

Rep. Carolyn Maloney (NY-14)  
Testimony Before the New York City Council  
Committee on Housing and Buildings

Thank you for giving me the opportunity to submit testimony regarding the Future of Peter Cooper Village and Stuyvesant Town. Stuyvesant Town and Peter Cooper Village span 80 acres and include 110 buildings, 11,250 apartments, and over 25,000 residents. Roughly 73% of the apartments are still regulated under New York State's rent regulation laws, making this area one of the largest pockets of affordable housing in mid-Manhattan.

Built to remedy the lack of affordable housing for veterans returning from World War II, Stuyvesant Town and Peter Cooper have traditionally fulfilled a need for good quality middle income housing. The need remains just as acute today as the day the complexes were built. There are just as many families desperate for affordable housing – including firefighters, police officers, nurses, letter carriers and other civil servants – as there were following World War II. To maintain a vibrant and active middle class in the heart of Manhattan, it is essential to find a way to maintain affordable housing in this community.

In a City where the vacancy rate was 3.09% as of 2005, it is clear that ordinary market forces fail to regulate the market. As a result, there is a crisis in the city where far too many people are living in overly cramped housing and paying too much of their income for rent. A recent New York City Housing and Vacancy Survey revealed that in 2005 half of renters in New York City spent 31.2% of their income on rent. The study also found that 28.8% of New York City renters spent more than half their income on rent in 2005. (The New York Times, "Affordable Apartments a New Luxury," Alan Feuer, February 11, 2006). Furthermore, according to the 2000 Census, roughly 24% of renters in Community District 6 are spending more than 40% of their income for rent.

The average vacancy rate hides an interesting statistic. In 2005, the vacancy rate for luxury housing was 9.14%, while the rate for affordable units was well under 3%. While developers should begin to recognize that the market for luxury housing is saturated, virtually every new development planned is for luxury housing. Meanwhile, the number of affordable units is dropping precipitously. This is a crisis replicated in urban areas across the country.

On September 12, 2006, I called for Congressional hearings to look into the sale and the loss of affordable housing. Rep. Maxine Waters (D-CA), ranking member of the Subcommittee on Housing and Community Opportunity, and Rep. Barney Frank (D-MA), Senior Democrat on the Financial Services Committee, joined me in the request. Given the speed with which this sale could be moving, we requested that the Financial Services Subcommittee on Housing and Community Opportunity hold the hearing before the 109th Congress adjourns this year. A copy of the letter is attached hereto.

In a letter dated September 15, 2006, I wrote to MetLife's Chairman, President and Chief

Executive Officer, C. Robert Henrikson to request a meeting to discuss ways “to enable MetLife to achieve its ends while still maintaining affordable housing and a stable community at Stuy Town and Peter Cooper. I hope MetLife can be persuaded to sell to a responsible developer who understands and respects the area’s history of providing affordable housing to New Yorkers.”

I strongly support the City Council’s efforts to work with tenants to submit a bid for the property. I was extremely disappointed to learn that MetLife has rejected the tenant’s bid before tenants have even had a chance to put a bid together. I hope that they will reconsider.

Clearly, as it has been described in press reports, it would be impossible for a purchaser to earn a sufficient return on their investment and maintain affordable housing. This is deeply troubling to me. According to The New York Times, “MetLife projects that the net operating income this year for the two complexes will be \$112.1 million, rising to \$167.4 million next year. That means that the initial return for an investor paying the target price of more than \$4 billion would be far less than the 5 percent or so yield on a Treasury bill.” (New York Times, September 13, 2006, *For Sale: Big Middle-Class Enclave With Lots of Potential*, Terry Pristin and Charles V. Bagli). Why would a buyer be willing to pay so much given the current income expectations for the property? Clearly there is an expectation that a buyer would use one or more options available to maximize their returns and eliminate affordable housing.

Any purchaser who agrees to pay in excess of \$4 billion for these properties, will be tempted to push existing rent regulated tenants out through conversions to co-ops or condos, demolition, new construction or accelerated luxury de-control. While rent stabilized tenants may be protected under current law, a purchaser will undoubtedly find ways to increase rents through MCIs and other mechanisms. Further, there will be increased incentive for harassment of tenants to encourage tenants in affordable units to move out. I would hope that the City and State would use all available resources to ensure that there is no harassment, and that any incidents are met with severe penalties. Unfortunately, without greater action by the City and State, the loss of affordable housing in this community appears to be inevitable.

Fortunately, the City Council, along with the State and federal governments do have a number of options that they could employ to make it more likely that Stuy Town and Peter Cooper will remain affordable, and that extraordinary changes to the existing structures are discouraged or prohibited. In addition to its admirable efforts to help tenants put together their own bid, the Council could use landmarking and zoning laws to make sure that the existing structures are not torn down, and that new buildings are not built on open space. Further, with strong oversight and firm action, the City and State can make clear that harassment of tenants will not be tolerated. Additionally, I am working with my colleagues in Congress to see what can be done on the federal level to ensure that Stuy Town and Peter Cooper remain affordable. There are federal, city and state programs that can be used by a purchaser that wishes to keep the developments affordable. I understand that certain providers of affordable housing are interested in bidding for the property, and I hope their bids will be considered seriously.