Leveraging Battery Park City to rehabilitate housing for New York's poor.

ERIC UHLFELDER

Revenue Sharing

ERIC UHLFELDER

Portions of two of New York City's most troubled neighborhoods are looking a bit better today, with nearly 4,500 residents now living in clean, safe homes, supported by a wide range of community and educational support services. While these improvements were the result of a new municipal housing initiative that is repairing large tracts of abandoned buildings, the story here is about how New York financed the work—through the success of another development project 12 miles downriver.

On the southern tip of Manhattan, adjacent to the towers of Wall Street, lies a 92-acre landfill that has been the site of some of the city's hottest real estate activity. Battery Park City (BPC) has been transformed from a near bankrupt venture into one of the country's most remarkable new developments, combining a major financial and retail center; an extensive network of low-, mid-, and high-rise housing; schools; a network of parks connected by a riverside promenade; and a dramatic winter garden that welcomes visitors from lower Manhattan.

A significant detail of the overall plan that has not received much attention is the imaginative way local and state officials have been able to transform profits generated by BPC's development into renovated housing in New York's poorest neighborhoods.

A Long Road to Success

Success can belie history, suggesting a lineage of well-conceived plans when in fact a very uncertain path was tread. As Brendan Gill noted in *The New Yorker* in 1990, that was indeed the case with Battery Park City.

> It stands today as if it couldn't possibly have failed. The fact is, however, that it teetered on the brink of failure not once but several times. Seeking to prosper, it was often obliged to alter its nature, and yet in order to preserve its legitimacy, it had to appear fundamentally unchanged.

Building Battery Park City was above all a matter of timing. It took 30 years for essential forces—a balanced urban design scheme, an openness to political compromise, and most important, market demand—to align themselves for this undertaking.

Initial plans for a new complex in lower Manhattan were conceived in the 1950s by David Rockefeller, then vice chair of Chase Manhattan Bank and organizer of the Downtown–Lower Manhattan Association. Rockefeller and the association were very much concerned by the movement of the city's commercial market to midtown after the end of World War II. Though host to Wall Street, downtown was losing its claim as the city's preeminent office market primarily due to a lack of developable land.

The first plan, devised by the city's Marine and Aviation Department, sought to develop residential towers above a new marine terminal just north of Battery Park. Developers, however, could not be sold on this mixed use.

In 1966, Governor Nelson Rockefeller revived essentially the same residential/industrial scheme in a Corbusian-inspired setting. Its goal: creation of a truly model city. The plan envisioned a mixed-income, multiracial neighborhood, incorporating a variety of community services and jobs in the marine terminal. Again, the market was not interested.

Toward the end of the 1960s, approval was given for the construction of the World Trade Center. The tremendous volume of earth that had to be moved could provide an inexpensive means of initially filling in the proposed site of Battery Park City—if a plan were in effect. In 1969, the state approved the project's first official master development plan and created the Battery Park City Authority (BPCA) to execute it. BPCA issued a $200 million New York State moral obligation bond and used the proceeds to finance the demolition of old piers, complete the landfill, and prepare the initial infrastructure.

The futuristic 1969 master plan fell victim to a deep recession that glutted the office and residential markets, virtually eliminating developer interest in the project. Compounding this problem was the megastructure plan itself, which prevented the project from being built in phases by separate developers, even when market conditions improved.

A 1975 plan addressed this phasing problem by breaking the site into developable clusters. It grouped residential structures around controlled spaces in response to increasing public concern for security. Toward the end of the decade, construction began on the 1,712-unit Gateway Plaza. It was to be the only phase of this plan to be built.

What stymied this latest plan? By the late 1970s, New York City was on the verge of bankruptcy. Investment in the city had slowed dramatically and completely stopped in unproven locations. Rumors were suggesting that the financial district's anchors—the stock exchanges—were on their way to New Jersey. That the city could induce residents, shoppers, tourists, and elite commercial tenants to venture to the other side of the collapsing West Side Highway into an unimaginatively conceived network of superblocks was simply not going to happen.

Battery Park City was facing an even bigger problem: the $200 million of outstanding bonds was beginning to mature. Already fiscally extended in its efforts to keep the city out of bankruptcy, the state could ill afford to bail out a failing project whose prospects were not only mired by three competing levels of bureaucracy—the city, state, and BPCA—but also by the lack of a revenue stream.

In hopes of streamlining the development process and jump-starting the project, the city decided to divest itself of control of the land beneath Battery Park City. A 1979 memorandum of understanding between local and state officials directed the New York State Urban Development Corporation (UDC) to condemn the entire site and transfer landownership to the BPCA. In return, the state loaned the authority tens of millions of dollars to meet its debt service requirements.

As it turned out, divestiture was a shrewd move by the city, costing it minimal influence and returning significant financial benefits. The city relinquished direct control of the project, but was assured that excess ground lease revenues would flow back to its coffers. And when all BPCA debt was amortized, the land would revert to the city.

At this time, Richard Kahan, a former head of the UDC and the Convention Center Development Corporation, became president of BPCA. He hired Cooper/Eckstut to prepare a more traditional design that would extend the Manhattan street plan into Battery Park City and ensure the application of prewar architectural principles to all new building.

The 1979 master plan also shifted BPC's commercial core to the middle of the site adjacent to the World Trade Center and its transit complex while permitting individual parcels to be developed independent of one another. These changes, along with a reviving office market, set the stage for development of the 6 million-square-foot World Financial Center. In 1980, 30 developers submitted proposals. In 1981, the winner, Olympia & York, began signing lease agreements with prime tenants: Merrill Lynch, American Express, Dow Jones, and Oppenheimer.

With construction of BPC's commercial core underway, Gateway Plaza completed, and—per the 1979 plan—subsidized units no longer required in new housing, developers began actively to plan the second phase of the South End's residential development. These blocks, known as Rector Place, would host ten new buildings containing 2,200 units, nearly all of which would be condominiums.

But recently elected Governor Mario Cuomo felt something was lacking. The massive state-assisted development was serving an increasingly limited populace. Cuomo brought in Sandy Frucher to head the BPCA and to find a way to imbue Battery Park City—in the governor's words—"with a soul."

Planners devised three key strategies toward this end. One, Battery Park City would offer public

walks and open spaces that would be destinations in themselves, landscaped and maintained by funds derived from on-site leases. Two, BPCA would subsidize the development of several public institutions, including a Holocaust museum, Stuyvesant High School, and an aquarium (the latter was later shelved).

But the strategy that was most closely allied with the governor's wishes was the creation of a financial conduit that would channel excess revenue to city neighborhoods desperately in need of improved housing. This plan would counter the 1979 master plan's elimination of low-income housing in Battery Park City. The authority and the governor argued that using excess revenue to stabilize and support existing low-income communities was preferable to introducing a token number of poor residents into a residential district that required high rents and apartment prices in order to justify construction. Further, luxury development would generate a continuous flow of cash that, in the long run, could assist more people than could the creation of a limited number of low-income housing units in Battery Park City.

ERIC UHLFELDER

The $179,000 per-unit cost for the rehabilitation of the Frederick Samuel Apartments, a 727-unit, city-owned, 46-building complex in Harlem, prompted the city to rethink its construction-management program.

Leveraging Battery Park City

In 1979, when the city relinquished its role in planning Battery Park City, it was difficult to imagine when the development would be able to service all of its debt, much less realize a profit. However, it did not take long before the BPCA was generating excess revenue.

The BPCA generates a profit in part the same way any property owner does, through the leasing of land. Annual ground rents paid by building owners help cover BPCA's primary expenses: interest and principal payments on the debt that is financing infrastructure improvements, wages, and administrative and other general costs.

Ground rents provide about 20 percent of BPCA revenues. But BPCA also enjoys what amounts to a taxing authority. Since New York City cannot levy real estate taxes on development on land that is controlled by the state, BPCA has been empowered by the state to collect a payment in lieu of real estate taxes—PILOT—which now provides 75 percent of BPCA's total revenues.

Revenue remaining after deducting expenses and costs of capital improvements goes into an excess revenue fund against which new debt can be issued. After this subordinate debt has been serviced, the remaining funds are channeled back to the city.

By the mid-1980s, the World Financial Center, Gateway Plaza, and the new residential blocks under construction at Rector Place were effectively supporting all of BPCA's debt. The state felt the authority's cash flow could be leveraged a bit more. In 1986, BPCA was authorized to support—through revenue generated by rents and taxes on leases signed before January 1, 1986—up to $400 million of new debt for the rehabilitation of low-income housing. The bonds would be issued by the Housing New York Corporation (HNYC), a subsidiary of the New York City Housing Development Corporation (HDC).

HNYC went to the credit market in 1987, raising $210 million. Because the bonds were revenue rather than general obligation bonds, HNYC was required to set aside nearly 30 percent of the issue for a debt service reserve fund and three years of capitalized interest. With $67 million dedicated to service the debt, only $143 million was left for housing improvements.

An "A" rating from Moody's ("AAA" on $44 million of the issue that was insured) helped promote the sale of the bonds at interest rates that kept the cost of borrowing relatively low. Moody's was encouraged not only by the vibrancy of the commercial and residential neighborhoods rising in Battery Park City, but also by the strong upward trend of BPCA's bottom line (see Figure 1).

It indeed seemed that after two decades of planning, false starts, and fiscal uncertainty, Battery Park City was finally up and running on its own.

Echoing this optimism was Cushman & Wakefield's 1987 pro forma cash flow study that

FIGURE 1: TOTAL REVENUE AND NET INCOME OF THE BATTERY PARK CITY AUTHORITY, 1985–1987 (IN MILLIONS)

	FY 1985	FY 1986	FY 1987
Total Revenue	$28.9	$44.7	$67.6
Net Income	–4.1	8.6	25.5

Source: 1986 and 1987 BPCA Annual Reports. (Net income is before special transfers to the city and state and expenditures for infrastructure improvements.)

estimated future ground rent and PILOT payments pledged to support BPCA debt. Every time it goes to the credit market, the authority is required to generate these estimates to ensure that pledged annual revenues are at least 125 percent of all annual debt service payments. While the 1987 bond issue (considered along with all other outstanding debts) was able to satisfy this coverage test, the revenue estimates—prepared in prosperous times—proved high.

Cushman & Wakefield, along with local officials, appeared unmindful of real estate's mercurial nature. The firm anticipated annual revenue growth exceeding 4 percent, based on steady growth in ground rents, assessed values, and PILOTs.

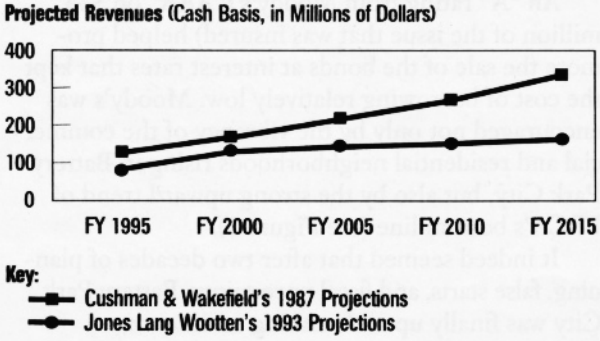
But a month after the HNYC bonds were issued, the stock market crashed. New York's real estate market began losing its muscle, and within a year, signs of recession were all around. By 1990, Private construction starts in Battery Park City ceased. After nearly a decade of soaring office and residential prices, sales and rental prices even in the city's most desirable neighborhoods began to decline. Cushman & Wakefield's projections were now in question, and so was the authority's ability to issue new debt.

For the next five years, commercial and residential building in Battery Park City remained in abeyance. Prime development sites sat vacant as credit remained tight and investors waited nervously for someone else to start building again before committing more capital. But the recession did not significantly affect BPCA's financial position for several basic reasons. The authority had overleveraged its cash flow and had not taken on any new debt after private development halted. Ground rents and PILOTs from existing development adequately covered all debt service.

And even though the recession caused property assessments and taxes to decrease, PILOT revenues actually grew due to the gradual phaseout of the World Financial Center's ten-year tax abatement program.

In its first year, the World Financial Center's first 2 million square feet paid 25 percent of its PILOT, and this share was increased 7.5 percentage points a year until it reached 100 percent. The other 4 million square feet paid 50 percent of its PILOT in the first year, a level that was increased by 5 percentage points a year up to 100 percent. According to Robert Serpico, BPCA vice president of finance and treasurer, while overall assessments declined annually during the recession by 6 percent in the World Financial Center and by 8 to 9 percent in residential buildings, PILOT revenues continued to increase. Net pledged revenues continued to exceed debt service by more than 25 percent, enabling BPCA to meet its interest and principal payments.

FIGURE 2: COMPARISON OF BPCA REVENUE ESTIMATES, 1995–2015



Source: Official Statement: $210 million housing N.Y. Corporation Revenue Bonds, 1987 Series A.

The six years that separate ground lease revenue estimates made by two different real estate consultants reveal the effects of the recession and BPCA's desire for more conservative projections on which to determine the level of future indebtedness.

The 1993 Refunding

By the end of 1992, BPCA had raised $934 million through various bond resolutions, backed by an intricate flow of funds. This amount represented nearly three-quarters of total debt the authority had been authorized to issue. As of September 1992, $893 million remained outstanding.

Taking advantage of extraordinarily low interest rates, BPCA went back to the credit market in 1993 to refund all of its outstanding bonds, and in the process, consolidated a complex debt schedule. It raised $872 million, supported by all ground leases. (Previous bonds were supported by subleases signed before January 1986.) The package included a $259 million issue that refinanced the HNYC's bonds, reducing long "term bond" interest rates from 9.5 percent to 5.5 percent. The new issue's less restrictive debt service requirements eliminated the need for a capitalized interest account. Starting with $21 million that was on the corporation's books, HNYC deposited $241 million in escrow that will prepay the 1987 bonds as soon as they can be called. A $19 million debt service reserve account, amounting to less than 8 percent of the total issue, will cover initial interest payments on the new issue. Subsequent payments will be drawn from BPCA's excess revenue fund. Moody's gave the refunding an "A" rating.

According to Serpico, the total refunding will generate annual savings of $13 million over the previous debt service schedule—a present value savings of $70 million for BPCA. Because the HNYC bonds were financed at higher interest rates than the major part of the authority's other debt, annual debt service savings alone on the $200 million balance of the 1987 issue is $7.5 million—a net present value savings of $33 million. Thus, half of BPCA's debt service windfall is related to the financing of low-cost

housing. However, HNYC has not been authorized to issue any new debt.

While refunding has further strengthened BPCA's already sound fiscal position, theoretically enabling it to pursue its low-income housing agenda, BPCA has decided instead to support three new on-site developments—a new home for the New York Mercantile Exchange (NYMEX), full-sized family apartments, and the New York Holocaust Memorial and Museum.

After threatening to leave the city, NYMEX cajoled state and local officials to subsidize its new facility on a prime waterfront site. The exchange will realize savings of nearly $60 million through abatements and credits, over half of which involve reductions in ground rents and PILOT payments. But NYMEX's biggest coup was the assurance that $100 million of BPCA taxable bonds would be available to finance construction. BPCA pledged its excess revenue to support the bonds in the event of default. But even if not a dime of the authority's money is spent on the project, it will be unable to raise additional debt against this committed portion of excess revenue.

The same limitations will apply to $40 million of BPCA bonds that will finance part of the construction of a 200-unit family apartment building in Battery Park City's north end. In exchange for this assistance, the developer will offer 30 percent of the building's apartments at below-market rates. These 60 units have justified the use of the authority's excess revenue to build where the private market could easily have done so. It might have been more efficient to have used rent subsidies. A covenant, however, currently restricts the use of rent subsidies in Battery Park City that otherwise might have gone to New York City.

Plans for the Holocaust Memorial in Battery Park City have been longstanding. When realized, the memorial will become an important landmark for all of New York. But it was to have been financed by an adjacent residential development and private money. Now BPCA is contributing $10 million toward construction. Should this financing have come from BPCA when the authority hasn't been able to meet half its obligations for housing the city's homeless and needy?

As it turns out, however, BPCA has figured out a creative way, via the 1993 refunding, to help the city amortize some general obligation bonds whose proceeds were used to finance a housing program that HNYC had intended to support. This arrangement is so substantial that BPCA will arguably have met its initial $400 million capital commitment to low-income housing.

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Proceeds from Housing New York Corporation's 1987 bond issue, backed by Battery Park City Authority excess revenues, helped finance the rehabilitation of New Settlement Apartments, an 893-unit complex in the south Bronx, as well as the Harlem project shown on page 27.

FIGURE 3: REVENUE AND DEBT SERVICE COVERAGE, BATTERY PARK CITY (CASH BASIS. FIGURES IN THOUSANDS OF DOLLARS EXCEPT DEBT SERVICE COVERAGE RATIOS)

	Actual Revenues and Expenses				Estimated Revenues and Expenses							
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Revenues	60,862	70,198	81,914	88,223	89,193	86,933	89,214	94,368	99,980	104,564	110,096	120,772
World Financial Center Base Rent	5,167	6,167	7,167	8,167	9,167	10,167	11,167	12,167	13,167	14,167	16,611	16,167
Additional Base Rent	0	0	0	0	0	0	0	0	0	0	0	8,668
World Financial Center PILOT	40,790	47,946	56,777	60,764	59,260	54,709	54,462	57,236	59,399	61,461	63,813	65,443
World Financial Center Percentage Rent	0	0	0	0	0	0	0	0	0	36	42	0
Residential Base Rent	5,039	5,956	6,348	6,522	6,711	7,074	7,425	7,465	7,923	8,005	8,301	8,491
Residential Supplemental Rent	3,215	2,093	2,195	1,687	2,117	1,884	2,092	2,155	2,393	2,295	1,919	1,748
Residential PILOT	6,651	8,036	9,427	11,083	11,938	13,208	14,182	15,472	17,243	18,760	19,578	20,432
Residential Collection Loss	0	0	0	0	0	−109	−114	−127	−145	−160	−168	−177
Operating Expenses	8,929	11,456	12,440	14,333	15,500	16,120	16,765	17,435	18,133	18,858	19,612	20,397
Net Revenues	51,933	58,742	69,474	73,890	73,693	70,813	72,449	76,933	81,847	85,706	90,484	100,375
Aggregate Annual Debt Service	33,780	39,377	48,923	47,593	49,121	20,352	54,647	55,862	60,752	56,866	56,836	56,813
Excess Revenue[1]	18,153	19,365	20,551	26,297	24,572	50,461	17,802	21,071	21,095	28,840	33,648	43,562
Estimated Debt Service Coverage	1.54	1.49	1.42	1.55	1.50	3.48	1.33	1.38	1.35	1.51	1.59	1.77

[1]Before special transfers.

Sources: Official Statement 1993: BPCA Annual Reports; BPCA 1993 Revenue Refunding Bond Official Statements.

Support for Housing in New York

The Housing New York Program has been the city's primary housing policy for nearly a decade. Its goal: to rehabilitate and construct more than a quarter of a million units for New York's lower-income households and homeless in neighborhoods where there has been extensive housing abandonment. HNYC was created to finance part of the $5.1 billion effort, channeling proceeds from its bond issues directly into housing improvements. In supporting these bonds, BPCA is playing a key role in the Housing New York Program. In fact, nearly one-third of BPCA's authorized indebtedness is committed to the HNYC. Eight years after the initial 1987 HNYC offering, however, only $142.5 million of the total $400 million earmarked for the housing program has been spent. (Battery Park City was expected to generate an additional $600 million in general housing assistance. But a loophole in the agreement that makes use of these funds contingent on the city's fiscal stability leaves uncertain how much of this will ever be used directly for housing.)

A key strategy of the Housing New York Program was initially addressed through the city's Construction Management Program (CM), which focused on the rehabilitation of vacant city-owned apartment buildings. By contracting private construction managers to supervise renovation of clusters of adjacent buildings, the city sought to improve large sections of several communities at reasonable cost.

While renovating certain structures was more costly than new construction, CM's policy of universal rehabilitation created more units per building because new buildings cannot achieve the densities of structures built before the zoning code reduced floor/area ratios.

Proceeds from the HNYC's 1987 bond issue helped finance the first two sites of the CM program. In Harlem, the Frederick Samuel Apartments comprises 46 rehabilitated buildings. Tishman Construction was the construction manager. Largely completed by the end of 1992, the project produced 727 units, 24 commercial spaces, recreational spaces, and a two-story community/daycare facility. The city's Housing Authority owns and operates the development.

The New Settlement Apartments in the south Bronx involved much larger buildings. Work was supervised by Lehrer McGovern Bovis, Inc. The 14 rehabilitated buildings contain 893 dwelling units, residential support services, and an early childhood center. The complex is owned and operated by the Crenulated Company, a nonprofit corporation.

With the Harlem project costing $130 million and the Bronx project $103.4 million, the per-unit cost—$144,000—was more than double the $65,000 target price. As a result, the city had to kick in more than $90 million to finish the work. (The city and Tishman Construction ended up in a lawsuit, with Tishman claiming the city failed to recognize the true costs of gut rehabilitation; the city claiming Tishman ran up expenses.)

Why did costs go out of sight? Two big things went wrong. Because the city retained ownership of the parcels throughout rehabilitation, the construction managers were forced to abide by a controversial labor regulation, the Wicks Law, which requires subcontracting each phase of work.

The second major reason development costs soared was that the expected economies of scale did not materialize. Packaging 600 to 900 units in a single job limits the bidding, for all practical purposes, to large contractors. While very large jobs can reduce the unit cost of materials, small contractors can employ substantially cheaper nonunion labor—a primary construction expense. Gary Slowman, director of HPD's Permanent Housing for Homeless Families, finds that a limit of several hundred units per job allows participation of smaller contractors who can do the work for less.

The city has learned from these mistakes. The Vacant Cluster program, a successor to CM, designates smaller sites with fewer buildings, thus enabling smaller contractors to bid on the work. After plans are approved but before work is started, the city transfers ownership of targeted buildings to a nonprofit corporation that will manage the completed project. The Wicks Law, therefore, does not apply. Construction costs for Vacant Cluster also benefited from timing. Its initial work was contracted out in the early 1990s, during the heart of the recession, when job bids fell by as much as 20 percent in a year. Toward the end of 1993, the Vacant Cluster program had renovated 2,128 apartments in 68 buildings on four sites in the Bronx. Its average gross unit cost was under $80,000, 45 percent less than CM-rehabilitated apartments.

The $167 million for the Vacant Cluster rehab projects was to have come from HNYC bonds. But to expedite the work, the city used expense and capital budget monies, including proceeds from general obligation bonds (GOs). BPCA, it was believed, would eventually be able to reimburse the city. Budget officials figured if the economy rebounded, additional excess revenue would be generated at Battery Park City and new HNYC bonds would be issued. If the economy declined, interest rates would continue to fall and the authority would be able to generate money through re-funding its sizable debt.

Martin Siroko, HDC legal counsel, speculates that if BPCA's excess revenue were used to secure GOs rather than HNYC bonds, more of the money raised could go toward housing. This is because HNYC bonds require a larger debt service reserve.

As it turned out, BPCA channeled nearly all of its savings from the 1993 refinancing to the city to amortize the costs of the Vacant Cluster program

and to repay the $90.5 million that the city had raised to help complete rehabilitation of the original two CM sites. This $257.5 million commitment, along with the $142.5 million from the 1987 HNYC bond issue, equals the amount of BPCA excess revenues that had been earmarked for low-income housing.

Does this mean that the authority has met its original housing obligations? State and local officials will eventually have to decide the matter. An argument that would require the authority to back additional housing bonds is that the city is not permitted to use BPCA monies for housing projects that have already been financed. Abe Greenstein, president of HNYC, observes, "Whether or not this $257.5 million transfer means the authority has met its initial $400 million legislative directive, it's clear that $400 million of capital improvements for low-income housing is attributable to Battery Park City's cash flow."

The Future Flow of Excess Revenue

A headline on the front page of the December 27, 1987, edition of the *New York Times* announced, "New York Reaches Accord on Housing." The first paragraph read, "Battery Park City plans to contribute $1 billion to develop housing in New York City, $600 million more than originally agreed to. That means the development is to finance one-quarter of Mayor Koch's 10-year plan to build low- and middle-income housing."

Between 1987 and 1993, BPCA transferred nearly $175 million to New York City's general fund as part of the city's cut of ground lease revenues. The authority's excess revenue exceeded $110 million. Debt service on HNYC bonds totaled $18 million.

Who ultimately decides where the excess revenue goes? The authority can influence the decision by making recommendations to the city and state. Then the politicking begins, and whoever is owed more favors or, at a particular time, has a greater vested interest in a related project, tends to win out. Though the authority and the state developed Battery Park City, the principles of home rule have enabled New York City to retain a heavy hand in all decisions pertaining to the use of excess revenue.

The only way a dedicated stream of revenue from BPCA to HNYC could have been assured was if, first, the mayor and city council agreed to relinquish control of these funds, and then, both state assembly and senate passed legislation to that effect. As this was not done, neither the authority nor New York City are legally bound to follow former Governor Cuomo's directive to channel additional funds into low-income housing. This issue begs the question of whether there should be more binding linkage between a specific intent of a state-assisted project and the ultimate disposition of revenue it generates.

As the city continues to struggle financially, local politicians are preventing BPCA's excess revenue from supporting low-cost housing. The early commitment to help those households that were excluded in the final Battery Park City master plan has faltered. And this was never more evident than in 1990, when a $70 million HNYC bond issue was prevented from going to market by a $223 million BPCA issue that was used to balance the city's budget.

With the economy reviving and the city's real estate market picking up, BPCA is returning to the credit market, but not to finance low-income housing (or the city's deficit). New bonds supported by BPCA's excess revenue will subsidize jobs, luxury apartments, and a museum in Battery Park City. The windfall from the 1993 refunding was a fortuitous contribution to the city's housing program. But BPCA's commitment to low-income housing is behind schedule. Officials at HPD, the Office of Management and Budget, and the New York Housing Development Corporation can give no estimate when new monies will be raised to help those who are desperately in need of decent shelter. And BPCA's official line on its housing commitment and a possible date for a new bond issue is cryptically terse: "Battery Park City is absolutely committed to the Housing New York Program."

Former president of the Battery Park City Authority, Sandy Frucher, recently recalled one of the proudest moments of his life during the 1987 dedication of the World Financial Center:

> Standing in the rotunda, I was surrounded by businessmen, politicians, and advocates for the poor whose interests were all tied together in the success of Battery Park City. We had set into motion a new kind of capitalism that generated wealth, then recycled it to those who needed it most. But priorities have changed, and I fear that when the economy returns, both developers and government officials will have forgotten what was accomplished.

The BPCA seems to have been on the verge of defining a new kind of capitalism that enlarged the loop in which "profits" from private development could flow. But now, eight years after the initial financial commitment to low-income housing, one may well wonder whether the transfer was truly a commitment to social equity or a political exception that has no real chance of delivering continuous assistance to New York's neediest. ❖

Eric Uhlfelder *is a planning consultant in New York City who has written extensively on architecture, urban design, and finance.*