

The Worst Landlord in New York City Is....

...New York City. Yes, the award for the worst landlord goes to the New York City Housing Authority (NYCHA). Demonstrating and supporting the theory that government does things far worse than can be done in the private sector, NYCHA is a complete disaster

The city agency owns 176,000 apartments that are home to approximately 400,000 New York City residents. There have been numerous reports in newspapers and on TV of widespread horrible living conditions for tenants. Mold appears to be a widespread problem and when the NYCHA officials were supposed to inspect 55,000 apartments for lead paint violations, rather than properly inspect them, they decided to simply lie about the extent to which they looked into these conditions, as per a scathing federal lawsuit against the agency earlier this month.

Last winter, it was estimated that 80 percent of the NYCHA residents went through periods without heat or hot water. That means 320,000 tenants had no heat or hot water at some point during the coldest months of the year. The agency also has a reported backlog of 100,000 work orders covering many of the issues mentioned above plus broken elevators, no lights in the hallways and stairwells and several other conditions that would create significant violations for a private sector landlord.



Robert Knakal.

The fact is that if a private-sector multifamily building owner ran its buildings the way the NYCHA does, they would be in jail.

The dysfunctional agency has been a boiling point of contention between Mayor Bill de Blasio and Gov. Andrew Cuomo, as well as members of the City Council. It appears that the mayor and the governor both have aspirations of running for president in 2020 and the fight over conditions at the NYCHA appears to be an issue over which they are jockeying for position relative to a primary debate.

If not for this being a pivotal issue between these political opponents, this tangible dysfunction might have gone unnoticed. The negative conditions at the NYCHA buildings appear to have been building for decades but just recently many of these conditions have been brought to light.

New York City clearly has a need for a massive amount of affordable housing, but the delivery system for that housing should not be a dysfunctional city or state agency. It is estimated that the deferred maintenance within the NYCHA portfolio is in the \$17 billion to \$24 billion range. Clearly, new sources of revenue are needed.

However, money is not the only issue for the struggling agency. The city's Department of Investigation found the agency suffers from systemic mismanagement and union

work rules that make efficient operation of the portfolio all but impossible. Even local judges, who in the past have given the agency passes, have gotten fed up and are now taking positions against the NYCHA. Challenging the agency's credibility and forcing it to improve conditions are among some recent court decisions.

So what can be done to make things better? The first thing would be to involve the private sector in operating or owning some, or all, of the portfolio. The second would be to create incentives for the private sector to build more rental units, which would exert downward pressure on rent levels in the city.

With regard to privatization, there are several ways in which this could be accomplished. There is a federal program called the Rental Assistant Demonstration, which attracts private capital to public housing. This program has already worked successfully in many parts of the country. The NYCHA officials were late in applying for the Obama-era program because of a concern about the private sector negatively impacting long-term affordability. Simple deed restrictions would eliminate this concern.

Another federal program that would help the system is called Moving to Work. The average tenant in New York City has lived in public housing for almost 20 years. This program would provide a preference to tenants who agree to short-term tenancy as a bridge to upward mobility.

The NYCHA has many properties with underutilized land that could be developed by the private sector. These developments would add good-quality housing stock to the system and create additional real estate tax revenue, which could be used for the creation of additional units. Moreover, many of the agency's properties in good locations in Manhattan and along the Brooklyn waterfront in other strong neighborhoods could be sold outright to raise significant capital for the creation of new units.

With regard to incentives for the private sector, getting the state to waive the 12 floor area ratio (FAR) cap on residential density would be a good start. On top of this, creating a bifurcated density system where the FARs would be doubled for construction of rental housing would create a more level playing field between rental unit construction and condominium construction which would likely add significantly to the supply of rental units, pushing down rent levels in general. Creating these incentives in neighborhoods with good access to public transportation is something that the City Planning Commission could effectively implement.

Simply put, the public sector cannot do things as efficiently and effectively as the private sector and the NYCHA is a clear illustration of this truth. Changing the system significantly would be good for New York City and good for New York City residents.