

## Troubles for Co-op City, and Middle Class Housing in NYC

by {ga=epearson}

Monday, October 13, 2003 12:00 AM

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*Photo by Joshua Lutz*

"It's a young family's world at Co-op City, the new town being created in N.Y. City," read a promotional [poster](#) in the 1960s. "Family-sized apartments at a price you can afford. It's perfect for the family with children— the wide open spaces of a 300-acre residential park (200 city blocks). And not a single interior traffic road. You'll know the youngsters are safe."

More than three decades later, few youngsters are playing in the Greenway, the largest park at the Bronx cooperative housing complex, which has become what social service providers call a "naturally occurring retirement community." Indeed, with more than 8,000 residents over the age of 65, Co-op City is considered the largest such retirement community in the nation. But that is not why children no longer play in its largest park. It is because the Greenway is filled with rows of cars; the park has been turned into a parking lot. It was paved over to provide emergency parking after one of Co-op City's parking garages collapsed and engineers ordered five more closed immediately.

Many other maintenance problems, along with an enormous mortgage debt, have caused Co-op City to go from a symbol of the promise and success of affordable housing in New York

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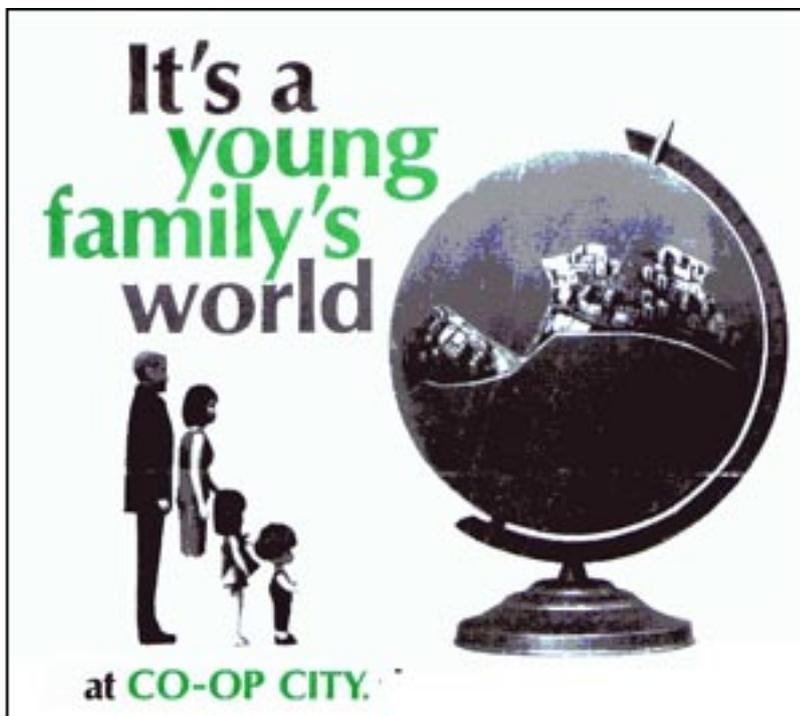
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to a sign of its woes. While Co-op City crumbles, Mitchell-Lama, the state-sponsored middle class housing program that created it and hundreds of other developments, is eroding in other ways. The city is planning new affordable housing initiatives, but critics say that new buildings will not be able to make up for what is being lost.

"We are in a hemorrhage kind of situation," said Michael McKee, associate director of the New York State Tenants & Neighbors Coalition. "We are never going to build as much affordable housing as we are going to lose."

### DREAM HOUSING; WAKING UP

Co-op City is the largest complex built under the state's [Mitchell-Lama](#) program, which ran from 1955 to 1978 and was intended to encourage developers to build housing for the middle class. The state gave developers tax exemptions and low-interest mortgages in exchange for what they hoped would be the public good of affordable housing. At Mitchell-Lama buildings the government has control over rents and co-op prices, and developers have to charge prices that middle class New Yorkers can afford.



The program, named for New York State Senator McNeil Mitchell and State Assemblyman Alfred Lama, is often championed by city planners and housing advocates. "From the point of view of providing affordable, moderately priced housing, it is a smashing success. Can you imagine what the city would be like without the Mitchell-Lama program? For people who work

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for city government, low to middle income people, this has been an incredible success," said Tom Angotti, a professor of Urban Affairs and Planning at Hunter College. "I think we should ask ourselves, why isn't Mitchell-Lama being repeated?"

Others say the reason is clear: it wound up costing taxpayers a great deal more money than anybody had imagined. "The Mitchell-Lama program was supposed to be one in which there were minimal subsidies from state or city funds," said Dick Netzer, professor emeritus of Economics and Public Administration at NYU's Robert F. Wagner Graduate School of Public Service. "The main reason that the program ended was that it actually required very large subsidies, for some (but not all) projects." The city had tried to finance some of these subsidies by a kind of short-term bonds, Netzer said, which were to be paid off by the mortgage payments on the Mitchell-Lama buildings, but rising interest rates increased the mortgage payments and "project after project defaulted on the required payments. They simply refused to pay what was required." By 1975, there were some \$1.8 billion in such bonds, virtually all defaulted. Taxpayers in effect footed some of the resulting bill, and for years afterward, large subsidies continued on some Mitchell-Lama projects, including Co-op City. Meanwhile, Netzer also noted, "there are widespread violations of the income limits set in the Mitchell-Lama law." Thus, despite the "splendid history" of some Mitchell-Lama projects, Netzer concluded, given the exorbitant cost to taxpayers, "it is hard to make much of a case for a new Mitchell-Lama program."

The first of Co-op City's 35 buildings went up in 1968 on the site of an American history theme park called Freedomland USA. The project was designed with its own educational park and other features to keep families from leaving the city for the suburbs, and the price to buy a one-bedroom apartment was just \$1,350. So many middle class families left their neighborhoods in the South Bronx to move to the new complex that Co-op City is often said to have signaled the decline of the Grand Concourse.

A one-bedroom apartment in Co-op City now sells for under \$6,000, and none of the complex's apartments can be sold to people whose household income is under \$18,000 or over \$100,000 a year. But while the city-within-a-city continues to be one of the few places where working class New Yorkers can afford to be homeowners, its mortgage debt with the state has climbed to \$220 million. And it is falling apart.

### **REPAIRS AND DEBTS**

Every single window needs to be replaced in each of Co-op City's 35 high-rise towers. Each building's cement terraces are crumbling -- wooden fences were installed to protect walkers-by from falling chunks of cement. The elevators need to be overhauled, the brick facades need

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work and the roofs are in disrepair. The complex's backup generator, which should have kicked in to keep Co-op City running during August's blackout, is broken.

Co-op City's many needed repairs won't be made until the cooperative refinances its debt with the state and gets the money to pay for them. Co-op City stopped making mortgage interest payments in July, saying it simply didn't have the money. Meanwhile, in August the complex's maintenance staff threatened to go on strike, complaining that they are underpaid.

Construction problems have plagued the complex from the beginning, according to Steve Gold, director of residential sales for [Riverbay Corporation](#), which runs the complex. Gas and sewer lines have broken as the land Co-op City was built on settles. The original construction work, overseen by the State Housing Finance Agency, was done poorly, and with substandard materials. And so Co-op City's board has long been arguing with state officials over who should pay for the repairs.

The two sides are in the middle of negotiating a big refinancing package, and say they hope to come to an agreement by the end of the year. As they debate, Co-op City residents worry about when repairs will be made, and about the future of their apartments. Ora Frank moved to her six-room Coop City apartment, with a terrace, in 1971. "We were real pioneers," she said. "But I don't think it ended up the way it started out to beâ€¦ [These issues] always keep your anxiety up, and a lot of the people who used to fight for things are dead."

And as part of the refinancing, Co-op City will raise maintenance charges, which right now range from \$450 to \$1,050 a month. "As much as nobody wants to pay more, this will be the first increase since July 1995 and it is going to result in people getting new roofs and elevators," said Gold. "I think that's realistic. I don't believe it is going to be [raised by] a staggering amount."

### LEAVING MITCHELL-LAMA

While Co-op City struggles with debt and repairs, other Mitchell-Lama buildings are having troubles of their own. At the converted Mason Mints Candy factory at 20 Henry Street in Brooklyn Heights, all of the tenants are being evicted. They started moving out during the past few weeks. When they are gone, the buildings' new tenants, instead of paying the \$600 to \$1,000 per apartment that rent cost under the Mitchell-Lama program, will pay amounts similar to the rest of Brooklyn Heights, where an average one-bedroom apartment costs \$2,000 a month.

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The building's owners are able to do this by taking advantage of a [provision](#) in the 1955 Mitchell-Lama bill that says that 20 years after developers receive tax breaks and low interest mortgages to construct a building, they can withdraw from the program by taking financial steps like repaying their mortgages.

The stipulation was included in the bill because lawmakers believed that developers would not have enough incentive to build Mitchell-Lama buildings if they did not have the option to eventually leave the program. Since the last Mitchell-Lama building was finished in 1978, all of the buildings are now eligible to leave.

What happens to tenants after a building leaves Mitchell-Lama depends on when it was built. If the building was finished before January 1, 1974, then all of the apartments will become [rent stabilized](#), and can only increase by the rates set by the city's Rent Guidelines Board. If the building was finished after that date, like the converted Mason Mints Candy factory, owners can charge market rates and force long-term tenants to leave. Legislators and affordable housing advocates have tried unsuccessfully to pass a new law that would make all Mitchell Lama buildings that leave the program become rent stabilized. At 20 Henry Street, the tenants filed a lawsuit seeking to keep their apartments rent-stabilized after the building left Mitchell-Lama. They lost, but decided to appeal.

So far, 52 of the 269 Mitchell-Lama projects built in New York State have left the program, most in the city, according to the state Division of Housing and Community Renewal. (Some Mitchell-Lama buildings are supervised by that state agency, others by the city's Department of Housing Preservation and Development.) Fourteen other projects in New York City have buyouts pending. In some former Mitchell-Lama buildings, like the Ruppert Yorkville Towers on the Upper East Side, tenants have won settlements to be able to purchase their apartments at a reduced rate. And at [Waterside Plaza](#) on the East River, tenants eventually came to an agreement with their landlord to keep their rents from being raised to market levels after the city agreed to phase in the landlord's taxes over the next 20 years.

Many housing advocates cheered the Waterside Plaza agreement. But some say that New Yorkers' tax dollars should not pay for keeping a small number of people in \$700-a-month midtown apartments. When the agreement between Waterside's tenants and owner was announced in 2001, the New York Post wrote, "Those tax breaks indirectly come out of everyone else's pocketsâ€¦ New York's hugely 'generous' housing policy - be it tax abatements,

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subsidies, public housing or rent-regulation - discourages tenants from moving out and making apartments available. It also stokes demand - when demand hardly needs stoking."

### NEW MIDDLE CLASS HOUSING

Last December, Mayor Michael Bloomberg outlined a [plan](#) to try to meet New York City's great demand for housing. The plan would build or renovate 65,000 homes during the next five years. And it includes housing for middle class New Yorkers. According to the

[Independent Budget Office](#)

, about half of the new housing will be for New Yorkers who make between \$88,000 and \$157,000 a year. Sixteen percent will be for those who make under \$50,000 a year.

The mayor's housing initiative is the biggest since Mayor Ed Koch's day. But City Councilmember Gail Brewer responded to the plan by saying that the city should work to preserve Mitchell-Lama buildings and more closely copy the 1955 program. "Here we are as a city trying to provide affordable housing and it already exists. I would opt for more Mitchell-Lamas, if I had my druthers," she told Real Estate Weekly.

McKee, from the New York State Tenants & Neighbors Coalition, pointed out that through the Mitchell-Lama program, 165,000 homes were built statewide, over 25 years. "And even that was not nearly enough to solve the imbalance between supply and demand," he said, and added that the demand for middle class housing will grow as more Mitchell-Lama buildings go market rate.

### CO-OP CITY'S FUTURE

There has even been talk of Co-op City leaving Mitchell-Lama. Some Co-op City board members have argued that instead of renegotiating its mortgage with the state, the complex should leave the Mitchell-Lama program and become a private co-op. This would allow co-op shareholders to sell their apartments for market price. The complex's regulations would make a portion of each shareholder's profit go to Riverbay to use towards paying off the mortgage debt - and making all of the needed repairs.

Last April, Co-op City residents voted to allow the Riverbay Corporation to investigate the prospect of going private. A second, two-thirds majority vote by all of the residents (in which anyone who doesn't vote would be counted as a "no" vote) would be needed to actually leave Mitchell-Lama.

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Affordable housing advocates say that because the city has so few apartments that lower and middle class New Yorkers can afford, and is rapidly losing those that do exist, Co-op City's 15,000 homes going private would be a disaster. "Co-Op City should remain affordable not only for people that live in it now, but in the future," said McKee, who added that those who are in favor of privatizing simply "want to profiteer" from the sale of an apartment that they bought at a subsidized rate.

For now, Co-op City has ruled out privatization, but not because the debate is finished: The complex is so strapped for money that it cannot pay to study the pros and cons of leaving Mitchell-Lama.

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### Related Links

- â€ˆ [CasalsK's Co-op City Page](#)
- â€ˆ [David Chessler's Co-op City Page](#)
- â€ˆ [Mitchell Lama Developments With Open Waiting Lists](#) (in pdf format)
- â€ˆ [Mitchell Lama Residents Coalition](#)
- â€ˆ [New York City's Mitchell Lama Page](#)
- â€ˆ [Riverbay Corporation](#)