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City's Public Housing Agency Gets \$305 Million in Aid

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The city's largest landlord has secured desperately needed financing that could help steer it out of the red.

Under a labyrinthine deal that federal and state lawmakers and city officials raced to complete in less than six months, the landlord, the [New York City Housing Authority](#), will receive about \$230 million for rehabilitating 21 developments that have received no subsidies for the past seven years. The money will come from federal stimulus money and public and private sources, and another \$75 million from the federal government for the buildings' annual operating costs.

The 21 developments were built by the city or state and, unlike the city's 313 other public housing complexes, received no federal financing. In 1998, the state cut off its share of financing for the developments, and in 2003, the city followed suit. To compensate, the public housing authority diverted some money from its federally supported buildings to cover operating and capital costs at the 21 unaided sites, about \$1 billion since 1998. This accounted for two-thirds of the agency's current deficit of about \$150 million, officials said.

Part of the federal financing was obtained through an obscure provision in Congress's economic stimulus package. It enabled the agency to bring the 21 developments onto its federally financed roster, or "federalize" them, through a "mixed finance modernization plan."

The upshot is that the complexes will be sold to a limited partnership of the housing authority and Citigroup's community development arm. The authority will continue to manage the developments and own the land they sit on, and part of the money they receive will come through the New York City Housing Development Corporation's sale of bonds.

The housing authority said the mixed public and private partnership was the only way to obtain the financing. The ownership transfer, which was closing this past weekend, would

not affect the public housing status of the complexes, officials said, or make them vulnerable to privatization.

“People were worried at first that existing residents would be displaced, or that rents would be jacked up to some form of market rate housing,” said [John B. Rhea](#), chairman of the authority. “That won’t happen. Per the partnership agreement, it ensures they remain low-income housing in the future.”

The bank will not receive any profits from rents, but through the partnership can earn tax benefits and credits under the Community Reinvestment Act, which requires lenders to support low-income neighborhoods.

Rehabilitation at the 21 developments would include repairing roofs, brickwork and elevators, creating jobs for public housing tenants, he said.

Lawmakers and politicians heralded the plan, some more cautiously than others. Mr. Rhea described its realization as “a home run.” [Shaun Donovan](#), secretary of the United States [Department of Housing and Urban Development](#), which oversees and finances the authority, said it was “the most significant effort to preserve public housing in New York City history.”

It required close collaboration between city agencies, state lawmakers, who passed legislation enabling the authority to sell the developments to the new partnership, and the work of United States Senator [Charles E. Schumer](#) and Congresswoman [Nydia M. Velázquez](#).

Senator Schumer, who led the effort to get money for the 21 complexes’ operating costs into the [federal budget](#), said the plan “pulled these abandoned Nycha complexes back from the brink.”

But City Councilwoman Rosie Mendez, chairwoman of the Council’s Subcommittee on Public Housing, voiced concerns that a loophole might exist to pave the way for deregulation or privatization of the developments at some future date. The new ownership marks the first time in the authority’s history that some of its public housing buildings will be partly owned by a private bank.

“Talk to me in 30 years,” she said. If the 21 developments were still public housing, she said, “I’ll say I’m glad I was proven wrong.”