

The Impact of Building

An Interview with Steven Spinola,
President, Real Estate Board of New York

EDITORS' NOTE Steven Spinola assumed his current post in June of 1986. Prior to this, he held a number of senior positions with the New York City Office of Economic Development, culminating in his appointment as President of the New York City Public Development Corporation. Before entering municipal government, he served as a legislative assistant on the staff of the New York State Assembly Education Committee. He holds a B.A. from the City College of New York and attended the Kennedy School of Government summer program for senior managers in government.



Steven Spinola

ORGANIZATION BRIEF The Real Estate Board of New York (rebny.com; REBNY) was founded in 1896. It is the real estate industry's leading trade association in the New York metropolitan area with more than 15,000 members including the city's top building owners, developers, brokers, and managers, as well as banks, insurance companies, brokerage houses, and other individuals and institutions professionally involved in New York real estate. The organization is an advocate of policies to promote local economic growth and represents industry positions before various legislative, regulatory, and executive government bodies. It also conducts and publishes extensive industry research and provides qualifying courses and master seminars in real estate specialties.

REBNY has been very engaged in building an understanding of the economic impact the real estate industry has on New York. Why is that important from a messaging perspective?

People question what right the industry has to be concerned with so many different issues that go beyond putting brick upon brick. The answer is, it's the income-producing and the revenue-generating properties in the city of New York that provide more than 38 percent of all of the revenue for the city of New York. It means that what we pay in taxes pays the city's share of the salaries for every police officer, firefighter, teacher, sanitation worker, and correction officer, and leaves about \$2.5 billion for parks, libraries, and other vital services that all New Yorkers enjoy.

So if it wasn't for the revenue-generating properties – meaning office buildings and rental apartment buildings, hotels, industrial – we would not have the services that New York City needs. If we want to provide more programs and services for the residents of the city of New York as well as for the tourists who visit New York, we need to be able to continue to build. We want to pay more taxes and we can do that by growing our portfolio, and building new and better buildings.

How broad is REBNY's mission today?

The current Mayor has identified correctly that we have an affordable housing problem. If we don't help him solve that, the city won't improve. People who want to work here won't have places to live. Real estate values will go down; fewer people will visit the museums and Broadway shows, and it will result in higher costs for the consumers of services rather than having general taxes paying for a lot of these programs as they are now.

Our mission revolves around what the city needs, and what the ingredients are to encourage a climate for continued investment and high-paying job creation. Our revenue-generating real estate portfolio generates 519,000 good-paying jobs and most are union workers.

Are you worried that we will push a large segment of the market out?

Everybody sees the high-end condos going up and they think there is no affordable housing being developed. However, there is a program known as 80/20, which many of our members participate in. When they build a luxury rental apartment building, 20 percent of the units are for people who are making 40 percent of area median income (AMI), which is around \$34,000 per year for a family of four. Over the past dozen years or so, there have been 5,000 to 6,000 such units created.

Also, in the boroughs, when the higher-end units are being built, it results in improving the housing quality that is already there. We also still have 1.1 million units of rent-regulated apartments in the city of New York. The rent-regulated apartments citywide have average rents of somewhere around \$1,300 per month.

Part of what the de Blasio administration wants to accomplish is to build more market-rate units but also leverage that for as many affordable units as possible. By affordable, the administration is defining people who are very low income to middle income – people who make up to 165 percent of AMI, which is around \$138,000 for a family of four.

While this is a market known for tourism, are we reaching oversupply on the hotel side?

We hit 54.3 million tourist visitors last year, which set a record. This year, we're expecting 55.8 million visitors, an increase of 1.5 million from 2013. Many of the new hotels that are going up are smaller, so while we're seeing rooms added, they should cater to a group of people that are going to continue to visit.

The somewhat controversial AirBNB situation has provided a vehicle for many people to illegally rent apartments. We should build more hotels that are affordable so as to reduce the dealing with private homes that might violate fire and safety codes.

Do I see a point where we may be overbuilt? Yes, but the private sector will recognize this and adjust to it.

What challenges remain for the real estate industry?

The city's infrastructure. We have to work on projects that will make it easier for people to commute. We would love to see the 7 subway line extension that goes to the far West Side be continued under the Hudson River ending up in Secaucus, New Jersey. So people won't have to take buses that add to the tremendous traffic load leading into the Lincoln and Holland Tunnels.

Clearly, we are always concerned about crime, which is often related to where the national economy is going. The need for long-term capital investments are also a concern.

Another serious concern is where we house the projected influx of people: we're supposed to get 800,000 by 2040. This is real and we need to face that reality. A large gap exists from an economic point of view as it relates to providing housing for poorer people and how we address the homeless problem on the streets.

I congratulate Mayor de Blasio for appointing people that are experienced, talented, and skilled. They have opened their doors for input not just from us but from anybody with ideas to solve these problems. ●