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How Wall Street Became a Fancy Residential Neighborhood

The effort to repopulate downtown Manhattan has been a big success, but not for everyone.

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Impressions: 62,600,000

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The rise of remote work during the pandemic has cut demand for office space and left some American downtowns feeling like ghost towns. As a result, there's been much talk of converting downtown offices into apartments. This could not only bail out owners of suddenly less-valuable commercial real estate, advocates say, but bring life to emptied-out neighborhoods, passengers to underused transit systems and affordable housing to cities that desperately need it.

Could it work? Well, one iconic American downtown — New York's Financial District, also known as Wall Street — embarked on just such a transformation several decades ago and has certainly succeeded in attracting residents. In 1970, the Manhattan census tracts south of Chambers Street on the west and the Brooklyn Bridge on the east had 833 inhabitants. As of the 2020 Census, there were 60,806.

Downtown Manhattan Has Gone Residential

The area south of Chambers Street and the Brooklyn Bridge approach road now has a population of more than 60,000

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That population may have dropped a bit during the pandemic. But with buyers beginning to move in this month to the area's biggest office-to-residential conversion yet — Macklowe Properties' 566-unit One Wall Street condominium building, in the former headquarters of Irving Trust — and more conversions and new residential buildings in the works, it appears to be returning to growth.

The basement of One Wall Street is also now home to a large Whole Foods supermarket, and the building will eventually house the first US outpost of the French department store chain Printemps. There's a subway station right out front where residents can catch a train that gets them to Midtown in 15 minutes, as well as four other train lines, several ferries, a high-end shopping mall, museums, historical sites, fine restaurants and a waterfront park all within easy walking distance. The area was at the heart of city life for New York's first couple of centuries but was later characterized by a "deathlike stillness ... after 5:30 and all day Saturday and Sunday," as described in 1961 by urbanist Jane Jacobs in the Death and Life of Great American Cities. Now one encounters dog walkers in the early morning, diners and bargoers in the evening and hordes of tourists on weekends (weekdays, too, for that matter).

The neighborhood's transformation has been all the more remarkable considering that in September 2001 terrorists destroyed its two biggest buildings, the twin towers of the World Trade Center, killing thousands of people and leaving the vicinity covered in debris and toxic ash. Now the World Trade Center is back, in altered but still impressive form. The 9/11 Memorial has become a big tourist draw. Downtown Manhattan seems unstoppable.

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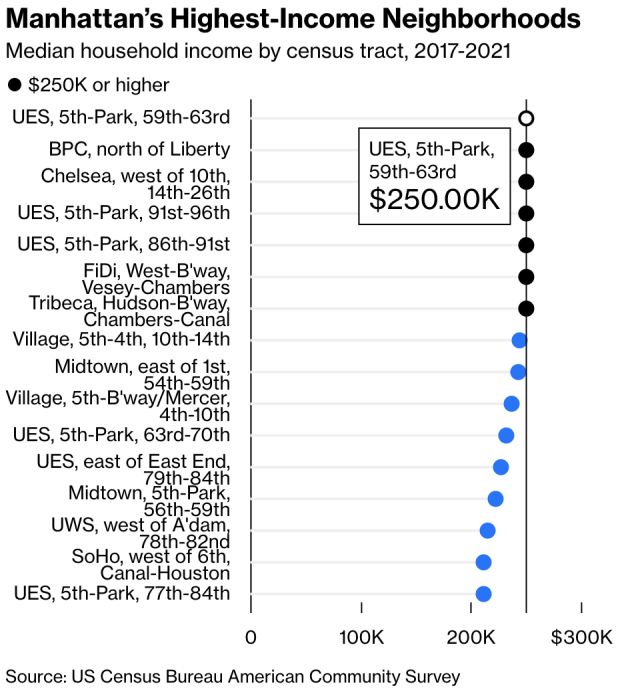
It is not, however, affordable — at least not for people earning anywhere near the median New York City household income of $70,663. The One Wall Street apartments currently listed on StreetEasy (most of which are already under contract) range in price from a $990,000, 503-square-foot studio to a $19 million, 5,852-square-foot unit with five bedrooms. One Wall Street is on the high end for the area, but not wildly so. Two-thirds of the Financial District apartments listed for sale on StreetEasy and Realtor.com are priced at $1 million or more, and Census Bureau statistics covering 2017 through 2021 show 76% of area renters paying $3,000 or more a month.

As a result, the Financial District has become an oasis of affluence. Of the seven Manhattan census tracts with median household incomes of at least $250,000 — as estimated from the American Community Survey conducted from 2017 through 2021 by the Census Bureau, which provides the census-tract data only as five-year averages and doesn't provide specific median income numbers above $250,000 — two are south of Chambers Street and one just north of it.



UES is the Upper East Side, synonymous with poshness since the early 20th century — although the parts in the middle, away from Central Park and the East River, aren't so fancy. BPC is Battery Park City, the planned community built starting in 1980 atop reclaimed land consisting largely of dirt and rocks excavated for the neighboring World Trade Center. It is divided into two census tracts that together accounted for 16,269, or

26.8%, of the south-of-Chambers-Street residents as of 2020, and which for most purposes here I'm just treating as part of the Financial District.

FiDi is short for Financial District, and Tribeca the "triangle below Canal"

Street just north of FiDi. I've followed more-or-less accepted neighborhood delineations, but to be honest I had thought — going by the heuristic that FiDi is old office buildings and Tribeca even older warehouses — that the tract listed above as FiDi was partly in Tribeca and the tract listed as Tribeca partly in FiDi. Also, Reade Street currently constitutes more of the dividing line between the tracts than Chambers does, but the latter seems to have a longer history as a neighborhood delineator. In any case, both tracts are pretty far downtown.

Of the seven south-of-Chambers-Street census tracts not listed above, one covers just the Battery (the waterfront park, not the housing development) and had three residents in the 2020 Census but no income or housing estimates for 2017-2021, and of the rest all but one had median household incomes above $190,000. The one that didn't, which stretches from Park Row to the East River south of the Brooklyn Bridge ramp, is home to the development that started the area's resettlement: the 1,651-unit Southbridge Towers, completed in 1971 as part of the Mitchell-Lama state middle-income housing program. That tract's median household income was $109,382 — still well above even the Manhattan median of $93,956. All in all, the south-of-Chambers-Street population is much more affluent, educated, young-adult-skewing, white-collar and White than the city's as a whole.

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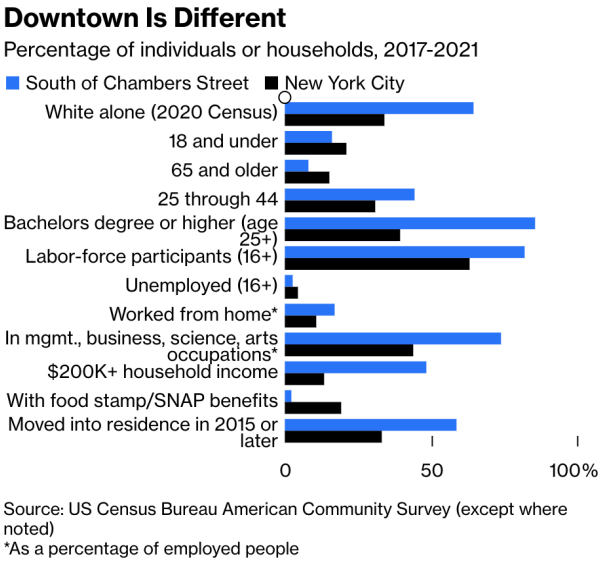

The work-from-home tally of 17.2% for the area shown above is, again, a five-year average that doesn't fully reflect the impact of recent changes in white-collar work arrangements. The Census Bureau provides single-year estimates for a larger area made up of the Financial District, Tribeca, SoHo and Greenwich Village, and its work-from-home share in 2021 was 43.4%, which compares with 24.1% for the entire city and 12% for the Bronx, the borough with the lowest share. Yes, downtown is different.

In the Financial District, this difference is partly an artifact of the newness of the area's status as a residential neighborhood. Unlike in other parts of New York City and in gentrifying neighborhoods across the country, there aren't many older, lower-income holdovers from earlier, cheaper eras. It's also because, with virtually all the housing in the area in converted office buildings and new construction, there are few of the basement holes-in-the-wall and fifth-floor walkups that can sometimes be had for lower prices elsewhere.

But the biggest difference seems to be that there is so little non-market-rate housing south of Chambers Street. Southbridge Towers had been the big exception, subsidized by state tax breaks and low-interest mortgages, but its residents voted in 2014 to convert the complex into a market-rate cooperative. Apartments there now go for as much as $1.5 million, with most listings in the $500,000 to $1 million range.

At Battery Park City, the original plan from the city and state called for setting aside two-thirds of the units for low- and moderate-income tenants. By the early 1970s, that was cut to 14% amid concerns about cost and keeping the development attractive to market-rate renters ("In terms of marketing, it's difficult to go beyond 20% in the low-income category," the state housing commissioner said in 1972). Now, according to the Battery Park City Authority, about 300 of the community's 8,715 units are subject to income limits, with "hundreds more" covered by state rent-stabilization law. Part of the authority's "excess revenue" ($215.3 million in the 2022 fiscal year) does go to affordable housing efforts elsewhere in the city, but most is spent on other things.

The repurposing of older buildings to residential use started in the area with artists converting vacant Tribeca warehouses into live-work studios in the 1970s. By the early 1980s, office-to-residential conversions had begun in the Financial District. The concerted effort to encourage such conversions came in the mid-1990s. At the time, New York City was in the throes of a commercial real estate downturn much more severe than it has experienced (so far) in the wake of the pandemic, brought on by an office-building boom in the 1980s and then a financial-sector downturn. With its financial tilt and high proportion of older buildings, the Financial District was hit especially hard, bringing sharp declines in property tax revenue and fears the area would succumb to a downward spiral of abandonment and decay.

Under a state law enacted in 1995, developers that converted downtown office buildings to apartments over the next decade received a 14-year break on property taxes. Rental buildings that took advantage of the tax abatement were to be "fully subject" to rent-stabilization laws for those 14 years, but the City Council voted in 1994 to exempt vacant apartments with rents of $2,000 or more from rent-stabilization, and Mayor Rudolph Giuliani decreed that this rule would also apply to tax-break-subsidized Financial District rentals, three-quarters of which thus escaped regulation. Meanwhile, condominium buildings that received the abatements were never subject to cost or income limits.

Jump-starting Financial District redevelopment was the goal, not creating affordable housing, and the legislation delivered that. In 1995, city officials expected that Financial District office conversions would generate 2,000 to 3,000 new housing units over the next decade. According to a recent report by the Citizens Budget Commission, the final total of units that received the tax breaks was 12,865. This came at a cost in 2022 dollars of $132,000 per unit, the report estimated, but of course the tax revenue losses might have been far greater had the buildings remained vacant. Since the legislation expired, at least 3,171 more apartments have been created in

former Financial District office buildings. Big new residential buildings have been going up, too. In a couple of these, some units have been set aside for those with low and moderate incomes in exchange for a property tax break. That break had to be claimed before mid-2022, so barring new legislation it looks as if further additions to the Financial District housing stock will virtually all be at market rates.

I'm one of those people who believes — because that's what the evidence shows — that new market-rate housing is a good thing and puts downward pressure on pricing overall. Community District 1, which encompasses the Financial District and Tribeca, added more new housing than any other community district in New York City from 2000 to 2010, and came in seventh (out of 59) from 2010 to 2020. If more parts of New York City and its suburbs had been producing housing at anywhere near that pace, the region's rents and home prices would surely be lower.

Also, there is a census tract just on the other side of the Brooklyn Bridge ramp from the Financial District that has the second-lowest median rent in Manhattan, at just $490 a month. It consists entirely of the Alfred E. Smith Houses public housing development, built in the 1950s. The lowest rent, $449, is found at the Vladeck Houses, built in 1939 and 1940, a few blocks farther east. Not every neighborhood has to meet every housing need, and the Financial District is at least close to some places where non-rich people can afford to live.

Still, big, usually poorly maintained housing projects like the Smith and Vladeck Houses have many problems of their own, and it does seem perverse given the large-scale government involvement in bringing people back to the Financial District that so little provision has been made for the non-affluent. It's the neighborhood with perhaps the best transit access of any in the US, yet it is effectively off limits to most New Yorkers with jobs that require them to show up in person every day.

https://www.bloomberg.com/opinion/articles/2023-03-29/how-wall-street-became-a-fancy-residential-neighborhood?sref=TyMf2uoZ