by Erica Pearson
Monday, February 23, 2004 03:23 PM - Last Updated Wednesday, June 06, 2012 10:49 AM

To affordable housing advocates and many city officials, the $1.6 billion in tax free bonds Washington set aside to build housing in lower Manhattan after September 11 looks like an amazing windfall -- one that could be used to counter New York City's affordable housing shortage.

"This is an unprecedented amount of money," City Council Speaker Gifford Miller said at a City Hall press conference about the bonds, known as "Liberty Bonds."

But Governor George Pataki and Mayor Michael Bloomberg each have control over how half of the bonds are spent. And the governor has decided that just five percent of the bonds should be set aside for middle and low income New Yorkers, saying that requiring a larger commitment might mean that nothing gets built in lower Manhattan. Generally, the state requires that 20 percent of specially financed housing projects be affordable.

Bloomberg has yet to tell the public his own plans for the $800 million in bonds he controls, saying only that he is considering charging developers who receive Liberty Bonds a three percent fee. This money would then go into a trust fund for affordable housing projects.

City Council's Proposal

Looking to influence how the mayor spends his $800 million, the City Council released its own Liberty Bonds proposal, calling for over half of the apartments built with Liberty Bonds to be affordable. "I believe that we if are aggressive about it we can get as much as 55 percent of the Liberty Bond money for low to moderate income housing," said Speaker Miller. The council's plan also calls on Congress to allow Liberty Bonds to be used above Canal Street.

Luxury Buildings

In August, the Housing Finance Agency, the state's housing authority, agreed to give nearly half of the governor's bonds for housing -- $340 million -- to three downtown residential projects that were all in the works before the September 11 attacks. In order to comply with the governor's affordable housing requirement, the two buildings in Battery Park City and one on Liberty Street agreed to set aside five percent of their apartments for tenants who make $93,000 and under.

To many New Yorkers, that doesn't sound like affordable housing. "Low-wage working families, and most firefighters, police, emergency service workers and teachers, are virtually excluded... for them, there is no room at the inn," David Jones, president of the Community Service Society of New York and Ron Shiffman, director of the Pratt Institute Center for Community and Environmental Development, wrote in a Newsday editorial.

Developers say that since September 11, banks have not been as willing to approve projects with a greater percentage of lower rent apartments. When issuing the Liberty Bonds, Congress did not say that any of the housing built downtown must be affordable. Housing Finance Agency spokesperson Sally Crockett has said that the agency is taking a major step in setting five percent aside, and the deal cannot be that great for developers: only four companies have sent in Liberty Bond applications so far.

Community Board 1 later approved the three development projects as well, voting that making sure new residential buildings are constructed right away in lower Manhattan trumps affordable housing needs.

Liberty Bonds for Campaign Contributors?

Soon after the state authority approved the projects, the citizens lobbying group Common Cause
announced that the developers had given major campaign donations to Friends of Pataki, the New York Senate Republican Campaign Committee and the New York State Republican Committee. With $327,100 in donations to state committees over the past four years, Glenwood Management Corp. was the largest donor, but the other companies -- Related Companies, Albanese Development Corp. and Northwestern Mutual Life -- also contributed to state and city campaign committees.

To finance their lower Manhattan projects, each of the developers will receive about $100 million in bonds, which they will repay over 34 years. They will not have to pay real estate taxes for 20 years.