City land a hot property for apartment developers

By HOLLY DUTTON

As the New York City Housing Authority (NYCHA) faces a serious financial shortfall, the government agency has laid out a plan to lease land on the grounds of housing projects to city developers, in a bold attempt to generate revenue.

NYCHA is looking to bring in $50 million annually from developers who would build luxury high-rises on leased land in the middle of city housing projects.

It is part of a larger plan than NYCHA launched to re-haul a backlog of maintenance repairs that have languished in the system.

A NYCHA spokesperson confirmed the government agency plans to lease the land to developers in an attempt to make up for the lack of federal funding the agency is receiving.

“This innovative plan to generate hundreds of millions of dollars of value will allow the New York City Housing Authority to re-invest in public housing, where we badly need to make up for the devastating decline in Congressional funding,” they said in an email.

“Strategies like this are vital to improving the circumstances of NYCHA’s residents and buildings and ensuring that quality public housing is available to New Yorkers who need it. Since announcing this plan in the fall, we’ve been closely engaged with residents, community leaders and elected officials. We look forward to continuing that outreach.”

Contrary to published reports, NYCHA said the agency will not offer developers 99-year leases on the land with payments frozen for the first 35 years.

“Rent payments would be subject to increase upon land reappraisal after 35 years,” said the spokesperson. “The payments will only increase, or remain the same; they would never decrease.”

NYCHA added the land will yield approximately 4,000 apartment units, 20 percent of which would be affordable for low-
income residents, in eight different developments around the city, including the Upper East Side, Upper West Side, the Lower East Side and Lower Manhattan.

So what do developers think?

Adam Mermelstein, a principal of Tree Top Development, a New Jersey-based real estate development firm started in 2005, said because it’s Manhattan, the plan will work.

“I believe they’ll be fully occupied, it’s just about finding the right value for NYCHA,” said Mermelstein. “People want to live in those areas. They will be willing to pay to live there.”

Tree Top has developed several residential rentals in Hoboken and Manhattan near housing projects, and Mermelstein said projects in Manhattan are an easier sell than in the more suburban-minded New Jersey.

“Perception wise, it’s a lot different,” he said, comparing Hoboken and other “urban suburbs” to Manhattan. “In New York City, it’s sort of expected that there are housing projects all across the city.”

“We cater to young professionals and the student population in New York City, and a lot of the time out-of-towners that aren’t familiar with New York are more scared than residents that have lived here or are familiar with the city,” he said.

According to NYCHA’s website, there are 334 public housing developments scattered throughout the five boroughs of New York City, with more than 400,000 residents.

One of Tree Top’s developments, a 19-unit, two-story building, is across from the Amsterdam Houses on 125th Street in Harlem, while another site that is 80 percent renovated is at 127th Street across from a large subsidized housing project. However, building down the street or across the street from a housing development is quite different than building right in the middle of one.

“It it’s sort of in the thick of a housing project, especially a larger one, I could see it being a challenge,” said Mermelstein.

Tree Top was able to purchase land in Hoboken at significant discount because of the location near subsidized housing, which helped the company offer luxury apartments at more affordable prices.

“We were trying to pass along the savings of the really nice, clean, modern, kind of hip apartment to the end user,” he said. “Someone that was looking to get a good deal, doesn’t mind the location and thinking about the future.”

“Once they would actually get out there, there was another large contingency that wasn’t interested. It was definitely a challenge, and one we needed to tackle,” he said.

Marketing the rentals was a challenge, said Mermelstein, but Tree Top believed in the asset and location, and in the end the development was filled.