

NYCHA's Draft Significant Amendment to FY 2023 Annual Plan: Real Estate Activities

The Legal Aid Society and the Community Service Society jointly demand that the New York City Housing Authority (NYCHA) withdraw its Draft Significant Amendment filed May 26, 2023, to the NYCHA Fiscal Year 2023 Annual Plan. In announcing its proposed Plan, NYCHA and the designated PACT partner violated nearly every principle spelled out in the Chelsea Working Group Report.<sup>1</sup> Demolition and the alleged proposed plan to build 3,500 units of market rate and "affordable" housing at the designated sites will undoubtedly lead to the permanent displacement of resident families.

In the posted Draft Significant Amendment, NYCHA requests approval from the U.S. Department of Housing and Urban Development (HUD) to demolish every unit throughout four developments known as: Fulton (944 units across 12 buildings); Elliott (590 units across 4 buildings); Chelsea and Chelsea Addition (521 units across 3 buildings) (FEC) - a total of 2,055 units of public housing - home to over 5,000 New Yorkers, many of whom grew up in FEC and have lived there for generations, witnessing friends and family displaced by gentrification.

This proposed demolition, driven by The Related Companies and Essence Development, will lead to the permanent displacement of many families, most of whom are seniors, from their homes. It also has the potential to displace households with members who have disabilities – something residents with disabilities have expressed grave concern about. Despite claims the process is “resident led,” the plan shared with residents about the proposal omitted critical information about temporary relocation and the development of *thousands of market-rate units*. There are also numerous reports from residents about the survey process, touted as demonstrating strong resident support for demolition, being opaque and inaccessible.

*Background to Chelsea Working Group*

In October 2019, Mayor de Blasio, NYCHA leadership and several elected officials formed the Chelsea Working Group, a body comprised of residents, legislators, community representatives and housing and legal organizations. The Working Group was formed following community objections to a draft proposal from NYCHA that considered partial demolition to address the repair and renovation needs at FEC, and was convened to research, evaluate and make recommendations to systematically and effectively address the capital needs of FEC which were estimated by the Working Group to be \$366 million.<sup>2</sup>

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<sup>1</sup> The Working Group Report is attached and can be found here:  
<https://www.nyc.gov/assets/nycha/downloads/pdf/Chelsea-NYCHA-WG-Report-Final.pdf>

<sup>2</sup> Chelsea NYCHA Working Group, pg 9

The Working Group developed clear goals and values to guide the process of meeting the needs of the FEC community. One of the goals is to "Establish clear and consistent resident engagement throughout the renovation process and beyond."<sup>3</sup> One of the values is to be "rigorous in its research and assessment of a variety of methods to ensure capital needs are met."<sup>4</sup>

The Working Group met weekly over a period of 15 months to develop its recommendations. The Working Group had three subcommittees: Capital Finance Strategies; Resident Rights and Protections; and Resident Engagement. The Capital Finance Strategies Subcommittee reported that many members of the committee voiced concern over introducing market rate apartments on NYCHA land. "For NYCHA residents of Chelsea, this concern was not an abstract fear because residents have friends and family members who have been displaced by the gentrification of Chelsea."<sup>5</sup> "Minimizing the number of market rate units in proposed mixed-income residential infill buildings was important for NYCHA residents of Chelsea."<sup>6</sup>

Each Subcommittee drafted recommendations prior to review and adoption by the full Working Group. Prior to issuance of its report and recommendations in February 2021, the Working Group hosted in-person public workshop engagements. The November 2019 engagement made clear that one of the top priorities for residents of FEC is protecting all existing residential buildings from demolition, especially residents of Fulton Houses. In December 2020, the Working Group hosted virtual sessions to collect feedback to sharpen the Group's recommendations.

Some takeaways from the virtual sessions included:

- Concerns about the impact of renovations on the neighborhood and community;
- Concerns of residents with disabilities about compliance with the Americans with Disabilities Act, temporary relocation and moving costs; and
- Desire for more information about the levels of affordability at new mixed-income residential buildings.

The Working Group's Recommendations were published in a report released in February 2021, and recommended multiple strategies to cover the cost of the estimated \$366 million including PACT conversion, construction of new mixed-income housing, ground floor retail conversions and the construction of commercial space and community facility development. Significantly, the first principle listed in the report states that: "No existing residential buildings in the NYCHA Chelsea developments will be demolished."<sup>7</sup> The fourth principle states: "NYCHA residents must continue to be engaged consistently and substantively throughout the development process, by NYCHA and the PACT project team. This engagement must be subject to the

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<sup>3</sup> Chelsea Working Group, pg 3

<sup>4</sup> Chelsea Working Group, pg 5

<sup>5</sup> Chelsea Working Group, pg 29

<sup>6</sup> Chelsea Working Group, pg 29

<sup>7</sup> Chelsea Working Group, pg 36

recommendations made by the Working Group." The fifth principle states: "The development of residential infill sites must ... minimize market rate units."<sup>8</sup>

### *The RFP Process at FEC*

Following the release of the Working Group's Report and Recommendations, NYCHA issued a Request for Proposals (RFP) that reflected the Group's recommendations.<sup>9</sup> The RFP itself specifically states that "no demolition of existing residential units will be involved in the re-development of this site."<sup>10</sup> Following review by NYCHA and a resident engagement group made up of NYCHA residents that was facilitated by the Citizens Housing and Planning Council (CHPC), in December 2021, NYCHA designated Essence Development and The Related Companies to be the PACT project team at FEC. In a Press Release announcing the designation, NYCHA stated that "The development team's proposals achieve the recommendations of the Chelsea Working Group."<sup>11</sup>

### *New Announcement on Demolition at FEC*

On June 20, 2023, in an article published by the New York Times, NYCHA announced a radical new plan for FEC which will involve demolishing every building and unit.<sup>12</sup> Additionally, the plan calls for residential infill with 2,500 market rate units and 900 units with affordability caps. The article refers to a "weeklong" survey of residents at FEC in which allegedly 60% of the 950 responses indicated support for demolition. In the press release announcing the new plan, the developers said they would build most of the new NYCHA buildings first so that the "majority" of residents would be able to move in before their old homes were torn down.<sup>13</sup> On May 26, 2023, six days after the last day to complete the survey, NYCHA filed its Draft Significant Amendment to its FY 2023 Annual Plan and its Draft Annual Plan for FY 2024.

The Legal Aid Society has obtained a copy of the survey and has concerns about how it was administered, among other troubling issues.

- Letter from NYCHA dated May 12, 2023, notifying residents that they will have an opportunity to complete a survey to identify their preference for building new apartment buildings or renovating existing buildings. The survey was open to those authorized household members who are at least 18 years old and had to be completed

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<sup>8</sup> Chelsea Working Group, pg 36

<sup>9</sup> The Request for Proposals (RFP) is attached and can be found here: <https://chpcny.org/wp-content/uploads/2021/04/Fulton-Elliott-Chelsea-RFP.pdf>

<sup>10</sup> RFP, pg 5

<sup>11</sup> NYCHA's press release announcing development team: <https://www.nyc.gov/site/nycha/about/press/pr-2021/pr-20211201.page>

<sup>12</sup> Mihir Zaveri, "To Improve Public Housing, New York City Moves to Tear it Down," New York Times, June 20, 2023: <https://www.nytimes.com/2023/06/20/nyregion/public-housing-demolish.html>

<sup>13</sup> <https://www.nyc.gov/site/nycha/about/press/pr-2021/pr-20211201.page>

by May 20, 2023. There is no information about how this survey was distributed, whether it was sent to all households, how individuals without access to technology accessed the survey, and there are additional unanswered questions about language access and access for those with disabilities.

- The cover letter was allegedly accompanied by a package that included a presentation on the three options on offer, two different options for rebuilding and one for renovating existing units. Residents are directed to Scan a QR code on Page 10 of the presentation to make their selection and, if not using a QR code, to go to Housing Opportunities Unlimited (HOU) to request a paper copy.
- The survey states that, "The selection process is being overseen and audited by CHPC." CHPC has since stated that in actuality the only role they played was simply tabulating the results. There is no information about any oversight, such as controlling for multiple submissions by the same individual and confirming resident addresses and household members.
- Nowhere in the presentation or survey is there *any mention* of new infill residential units with 2,500 market rate units and 900 affordable units (with no information about levels of affordability). Additionally, the only place where temporary relocation is addressed in the presentation is under the third option, renovation of existing units. It is not mentioned in options 1A and 1B, which provide for demolition and rebuilding of new units.
- The survey's three options list, "1A. New Construction with Rezoning"; "1B. New Construction with Existing Zoning" or "2. Rehabilitation of existing units" with no mention of "demolition" for either of the first two options (while both would require complete demolition).

We have serious concerns about all aspects of this survey "process." We do not know how surveys were distributed to households – cover the letter on the presentation is dated May 12 with a vote closing on May 20, only 8 days after the date of the letter. In terms of results of the survey, NYCHA claims that 950 residents responded to the survey, of which 60% voted in favor of Option 1A. Significantly, the survey was not restricted to heads of household, but any member over the age of 18, and we have no information about how many actual households participated and in which developments they reside. We are also unnerved by the fact that the Draft Significant Amendment, in which NYCHA applies for approval for full demolition of FEC, was filed a mere six days after the survey and the tallying of the results. The timing is quite convenient.

### *Concerns about Demolition*

Since the announcement, we have learned that not all the new buildings for NYCHA residents will be built by the time demolition of their existing homes is scheduled to occur. This means that some households will be displaced from their homes. We are concerned about a household's ability to stay in the community under such a plan. The developer stated recently that residents will be guaranteed housing in either vacant FEC units or in nearby 421-a

buildings. If this is to be the case, the developer must enter into a legally binding agreement ensuring that no replacement housing is located outside the Chelsea area, and that all residents are guaranteed a spot in the first newly constructed building on the FEC campus.

NYCHA and the development team have represented that at least 80 units are being held to house residents displaced by demolition. They have also committed to doing lead and asbestos abatement and mold remediation for residents waiting to move into newly constructed units, requiring empty units to relocate residents while this work is being completed. The team has not explained how they will secure a sufficient number of units for residents displaced by demolition and residents requiring temporary relocation due to mold remediation and lead and asbestos abatement.

The Working Group noted in the Report that a two-bedroom apartment in Chelsea rents for \$5,500 per month. In 2023 that figure is now approximately \$8,000. The Section 8 payment standard for a two bedroom, even at "exception" rates is only \$4,048. As a result, households will have to leave not only their homes but their community, leaving schools, medical providers, family and caregivers. History has taught us that when people are relocated in this way that they are highly likely not to return to their homes. We need to ensure that to the extent demolition at these sites goes forward, that there is no permanent displacement of households. We would urge NYCHA to ensure that Related Companies agrees to house any such households in other rental properties that they own and manage in the area. NYCHA already has a large number of vacancies throughout its portfolio, many of which are being held for households to use for temporary relocation during renovation of their homes under the PACT program, and we cannot afford to keep more units offline, preventing transfers and new admissions for those in need. If there is any risk of displacement under the new plan, we categorically oppose demolition.

The plan that was announced in June 2023, is also lacking in any details about bedroom sizes of any new replacement units. There are many four- and five-bedroom apartments located throughout FEC and many families living doubled up in smaller units. If the rebuilding is to go ahead there needs to be an enforceable commitment from Related and Essence to build one-for-one replacement of exactly the same sized apartments. Any rebuilding cannot force displacement because of smaller unit sizes being built. Seniors that we met with in Chelsea Addition spoke of their 600 square foot studios- and are concerned about being replaced into a much smaller home. They are especially terrified of being displaced from homes and not living to see a permanent home.

#### *Concern about Market Rate Units and Affordability at Mixed-Income Sites*

It came as a shock to learn that the new plan calls for infill of 2,500 new market rate units and 900 "affordable" units. The plan is strikingly lacking in any details about the levels of affordability that will be included in the mixed-income buildings, an issue that the Working Group Capital Finance Strategies Sub-Committee spent a long time analyzing and considering.

No materials address or contemplate the impact 2,500 market rate apartments in Chelsea will have on the FEC community. While the City faces a housing affordability crisis, with rents in Manhattan specifically reaching \$4,395 per month — a 3.6% month-over-month increase, the proposed plan doesn't attempt to center affordability or the City's fair housing goals. NYCHA has approximately 2,275 units of either "affordable" or market rate housing in the process or completed construction on NYCHA property. The overwhelming majority of these projects have only 100% affordable buildings, and the mixed-income projects reflect the housing needs of our communities. For example, [the Wyckoff Gardens plan](#) includes 250 market rate and 250 affordable units, with the latter restricted to households making less than 60% of AMI (\$51,540). As presented, the FEC plan hints at the bare minimum of affordability — the basic Mandatory Inclusionary Housing for a rezoning — in one of NY's most expensive and exclusive neighborhoods. [Manhattan's District 3](#) is far less racially diverse than the rest of the City, has a median annual household income of almost \$170,000, and has a significant number of expiring affordable units over the next half-decade. This plan reflects no consideration of fair housing goals in a construction project with zero land costs for the developer and public subsidy.

The RFP that was issued by NYCHA and for which Essence and Related submitted a proposal specifically states that there shall be no demolition of existing residential units as part of the redevelopment of FEC. The initial plan that Related and Essence committed to included 348 market rate units and 348 income-tiered affordable units. Infill at such a new level will more than double the number of units on the current FEC campus, bringing a huge influx of market-rate tenants to the FEC community and to the neighborhood. Related and Essence propose to build more market rate units than they intend to preserve for public housing residents. The presentation that accompanied the survey made no mention of the new market rate units, depriving residents of the opportunity to make a fully informed decision as to the future of their homes, especially given that two of the options presented actually envisage thousands of market rate units. With such a total about-face from what was initially recommended by the Working Group and detailed in the subsequent RFP, an open, robust and fully accessible re-engagement process was required and that simply did not happen. A process cannot be said to be resident led without complete transparency and accessibility, especially about critical factors that will forever impact residents' lives, like relocation and development of thousands of profitable, luxury market-rate apartments.