

# REAL ESTATE WEEKLY

APRIL 3, 2013 - TAHL PROPP EQUITIES IN THE NEWS - By Orlando Lee Rodriguez

## Developers to mayoral candidates: Don't turn city into Twilight Zone

When Democratic mayoral candidate and City Council Speaker Christine Quinn gave her 'State of the City' speech in February, she took painstaking time to outline four specific initiatives she would implement to keep housing affordable in New York City, particularly in Manhattan.



Rodney Propp and Joseph Tahl

Immediately afterward, her rival, Public Advocate Bill de Blasio, held his own press conference on the steps of City Hall, describing her affordable housing plan as "a gift" to developers.

Going beyond the political war of words, there are other varying viewpoints that will most likely find their way into the public debate as the mayoral race heats up.

No matter who winds up in the Mayor's seat come January 1, 2014, there will still be the question of how to successfully implement more affordable units, while making it attractive to developers.

"It's important that programs be expanded and developed so New York can maintain its diverse economic base," said Rodney M. Propp, chairman and co-founder of Tahl Propp Equities.

"You need to have people of every income level being able to afford to live here. If not, what kind of a city would we have? It would be like the twilight zone, with the very rich and the very poor.

"You can't have a city like that. You could not fill positions. You could not have a social fabric. It would be very peculiar."

Developers like Tahl Propp, Arker Companies, Jackson Development and others who say they are committed to developing affordable housing, have found a way via HUD subsidies and other means to help finance construction and keep rental prices at levels that correspond to a livable percentage of a family's income, while still providing quality services.

On the other hand, the New York City Public Housing Authority has struggled to find solutions to the myriad of problems its aging apartment developments face.

Unlike newer projects that include retail, most NYCHA public housing projects are isolated from any kind of services. Now facing a \$60 million budget shortfall, NYCHA is considering selling off land to developers to build market rate housing in order to bring in revenue.

"We can either allow them to crumble, or knock them down, or find new revenue for repairs and capital investments," said Mayor Michael Bloomberg during his State of the City Speech.

Plans for market rate developments on NYCHA properties have spread fear among public housing residents who believe it is a first step to being pushed out.

"This is exactly how gentrification works," said Rachel Laforest, executive director of the Right to the City Alliance. "People get priced out of their neighborhoods. As they vacate, so do all of the smaller mom and pop businesses, until the neighborhood is completely transformed. "What

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do people do when their jobs, schools, doctors or access to public transportation are no longer available to them?"



Rachel Laforest

According to the Furman Center for Real Estate & Urban Policy at New York University, out of the 235,000 units of subsidized affordable housing created in New York City over the past

50 years, 27 percent have chosen to leave these programs.

In Manhattan, 17 percent of all previously subsidized affordable housing has now become market rate.

"Up until five years ago, there were more programs," said Rosemary Scanlon, divisional dean of the NYU Schack Institute of Real Estate.

"There was the 421A program, where market rate developers could get the planning commission to add a few more floors if they swapped certificates that had a dollar value, and affordable housing developers would do something in Brooklyn, Queens or The Bronx. In their lasting wisdom, there was a drive to cut that back severely. So that doesn't exist anymore."

Other city initiatives, like the 80/20 program, critics say, are not able to keep up with the demand for affordable units from the city's working class who, they say, are forced to live further away from their New York based jobs.

The solution, say elected officials, is for the city and developers to work together.

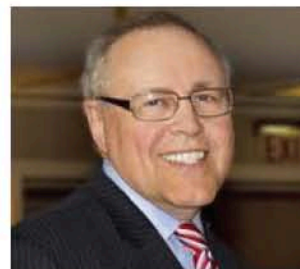


Bill Di Blasio

"There have been developers who have been allowed to build very big buildings at very great profit and have been asked for very little in

return," said Democratic mayoral candidate Bill di Blasio. "I have said to the development community: 'I want to help you develop, I'm going to help you do it faster and in return I want more affordability. I want more units.'"

di Blasio's desire to make a greater percentage of units affordable will not be so easy to execute if incentive programs remain unchanged. Programs like 421A, industry leaders say, need to be revised and expanded in order to get private developers to create units beyond 80/20 projects.



Steve Spinola

"There is no question that [the city] rushed to judgment a few years back when the market was very hot and said we don't need the [421A] benefit anymore so let's cut back," said Steven Spinola,

president of the Real Estate Board of New York. "Within 6-8 months, the economy collapsed and as a result we've watered down the available programs."

"It's not very complicated on what it takes to build affordable housing — it takes money," he said. "My members are prepared to build affordable housing and we have offered to do it for little or no cost. But we need to figure out how we can fill the gap between the cost of construction verses what people can afford to pay."