count on remaining there as their children grow up. The aim is to attract primarily the most privileged sections of the middle class, including younger lawyers and highly paid Wall Street traders and analysts, who don't intend to put down roots. In addition, in exchange for a promise not to turn the apartments into high-priced condominiums, Blackstone received several concessions from the city, including forgiveness of $77 million in some mortgage taxes and a $144 million low-interest loan.

The majority of apartments in the complex are already at market rates, with some going for as much as $7,000 a month. The owners are expected to continue to raise these rents even higher, in the context of a Manhattan real estate market that has now hit almost $1 million for the average apartment, with skyscrapers for billionaires on West 57th Street and elsewhere going to absentee owners for many tens of millions of dollars, and more than $100 million in several instances.

The new deal for Stuyvesant Town reveals that the situation has not fundamentally improved since three-term mayor Michael Bloomberg was succeeded by the "progressive" de Blasio.

Bloomberg, the well-known billionaire and direct representative of the plutocracy, presided over record inequality. He welcomed the 2006 development that openly threatened the destruction of Stuyvesant Town.

De Blasio, however, has only tweaked Bloomberg's policies slightly, working out a complicated deal with a Wall Street private equity firm that benefits a small section of the upper 10 percent income bracket, those who want to ensure that their own interests, as well as those of the billionaires, are protected.

Blackstone is both a Wall Street investment firm and one of the largest landlords in the world, managing $93 billion in hotels, residences and office buildings. The company is known for generating 18 percent returns on investments, but it has also developed a new type of real estate fund that is supposedly aimed at long-term investment and promises perhaps "only" 9 percent returns.

Hamilton James, the CEO of the firm, is also known as a supporter of de Blasio. The Stuyvesant Town deal, with its limited offer to a section of the middle class, can thus be seen as a favor bestowed on the mayor by one of his wealthy backers.

Indeed, de Blasio was quick to claim credit. "This has been a priority for us since Day 1," he declared in a statement to the media. "We weren't going to lose Stuy Town on our watch."

The fraudulent "affordability" promise demonstrates the class role of the Democratic Party. City Councilman Daniel Garodnick, who lives in the complex and protested the 2006 sale, told the news conference this week that tenants had found a "true partner" in Blackstone.

While some of the tenants at Stuyvesant Town, especially the wealthier, welcomed the new deal, others expressed serious doubts, including about the 20-year time limit on "affordability."

The *Times* found this perceptive reaction from Larry Parker, a city worker who was relaxing on his lunch hour, and who had moved out of New York because of unaffordable housing costs. "For Mr. Parker…it was far from enough to fix the ills of the city… 'It's almost like going back to the days in South Africa where you had the shantytowns in the suburbs and the rich people in the cities,' he said. 'Economic apartheid.'"

There were also some warnings in financial circles that the new purchase of Stuyvesant Town may not prove any more successful than the 2006 deal. Seven years after the Wall Street and real estate crash, the stock market is close to new highs and real estate prices are more inflated than ever.

A *Crain's New York Business* columnist declared this week that, like Tishman Speyer some years ago, "Blackstone believes rents can be raised. The New York City economy is barreling along…[but] the parallels in the Stuy Town deal to 2006 are eerie enough to give anyone pause."

See also:

Sale of New York City housing complex highlights social polarization [6 October 2006]

Housing crisis deepens in New York City
[10 February 2010]