

INTRODUCTION: HOUSING POLICY IN THE NEW FISCAL ENVIRONMENT

As the 1990s draw to a close, American housing policy is at a crossroads. A combination of factors promise to shift the locus of policy creation and innovation from the White House and Congress to state legislatures and city halls. Pressures to cut the federal budget will continue to squeeze housing resources flowing from our nation's capital. Politicians of both parties will argue, sometimes justifiably, that federal housing programs have done more harm than good. Just as devolution has affected many aspects of social policy, so housing policy will devolve to cities, large and small, throughout the nation.

As cities become ever more important actors in the creation and implementation of housing policy, mayors and social policy analysts will need to look for examples of successful municipal programs and policies. It is virtually certain that New York City will be one of the first cities these people will look to. In many ways, housing policy will have come full circle in the twentieth century. During the second half of the nineteenth century and the first half of the twentieth, New York City was the unquestioned pioneer in the development of policies to assist low- and moderate-income families in obtaining decent, safe, and sanitary housing. The nation's first local tenement house law was enacted in New York in 1867 (Friedman 1968; Pluntz 1990). In 1934, the city built low-income housing developments three years before Congress passed the Housing Act of 1937, which created the public housing program (Marcuse 1995). The nation's first law outlawing discrimination by private landlords was passed by the New York City Council in 1957 (Schill 1996). The city and state Mitchell-Lama Program, enacted in 1955, was used by the federal government ten years later as a model for the development of hundreds of thousands of units of subsidized apartments.

After several decades in which Congress took the initiative in creating scores of new categorical programs with acronyms such as Section 202, Section 8, Section 221(d)(3), Section 236, HOME, and a veritable legion of HOPEs, the spotlight will now once again shine on local governments. However, many local governments will be ill-prepared to shoulder the responsibilities formerly carried out by the federal government. Over the past decade, New York City has taken upon itself the creation of an elaborate set of housing programs and policies. Perhaps one of the most oft-cited statistics in housing bears repeating in this context: During the 1980s, the city of New York spent more of its own revenues on housing than the next fifty largest cities combined (Berenyi 1989). Certainly, the city's experience has not been entirely successful. Nevertheless, New York's experiment with housing policy, both its successes *and* its failures, bear careful scrutiny, particularly in the coming era of devolution.

NEW YORK CITY AND THE ISSUE OF EXCEPTIONALISM

One question for policymakers and housing policy analysts is whether New York City's experience is relevant to their own municipalities. It is commonplace to hear references to New York as the exception among American cities. Indeed, New York is clearly not the average American city. It is, by far, the largest city in the United States. In 1994, its population exceeded 7.3 million; the next largest city, Los Angeles, was less than half as large. Furthermore, unlike most older cities in the Northeast and Midwest, New York's population is stable and growing, creating increased demand for housing. Fueled by a burst of immigration since the mid-1980s, the Census Bureau estimates that the population of New York grew by 262,000 from 1980 to 1994. In all likelihood these numbers substantially underestimate the city's true population because of their failure to adequately account for racial and ethnic minorities and illegal immigrants. The population dynamics of New York stand in sharp contrast to cities such as Philadelphia and Chicago, which each experienced a substantial decline in population during the same period.

New York City's housing stock is also unusual. As the author and Benjamin P. Scafidi describe in chapter 1, most housing is occupied by renters. Over 70 percent of all housing in New York is renter occupied compared to only 59 percent and 38 percent in Chicago and Philadelphia, respectively. Furthermore, the density of housing in New York City is substantially different from other cities. Most rental units are in large, multifamily buildings; in other large cities, they are predominantly in smaller buildings. New York's housing market is also much more heavily

regulated than housing in most American cities. As Peter D. Salins describes in chapter 2, over half of all rental units are subject to rent regulation. Compared to other cities, New York also has a much larger number of publicly owned housing units. In 1996, the New York City Housing Authority (NYCHA) owned over 172,000 units of public housing, constituting 8.5 percent of New York's rental housing stock. The city also owns and manages an additional 25,000 units of tax foreclosed housing.

Despite these differences in population and housing markets, New York City experiences many of the same problems as other large American cities. As in most American cities, the overwhelming majority of the housing stock is structurally sound, although pockets of substandard housing exist in certain neighborhoods. The major housing problem that affects city residents is one of affordability. Despite the existence of rent regulation and a large stock of public housing, approximately one out of every four tenants pays over half of his or her income for rent. These crushingly high rent-to-income burdens are caused both by a combination of rising rents and stagnating tenant incomes. Indeed, although New York, as well as most American cities, has enjoyed economic growth after the recessionary years of the late 1980s and early 1990s, its poverty and unemployment rates have remained persistently high.

Like the rest of the nation, the spatial distribution of poverty in New York is uneven. Poverty has grown more concentrated in certain neighborhoods, typically those occupied by racial and ethnic minorities. Indeed, in 1990, 13 percent of the population lived in census tracts where over 40 percent of the population earned incomes below the federally prescribed poverty rate as compared to 14 percent in Chicago and 12 percent in Philadelphia (Kasarda 1993). In addition to experiencing the same concentrations of poverty as many other older American cities, New York also experiences roughly similar levels of racial segregation. According to Yinger (1995), 78 percent of the black population would have to move in order to be evenly distributed throughout the New York metropolitan area compared to 82 percent in Philadelphia and 87 percent in Chicago.

HOUSING POLICY AND PROGRAMS IN NEW YORK CITY

Although New York's size, density, and demographics may increase the intensity of its housing problems, it is clear that the city experiences many of the same housing and housing-related problems as other large American cities. In part because of this, and in part because of its history of social welfare activism, New York City has enacted policies and programs that can serve as guideposts to the rest of the nation in the coming era of devolution. In a time when public housing has be-

come synonymous with urban squalor, crime, and welfare dependency, NYCHA maintains a reputation as one of the finest housing authorities in the nation. In chapter 5, Phillip Thompson describes how NYCHA developed this reputation. One of the reasons why public housing in New York has not fared as badly as public housing in other large American cities is that it has, at least until recent years, attracted and admitted tenants with a broad range of incomes.

New York City has also created the most extensive set of programs in the nation to care for its relatively large population of homeless individuals and families. In chapter 8, Dennis P. Culhane, Stephen Metraux, and Susan M. Wachter recount the city's response to the problem of homelessness. As the magnitude of the homelessness problem emerged in the 1980s, New York, prodded by its judiciary, guaranteed shelter to all who needed it. This unprecedented housing entitlement required the city to establish a set of options ranging from shelters and SROs for single men and women, transitional and permanent housing for families, and supportive care facilities for persons with mental or physical disabilities.

As Kathryn Wylde describes in chapter 3, the city also pioneered the creation of public-private partnerships to carry out a variety of housing and community development projects. These partnerships have combined the efforts of banks, community development corporations, and a variety of intermediaries with the city. By using public resources to leverage private financing and investment, entire neighborhoods have been rebuilt. The housing constructed by these public-private partnerships has been occupied by a broad range of people, including families who were formerly homeless, low- and moderate-income families, and middle-income households. Similarly, in chapter 4, Frank P. Braconi describes the city's innovative efforts to redevelop and privatize city-owned properties in partnership with nonprofit organizations, cooperative corporations, and profit-motivated entrepreneurs.

Not all of the authors of chapters in this book view New York City's interventions in the housing market as benign. For example, Salins argues in chapter 2 that despite revitalizing sections of East New York, the South Bronx, and Harlem, many of the development programs lauded by Wylde have actually destabilized privately owned housing. According to Salins, housing built or renovated with city capital subsidies unfairly competes with "low-end" private apartments for "the limited number of responsible, working, moderate income families willing to live in these neighborhoods." In the end this competition could lead to the future abandonment of housing by private landlords.

New York City's regulatory policies also create difficulties for private sector landlords. Over the past decade, New York City has experi-

enced a rate of new housing construction that is extremely low, both in comparison to historical standards and to rates of new construction in other large American cities. In addition to the aforementioned competition from government, Salins argues that rent regulation bears substantial responsibility for this lack of new housing. In addition to reducing profits and increasing the risk of development, rent regulation establishes the wrong price signals for potential builders of housing. Many middle-income households that would otherwise demand market rate housing are presently living in apartments with artificially low rents. This removes a market incentive for new construction as well as tightening the market for existing housing. In addition to rent regulations, Salins argues that city and state environmental review procedures effectively squelch private development.

According to Braconi and Salins, the city's fiscal policies also make it difficult to operate and maintain affordable housing. In particular, both criticize the city's system of property taxation. Under local law, most residential buildings with four or more units are assessed at a higher proportion of their value than single-family homes. The comparatively higher operating expenses attributable to the property tax system either lead landlords to raise rents in parts of the city where the market will permit such increases or disinvest in their properties in areas where it will not.

In chapter 7, Paula Galowitz critically examines one particularly dysfunctional actor in the city's housing establishment—the Housing Court. The Housing Court was created in 1972 as a low-cost and accessible way for tenants to enforce their rights to decent and habitable housing. Over the years, however, housing maintenance and code enforcement litigation has taken a back seat to landlord actions to evict tenants. Housing Court does not work particularly well for either side in landlord/tenant disputes. Landlords criticize seemingly endless delays in litigation and the allegedly protenant bias of Housing Court judges; tenant advocates complain about the absence of legal counsel for tenants facing eviction and the lack of attention judges are able to give to individual cases due to enormous caseloads.

HOUSING AND COMMUNITY DEVELOPMENT POLICY IN NEW YORK CITY: FACING THE FUTURE

Future changes in federal and state housing policy present enormous challenges for New York City as well as other large American cities. As Schwartz and Vidal describe in the concluding chapter of this

book, Congress and the New York State Legislature have already passed or are considering legislation that will make it more difficult for New York City to maintain its commitment to housing and community development. Some of these changes will directly affect housing built under various federal programs. For example, as Victor Bach describes in chapter 6, New York City's vast stock of HUD-assisted housing is at risk as Congress seeks ways to cut the projected growth in spending that would be required to maintain housing built with federally insured mortgages and rent subsidies. Even if Congress were to successfully restructure the nation's portfolio of privately owned, subsidized housing, landlords in some of the city's stronger rental markets might nonetheless choose to exercise their rights to end their participation in the programs, thereby reducing the city's stock of affordable housing. Budgetary cutbacks by Congress, together with widespread public disillusionment, also will have a tremendous impact on New York City's public housing.

Landlords and tenants alike, both in privately and publicly owned housing, will face tremendous challenges as the recently enacted welfare reform legislation is implemented. Although some provisions have already taken effect, the major impact will occur within five years as households have their public assistance benefits taken away from them. In the absence of the city unexpectedly generating a large number of low-skilled jobs or a migration of low-income households from New York to other parts of the nation, the rent-paying ability of these households will decline. This will have an immediate impact on all sectors of the housing market.

The public-private partnerships portrayed by Wylde are all based on the ability of tenants to pay some rent. This housing stock is frequently not deeply subsidized and will come under tremendous pressure as tenant income declines. Even programs such as public housing that receive operating subsidies from the federal government will be strained as their rental revenues decline. One response, described by Thompson in chapter 5, is for NYCHA to seek to admit moderate-income tenants in place of very low-income households, a policy that Congress has recently facilitated. Although creating a mixture of incomes might have salutary effects for public housing developments and their current residents (Schill 1993), such a change in admissions policy would, no doubt, cause hardship among the city's poor. With fewer apartments available in the subsidized sector and with declining incomes, these households could swell the city's homeless population.

Declining tenant incomes will also harm private, unsubsidized landlords. According to Braconi, in many parts of the city the rents that landlords can charge tenants barely cover operating costs. If tenant in-

comes were to decline these landlords might disinvest in their properties and become delinquent in paying their property taxes and mortgages. In the absence of additional rent subsidies or municipal action to reduce the tax burden on these landlords, the city could be faced with a new wave of housing abandonment. Furthermore, properties once owned by the city and disposed of through its privatization programs could well be in danger of insolvency since many were not underwritten with sufficient reserves to weather a reduction in rent revenue.

There is little doubt that the twenty-first century will bring a range of challenges for housing policymakers, providers, and tenants in New York City, as well as in the rest of the nation. In some respects, devolution and deregulation will create opportunities for creation of just the type of flexible and creative initiatives at which New York City has excelled for years. However, adapting to an era of devolution without resources, particularly for a city with New York's demographic pressures and heritage of government activism, may be the toughest challenge it has yet had to face.

Housing and Community Development in New York City: Facing the Future consists of nine chapters. In chapter 1, the author and Benjamin P. Scafidi examine the forces affecting both the supply and demand for housing in New York City. We then describe the complicated structure of housing tenure in New York and examine the magnitude and spatial distribution of three types of housing problems: poor housing quality, unaffordable housing, and racial and ethnic discrimination. In chapter 2, Peter D. Salins, Provost of the State University of New York, examines the shortage of housing in New York City with particular emphasis on how the city's regulatory environment deters new housing construction. He finds a number of culprits, including rent control and rent stabilization, the city's zoning laws, building codes, and environmental rules.

The next four chapters examine several ways government has intervened in New York City's housing market to either promote the construction of new housing or rehabilitate and stabilize existing buildings. In chapter 3, Kathryn Wylde, up until recently the president of the New York City Housing Partnership, describes how New York City used public resources, including land, money, and tax credits, to leverage housing development through partnerships with financial institutions, community development corporations, and a variety of intermediaries. From her first-hand experience as one of the city's leading housing practitioners, Wylde describes how consistent, replicable models of production were created and examines some of the potential and pitfalls of public-private partnerships. Frank P. Braconi, Executive Director of

Citizens Housing and Planning Council, a venerable institution in New York dedicated to promoting debate and research on development and planning issues, begins chapter 4 by describing the crisis of abandonment that plagued New York City throughout the 1970s and mid-1980s. Braconi describes some of the reasons private landlords failed to pay property taxes and, in some instances, “milked” their buildings. Braconi also recounts an amazing chapter in New York’s history in which the city itself, inadvertently and reluctantly, became the second largest landlord in New York. Braconi describes how New York utilized public-private partnerships to divest itself of many of its properties in conjunction with its \$5 billion capital program.

New York City has also been an eager participant in federal housing programs. In chapter 5, Phillip Thompson, a politics professor at Barnard College and former NYCHA acting general manager, places public housing in New York City in a national context. NYCHA has long maintained a reputation as one of the finest public housing authorities in the nation. Thompson’s critical examination of public housing in the city suggests that this reputation may be at jeopardy unless NYCHA improves its administration and adopts policies that successfully navigate between its historic mission in helping the poor and its desire to maintain a mixture of incomes in its developments. New York City also is home to a multitude of projects built with federal mortgage and rent subsidies, but owned and operated by private landlords. In chapter 6, Victor Bach, head of housing policy research at the Community Service Society, another venerable institution in New York dedicated to advocating on behalf of the city’s disenfranchised population, examines the problems currently facing the stock of HUD-assisted housing. At present, the future of this housing is jeopardized by a number of different factors. Many developments have reached the end of their initial contract periods and Congress, as part of its budget-cutting efforts, is seeking to reduce costs by restructuring finances. If the federal government does not offer developers sufficient incentives to maintain their buildings as subsidized housing, some units could be lost as owners convert units to free-market rentals while others could be lost as a result of disinvestment.

In chapter 7, Paula Galowitz, a clinical law professor at New York University, critically examines the New York City Housing Court, an institution whose impact is pervasive among landlords and tenants alike. Galowitz, a former chair of the Association of the Bar of the City of New York’s Committee on the Housing Court and an attorney who has represented tenants before that tribunal, describes how the court has failed to achieve its intended objective of preserving affordable housing. The

Housing Court's effectiveness has been severely undermined as a result of a number of institutional problems, such as enormous judicial case-loads, a lack of counsel for parties, and a shortage of income among low-income tenants.

Dennis P. Culhane, Stephen Metraux and Susan M. Wachter, professors at the University of Pennsylvania, examine the persistent problem of homelessness in chapter 8. After a description of the emergence of homelessness as a recognized public policy problem in the late 1970s and 1980s, the authors describe the litigation that spurred New York's unprecedented creation of a network of shelters and transitional and permanent housing earmarked for homeless adults and families. They then present the results of research that indicate that the magnitude of the homelessness problem in New York is higher than commonly thought. Their research also suggests that homeless persons and families can be separated into three groups, each of which might require different combinations of housing and social service interventions.

In the concluding chapter, Alex F. Schwartz, a professor at the New School for Social Research, and Avis C. Vidal, a Principal Research Associate at the Urban Institute, describe the future prospects for housing policy in New York City. They analyze how federal and State cutbacks in housing program budgets are likely to impact New York's stock of affordable housing. They further speculate on how emerging changes in social welfare programs are likely to affect landlords and tenants in the City. Schwartz and Vidal conclude their chapter by suggesting ways in which the city of New York can assist housing providers in weathering a future, which is certain to present major challenges.

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