

NEW INSTITUTIONS AND FINANCING FOR THE NEW YORK/NEW JERSEY HARBOR WATERFRONT

Since the mid-1980s, when the epic civic struggle over Westway ended, the redevelopment of the New York waterfront has been a central concern of the New York civic community. There is a standard problem statement that, in simplified terms goes as follows. The waterfront was once a center of industrial and port activity, but that era is over and the Region must redevelop its waterfronts, now the site of decaying and under-utilized docks and industrial buildings. This represents an enormous opportunity for New York, particularly given that the country is now in love with water access and that the United States is increasingly a country whose population is concentrated along its coastlines. And with harbor water quality at its highest level in over a century (thanks to thirty years of multi-billion dollar spending on sewage treatment upgrades), New York has an emerging asset that should be a centerpiece of its efforts to enhance urban vitality and quality of life.

This problem statement has generally been accompanied by encomiums (with their unspoken message of "emulate this!") for what are seen as successful models of waterfront redevelopment, such as the Boston and Baltimore Harbor revivals, the opening up of the Embarcadero in San Francisco and Toronto's forthcoming \$12 billion dollar downtown waterfront revival to name a few.

A critical component of the success of waterfront redevelopment elsewhere has been getting three things right: the right mix of public and private financing, the right division of labor and responsibility between public and private participants and the right combination of planning and flexibility in program design and implementation. For example, the Toronto Waterfront Redevelopment plan envisions an ultimate public investment of \$5 billion to leverage \$7 billion in private sector investment. A special waterfront commission combining public and private sector interests will administer this program. This Commission will sponsor a set of segment by segment redevelopment plans which will combine publicly planned facilities with private sector driven development. Toronto has set a goal of completing the main elements of a revived 30-mile waterfront in the next fifteen years.

Without a doubt, it has been the need to mobilize adequate funding that has driven other cities to tackle these problems, and the success in organizing and providing that funding has been the pivot around which waterfront revival elsewhere has turned. The ability of other urban areas to find adequate funding for waterfront development has long generated envy among those committed to waterfront revival in New York, as well as an ongoing buzz of criticism of New York's waterfront institutions and policies. The history of nearly two decades of attempts to turn Manhattan's Lower West Side Hudson River waterfront into a major civic space illustrates why critics are right to complain.

Over the years, the capital cost estimates for creating a Hudson River Esplanade Park on the Lower West Side have come in at around \$300 million. Operating cost estimates have varied, but \$25 million annually is a workable midpoint. Compared to New York City's resources these are almost miniscule sums. Yet for more than 15 years, New York City and New York State, both individually and collectively have been unable to come up with such relatively small amounts of money, even when it would potentially give the City one of the world's greatest stretches of urban waterfront. This failure—which is finally being overcome by an almost heroic civic effort—is a damning indictment of the opportunity sense of City and state government. It is also a grim warning that a major change in civic investment priorities, institutions and attitudes will be necessary if the promise of waterfront revival is to be realized. As soon as momentum builds behind any waterfront initiative, it hits the "where will we get the money" speed bump.

Fortunately, not all waterfront initiatives have been paralyzed by a lack of funding. Entrepreneurial public and private leadership has produced a number of successes such as Brooklyn Bridge Park and the

Buffer the Bay program. But the New York experience is that the successful efforts are the result of individual and community-based leadership efforts that, through creative improvisation and entrepreneurial leadership, overcome the lack of immediately available, simple to use public funding administered by institutions committed to being supportive of waterfront renewal.

For this reason, there is general agreement that the most important obstacle to turning the vision of redeveloping and providing public access to New York's magnificent waterfront is the problem of financing. Implicit in that conclusion is a need for new institutional arrangements that will be a credible organizer and administrator of waterfront investment.

Both state and local government in New York has been aware of the surge in waterfront interest, and has tried to provide some funding to support it. However, these programs have had two flaws, the first pernicious, the second fatal. First, much of the funding has been nothing more ad hoc funding arrangements for a single program—a testimony to the advocacy and political entrepreneurship of particular project advocates—but a difficult thing to base a major redevelopment on. The extent government has gone beyond such arrangements has been to create a few categorical grant initiatives, supplemented by an occasional use of industrial development bond (IDA) type funding. The overall funding level of all is generally very inadequate and, as administered, they tend to offer a little money to a lot of programs are useful in supporting startup organizing and planning tasks, but not a substitute for long term investment resources. And the fund-obtaining processes are time and labor intensive, requiring a mastery of the arcana of grant making and a tolerance for the time cycles of funding processes that adds another stress to the project development process.

But the really fatal flaw in the City's waterfront strategy lies elsewhere. Beguiled by the success of other cities, New York, with both its public and private stakeholders, have largely embraced a model of public-private partnership, whose essential corollary is private sector development funding much of the public cost of waterfront development. In other cities, a meaningful investment of public dollars (such as Toronto's \$7 billion) has worked. But in New York, where the policy could really be characterized as waterfront development on the cheap, it has not.

Many blame this on the ongoing controversy over the role of private sector funding in waterfront development. Waterfront uses that maximize developer revenue tend to exclude all but waterfront property owners from use and enjoyment of the waterfront. This has produced not only bitter site by site controversy over private development in particular projects (i.e. the use of Pier 40 on the Hudson), but a broader and unresolved public controversy over general policy. One set of advocates, (citing the example of many other cities, argues strongly that private sector participation is essential to creating financially viable waterfront projects. The other side sees this as a sacrifice of a public resource to the selfish profit-making interests should be avoided by either adding public resources or scaling back the project.

But inherent in this argument is that waterfront development is attractive enough to the private sector to justify the City placing virtually the entire cost burden of waterfront redevelopment on the private sector. What this means is that when the private sector does bite, private sector interests have had to try to maximize development instead of finding that balance more generous potential revenue streams have allowed elsewhere, thereby kicking off community opposition. But the real problem is that given the market and sites, the attempts to fund waterfront revival on the back of the private sector is doomed to failure. With an apartment building here, concessions there, there will be site specific instances where private investment can carry a major portion of the load. But on many of these sites, the public sector has necessarily allowed private developers to delay creation of esplanade and/or other public amenities until the point where occupancy and cash flow make it affordable to build and maintain these features. Not infrequently, however, these deals lead to situations where the amenity is never realized or renegotiated. Moreover, as the New York City EDC and others have found out, there is a limited market for the kinds of waterfront sites EDC has available on the terms it is offering, in which

the private sector must largely front both the development and infrastructure costs, including that of public access. Thus, it is not surprising that the public has found itself proposing low-density shopping malls for a number of sites—a use for which there is some private developer interest—at least where the City bears the cost of providing the land, but which strategically boil down to subsidizing one section of the private retail sector to compete against others.

So what should be the strategic direction of waterfront revival in New York. To do so, let us return to the matrix of tasks waterfront revival has pursued elsewhere and see if a new set of needs and opportunities specific to New York City can be identified

The first element was public access. Studying the map of the waterfront's geography, with its isolated small patches of land between the numerous roads that follow the waterfront and the waterfront itself, suggests that in many cases all that is possible in those areas is to try to provide public access. Elsewhere, a decade of creative planning has made it clear that almost none of the institutional activities listed above are incompatible with public access and that public access to their waterfront can be created cheaply and effectively, as part of site management. Finally, as both the Region's experience and the experience of other cities has shown, even for larger scale mixed use development, the foundation of its success is always public waterfront access.

The Waterfront Parks Coalition, through a civic process that involved dozens of public agencies and private organizations and which has been assisted by RPA, has identified over 50 waterfront public access projects all along the New York City waterfront. These projects have been traditionally characterized as open space. The estimated cost of these initiatives is at least \$1 – 2 billion.

In addition, there is another critical component of open space that provides more passive public access: the preservation of natural habitat. Traditionally, habitat and open space have been seen as separate values. But in fact, they are the foundation base on which any other waterfront revival rests, for it is only through the public use and attractiveness that they create that enables more expansive waterfront revival to succeed. The Habitat Committee of the Harbor Estuary Program has identified several dozen sites for acquisition and restoration initiatives in New York City, most importantly on Staten Island and Jamaica Bay. The estimated cost of these is another \$500 million

Finally, current zoning provisions require private waterfront development to provide for public access of a thirty foot strip along the waterfront. These provisions are generally considered not to have worked out well. It is the general consensus that, however well intentioned, they run against too many contrary incentives that developers have: the desire to minimize overhead cost, the wish to be free of the property and not to be burdened or have the tenants burdened with maintenance, and the resistance of homeowners to allowing such public access. In general, it is the recommendation of this paper that the provision of this access be returned to the public sector.

How then should this be funded? Discussions of funding public access generally start by proposing environmental bond acts, dedicated funds, and so forth. However, let us assume that the public access budget for the waterfront over the next ten years is \$2 billion, consisting of \$1 billion in open space access, \$500 million in habitat access and \$500 million in public access over private landholdings. Divided over ten years these total \$200 million a year, for what would be an enormous increase in the City's quality of life. RPA's preferred recommendation is therefore that the City and State each commit to provide \$100 million a year in capital budget funds to maximize public access over the next ten years along New York's 578 mile waterfront.

How to finance this obligation will be the focus of the presentations and panel discussion at the Regional Assembly.