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Thompson and UFT Teach Real Estate 101

South Bronx complex may lay foundation for more unions to provide housing

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When City Comptroller William Thompson, Jr. (D) explained his plan to build affordable housing for the city's cash-strapped teachers during an Oct. 23 breakfast speech to the Association for a Better New York, he received enthusiastic applause.

Whether the plan will help Thompson win precious union support while he mulls a run for mayor remains unclear. But Thompson himself is unconcerned.

"I don't think one project is going to help determine whether I'm helped personally by that," he said. "It's just better for the entire city."

The new housing plan, which brings together the comptroller's office, the city's **Housing Development Corporation** and the Teacher's Retirement Fund, calls for \$28 million in retirement money to be invested in the construction of 234 units of affordable housing for teachers in the South Bronx.

With rents soaring and affordable housing limited, the program aims to stem the outbound flow of teachers from the city. In 2005, more than 5,000 educators left New York for more affordable locales, Thompson said.

But he believes programs like these can reverse that trend.

“We know this will work given the demand, given the need for affordable housing in the city of New York and given the need to retain teachers,” Thompson said.

The next year, the city began offering housing subsidies up to \$14,600 to persuade math, science and special education teachers to work in the city’s most challenging schools.

The teachers union hailed the new plan, but warned that it was just one step toward keeping the city’s 80,000 public and private school teachers in New York.

“This won’t solve the housing crunch itself,” said Chris Policano, a spokesman for the United Federation of Teachers. “But it’s a major way to attract and retain teachers in New York.”

The construction will be financed by Series D bonds bearing a 6-percent market rate of interest, purchased by Thompson on behalf of the retirement fund. While the city’s pension funds have previously invested in affordable housing projects, this is the first time a fund has financed housing for municipal workers.

The new development will be completed in two years and will carry monthly rents ranging from \$806 for a studio to \$1,412 for a three-bedroom apartment. To be eligible, teachers cannot earn more than 110 percent of the area median income, which is \$76,000 for a family of four. Educators who sign a lease will become rent-stabilized tenants.

And the comptroller does not intend to stop there.

“Other members of the pension board have expressed interest,” Thompson said. “I think you’ll see more of this in the future.”

The United Firefighters Association is already in talks with city officials. Jim Slevin, vice president of the firefighters union, said an investment in affordable housing would be ideal for the fire department, which is also having difficulty recruiting and retaining employees.

“If you look at the price of real estate and housing in New York City, it’s skyrocketed,” Slevin said. “It’s very hard for a firefighter with a family to afford to live within the five boroughs based on their current salary,” which begins at \$35,000 a year, he said.

Slevin said 5 percent of the firefighters \$7.2 billion pension is allocated for affordable housing. The union has yet to work out what fraction of that amount would be used sponsor construction.

The Police Department’s pension fund has also expressed interest in a similar plan. Rookie cops skate by on a starting salary of \$25,100.

As many as five other unions are mulling their own plans, said Ed Ott, executive director of the New York Central Labor Council.

“The teacher thing is very significant,” Ott said. “We think it’s going to be one of several to come out over time.”

According to a recent study by the New York University Furman Center for Housing and Urban Policy, the number of apartments affordable to households earning 80 percent of the city’s median income—about \$33,000—fell by over 200,000 units between 2002 and 2005.

“On the one hand, the rising prices in New York City reflect the fact that it’s a really attractive place to live,” said Ingrid Gould Ellen, the center’s co-director. “On the other hand, it’s becoming a real strain for the people we want to live here and the people that we need to live here.” The South Bronx construction project is just the latest example in a decades-long tradition of union-backed housing projects in New York.

Five decades ago, the International Brotherhood of Electrical Workers sponsored the construction of thousands of units for its members in Queens, dubbing the community Electchester. The Penn South cooperative in Chelsea was backed by the International Ladies Garment Workers Union. And the Amalgamated Clothing Workers of America provided the moral and financial support for the Bronx’s Co-op City.

The meat cutters had Concourse Village in the Bronx. The garment workers had the Seward Park Houses in Manhattan. And Big Six Towers in Queens was for the printers. “It is part of a tradition in one sense,” Ott said of the latest housing plan.

“But it is much more expensive to do now and harder to do because of available land.”

A wave of mortgage defaults and a forecasted credit crunch has stoked fears that the city's construction boom could soon falter. But Richard Froelich, general counsel at the **Housing Development Corporation**, said the South Bronx development will be insulated from any housing slowdown.

"It's really more of an issue for home ownership," Froelich explained of the sub-prime mortgage crisis. "These developments really shouldn't be impacted by that as long as they're charging affordable rents and as long as the neighborhood stays attractive."

For Ott, the move to build affordable housing for municipal workers has come not a moment too soon. The Central Labor Council has recently had to extend its voter drives to eastern Pennsylvania, where many former New Yorkers now live.

"And that's all got to do," he said, "with affordable housing."

