

## **City Council Hearing on Downtown Housing**

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Statement to the

**New York City Council  
Select Committee on Lower Manhattan Redevelopment  
and Committee on Housing & Buildings**

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Last September, the Citizens Housing and Planning Council released a report on the role of housing development in Downtown recovery and I would like to convey some of our conclusions and recommendations to you. The report was prepared by CHPC's staff under the guidance of an advisory committee of prominent professionals in the fields of housing development, housing finance, law and planning.

One of the central conclusions of our study is that lower Manhattan remains an important center for economically strategic industries and firms and the city's rebuilding efforts should focus on enhancing its economic vitality through transportation improvements, service restoration, and job retention programs. Our desire for additional housing development downtown should not eclipse the primary economic role of downtown as a center of the city's economic life.

Nevertheless, the tragic events of September 11, 2001 have, if anything, made the long-standing goal of transforming downtown into a mixed-use, business/residential/cultural district even more imperative. The terrorist attack clearly had a severe effect on the Downtown business community, and employment and office space utilization there may never return to the levels reached before the tragedy. Although we are relatively optimistic about the potential for lower Manhattan to recapture its share of regional employment, our projections suggest that total office space utilization will be, by 2011, only 90 percent of the total occupied in 1999.

In the interest of improving the residential environment for existing residents, of enhancing the appeal of Downtown to employers, and of satisfying the great need for additional housing in Manhattan, we believe that public agencies should encourage additional housing development Downtown. We estimate that the total potential for new housing below Chambers Street is between 4,000 and 8,000 additional dwelling units. The precise figure depends on the pace of business recovery Downtown, how much new office space is built on the World Trade Center site and its environs, and whether or not public agencies chose to reconfigure West Street and other thoroughfares.

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It is important to keep in mind, however, another important conclusion of our study. That is, public policy should not try to solve our city's formidable housing problems by imposing artificial constraints on Downtown housing development. The potential for housing development there is simply not great enough to make a dent in the city's overall housing market. Rather, we believe that public policies for Downtown housing should flow from a planning analysis of lower Manhattan's redevelopment needs. In the long run, a healthy downtown will serve the interests of all residents of the city.

We do believe, however, that there is an important rationale for encouraging mixed-income housing development in Lower Manhattan. A wider mix of incomes implies a more diverse demographic mix, which can contribute to a more varied community life, more people on the streets and subways at different times of the day or night, more varied retail opportunities, and the type of social interactions that make New York an incubator of creativity and innovation.

Our analysis indicates that the market cannot produce apartments Downtown affordable to households earning less than \$100,000 annually. Even the use of Liberty Bonds cannot change that calculation dramatically: Liberty Bonds alone can help to reduce the monthly cost of new downtown apartments by only about 6 percent. Consequently, we recommend that public agencies combine Liberty Bond financing with approximately \$128 million in direct subsidy to create 1,500 apartments, affordable to households earning, on average, 150 percent of median income. Those affordable units would represent from one-third to one-quarter of all new dwelling units created Downtown during the next ten years. The New York City Housing Development Corporation's NewHOP program provides an attractive model for how the program could be administered. The development subsidies could come from special, \$3.5 billion allocation of Community Development Block Grant funds that was part of the federal government's rebuilding aid package.

Although CHPC is an organization with a long history of advocating for affordable housing, we are also a planning organization, and in that context I would like to add a few words regarding the redevelopment of the World Trade Center site itself. First and foremost, we concur with the universal demand that a fitting and meaningful memorial be created there to commemorate all those who lost their lives on that terrible day. To the degree that the site is redeveloped and reused, we believe it should be used primarily for commercial purposes. The transportation infrastructure that will be restored and improved is simply too valuable to serve only residential needs; it can help to restore Lower Manhattan to its traditional status as a leading business district. The use of the site primarily for commercial purposes should not be seen, however, as preempting housing development in Lower Manhattan. The more new office space that is built on the site or elsewhere, the more older, existing office space becomes available for conversion to residential use. New construction of modern, functional office space, combined with the conversion of older, obsolete space to residential use, may be the strategy that best maximizes the appeal of lower Manhattan.