CONVERSATIONS

WITH LEADERS OF

THE NEW YORK CITY

REAL ESTATE AND

DEVELOPMENT

COMMUNITY

Celebrating the 50th Anniversary of the National Housing Act:
Past Trends and Future Policies

B AR U C H
COLLEGE

School of Public Affairs

May 12, 2000

Conference Organizer:
Professor John Goering

Funding provided by
The Fannie Mae Foundation, Washington, DC
The Lavanburg Foundation
The United Way (New York chapter)
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CELEBRATING THE 50TH ANNIVERSARY

OF THE NATIONAL HOUSING ACT:

PAST TRENDS AND FUTURE POLICIES

Friday, May 12, 2000

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CONTENTS

Conference Overview ......................................................... 1

Opening Remarks .............................................................. 3

John Martinez: “The Good and the Bad of the 1949 Housing Act” .............................................. 4

Panel Discussion
  Roger Starr: The Role of Robert Moses ......................... 15
  Phil Thompson: Slum Clearance and Displacement .......... 18
  Peter Marcuse: Multiple Roles of Public Housing .......... 22
  Edwin Melendez: Concentration of Poverty, Home Ownership, and Social Capital ......................... 26

Felice Michetti: “Is the Past Really a Prologue?” .................. 29

Awards Ceremony ............................................................. 35

David Jones: Introduction to the Afternoon Session .......... 35

Michael Stegman: “Housing Policy and the New Economy” ...... 36

Panel Discussion
  John Mollenkopf: Family Income ................................. 50
  Gregg Van Ryzin: Supply and Demand ......................... 50
  Michael Schill: Subsidies ........................................... 51
  Frank Braconi: Building vs. Preservation ..................... 52
  Naomi Bayer: Private Capital ..................................... 53

Richard T. Roberts: “What Are the Best Directions for Housing Policy for New York City?” .................. 55

Biographies of Housing Conference Participants ................. 61
CONFERENCE OVERVIEW

After brief opening remarks from the conference hosts and organizers, John Martinez gave a history of the Housing Act of 1949 with particular focus on its impact on housing policy in New York City. He shared his views on the interrelatedness of housing policy and social policy and described how our national, regional, and local housing priorities have changed over the past 50 years. Among other factors, he discussed:

- Federal vs. state and municipal determination
- Public housing for the very poor vs. working families
- Renting vs. home ownership
- Concentration of poverty
- Subsidies: vouchers and tax credits
- The impact of the economy on housing and particularly on public housing
- “Aging in place”

There followed a panel discussion of Mr. Martinez’s remarks and of the history and current status of the 1949 Housing Act. Slum clearance was a particular focus of many observations. Specific issues addressed included:

- Displacement and relocation
- Racial diversity
- Battery Park City as a case study
- Housing policy as social reform
- Growing economic polarization
- The elderly

A historical commentary was then given by Felice Michetti, followed by a question-and-answer session. The presentation and discussion made the point that the 1949 Act was more an effort about economic revitalization than about housing per se. It analyzed the federal, state, municipal, and private-sector roles in public housing in New York City, giving details of the city’s “10-year Plan,” initiated in the Koch administration. It also addressed the issue of slum clearance and displacement vs. community revitalization, income mixing, the need for long-term financial commitment, and, finally, predictions about housing policy in the next decade.
After a lunch break, the School of Public Affairs presented its annual Public Affairs Award for Distinguished Service to the New York Community to Ms. Clara Fox, for distinguished leadership in the provision of affordable housing in New York City.

The afternoon keynote address, titled “Housing Policy and the New Economy,” was delivered by Professor Michael Stegman.

The panel discussion that followed covered such topics as:
- Housing in the present economic boom
- The unemployed (and unemployable) vs. the working poor
- Financial partnerships
- Building vs. preservation
- Homelessness
- The role of public perception and media attention
- Tax incentives: pro and con
- Rental vs. home ownership

“What Are the Best Directions for Housing Policy for New York City?”, an address by Richard T. Roberts, covered the challenges of housing policy in New York City over the last two decades, with emphasis on current issues. He proposed a number of priorities, including:
- Quality of construction
- Preservation of existing stock
- Incentives to private investment
- Strategic targeting of development
- Creative identification of target sites

A brief question-and-answer session concluded the conference.
OPENING REMARKS

Then-Baruch College interim president Sidney I. Lirzman (now vice president and dean of the Zicklin School of Business) opened the conference with the observation that “issues of housing are always at the forefront in New York, and the convening of this assessment of the impact of the federal act is much needed. And it’s particularly relevant to us because the School of Public Affairs houses a major real estate and metropolitan development education program, and we’re fully engaged in this inquiry.”

Stan Altman, dean of Baruch’s School of Public Affairs, underscored that the impending massive turnover in city government, occasioned by term limits, made this an especially critical time for taking a fresh look at the city’s housing situation. He invited participants “to get engaged in the first series of dialogues about how we really begin to rethink and reshape housing policy going forward.” He then acknowledged the sponsorship of the Fannie Mae Foundation, the Lavanburg Foundation, the New York chapter of the United Way, and the Surdna Foundation.

Conference organizer John Goering defined the purpose of the conference as “a joint celebration of the 50th anniversary of the 1949 Housing Act and the 65th anniversary of the First Homes program of the New York City Housing Authority.” He then set the stage by observing a contrast: on the combined waiting lists of the City Housing Authority and HUD Section 8 there are 300,000 names; concurrently, HUD Section 8 funding would provide 100,000 housing vouchers this year— for the entire country. He described the federal response as “atrophied.” In reviewing the history and present status of public housing, he encouraged conference participants to focus on federal, state, and local issues.

Dr. Goering then introduced the morning’s keynote speaker, John Martinez, chairman of the New York City Housing Authority.

When you look at the history of affordable housing in New York City, the real question, more than how federal housing policy has impacted New York City, is how New York City has impacted federal housing policy. The Housing Authority was created in 1934, and we were already trying to produce housing before the 1937 Housing Act was created. From 1937 to 1950, we had already established a track record and philosophy that reflected European models of affordable housing and gave the Housing Authority an opportunity to manage like a private-sector entity. NYCHA carefully screened individuals before it allowed them to move into the public housing. While in some respects the ’49 Housing Act actually created more problems than it solved, it was an attempt to respond to the real need for housing after World War II. There had been an effort in the late ’40s to create military housing, and New York had three developments that were built under that concept, but they went to senior defense employees and not into an affordable housing mold.

As I look at the ’49 Housing Act, I see a recurring theme in the housing legislation that followed—a concurrent give and take— as the Act created an opportunity for governments around the country to create local housing authorities and created a financing mechanism that included general parameters for qualification. One of those parameters provided for local determination: local governments could assess the needs in their communities and make a decision about creating a housing authority to address them—first, to show that there was no viable way that a private enterprise could produce housing; and second, to show that there was a gap of at least 20 percent between the highest rent that could be paid by somebody in the public housing arena and the lowest rent available in the private marketplace.

"Congress creates a statute to resolve national issues and then says, ‘We want local initiative to be the driving force.’"
In 1949 it may have been difficult for some communities to really exhibit that 20 percent differential, so the Act probably targeted only a dozen communities—large urban centers that were already beginning to experience some serious housing issues and needed to address them. However, eligibility for funding under this new scheme mandated that every contract made under the Act had to be for a low-rent housing project and could only be initiated after March 1949. It also required the local public housing agency to fix maximum income limits for admission and for the continued occupancy of families in public housing.

So the Act gave local autonomy, which sounds really great. But then in the next section it says that public housing “shall not discriminate against families eligible for public assistance and shall give preference to families having the most urgent housing needs.” Next, it says that “the housing authority shall make periodic re-examinations of the net incomes of tenant families and ensure that their incomes have not increased beyond the maximum income limits that have been set by the housing authority.”

Now, I’m not trying to say that there is anything wrong with trying to target the most deserving population segment, but it’s interesting to me when a federal entity—Congress in this case—creates a statute to resolve national issues and then says, “We want local initiative to be the driving force.” But then, in order to ensure that the local initiative conforms to national policy, it tries to constrain the local initiative. I think that’s part of what we have to address when we talk about housing issues in the United States and particularly here in New York City.

I thought the ‘49 Housing Act was a fairly good attempt to begin looking at issues in certain urban areas because it was really designed to deal with slum clearance. It was an attempt to ensure that, in the major metropolitan areas, slum clearance would not shift the pre-existing population to the suburbs. It mandated that displaced people had to be returned to units built in the slum-clearance area. Ironically, however, what it really did was take a ghetto of sorts and ensure that it would be reconfigured in a more modern setting. It did nothing to really address the social issues at the root of urban decay.

As I look at housing policy, I continue to be surprised that we focus more on the outcomes and less on the issues that lead us to those outcomes. When I
look today at where the ‘49 Housing Act was trying to take people, I find it interesting that the current HUD philosophy is to emphasize de-concentration. HUD now wants to take the groupings that were created as a result of the ‘49 Act and disperse them into the broader population. It doesn't want a concentration of the poorest of the poor in one area; it wants to move them out— even into the suburbs. I say “even” because Section 8 certificates were offered to people to encourage them to move from the areas where they had lived their entire lives— where their support networks were, where everything that was important to them was— and relocate them in an area that had a lower poverty rate. This was intended as a solution to some of the social distress that existed in public housing and in the community in general.

Today, if you do a production program that uses federal money, you have to deal with this attempt to shift away from the policies that were created in the 1949 Housing Act. While it’s appropriate that we look at that, I think it’s also appropriate to recognize that we cannot try to create solutions based on an assumption that one size fits all— that we need to begin to look more at what’s necessary to address the needs in a particular community. If you look at the housing authority in New York in the ‘30s, you’ll find that more than 50 percent of the residents were working families who were self-sufficient and that there was a very tight screening process to ensure that they didn’t need a subsidy from the federal government.

In New York, about 33 percent of our units today are not occupied by working families, and housing authorities around the country have dropped into single digits as a result of this kind of mandatory shift. We must assume today that we can no longer rely on a federal partner, that we can no longer rely even on a state partner, that we have to become economically self-sufficient. To do that, we need to encourage, at the Congressional level, a continuing development of tools that can be used by public housing agencies. To that end, the Quality Housing Work Responsibility Act encourages a more entrepreneurial approach,

“When you ask an organization to be entrepreneurial, you have to assume its management has experience and technical knowledge.”
but it's an approach that goes along with the overriding theme of give and take that I mentioned in my opening.

When you ask an organization to become more entrepreneurial, you have to assume that its management has the experience, background, and technical knowledge to evaluate new models and determine long-term feasibility and appropriateness. I can tell you from personal experience that's been the biggest challenge in trying to work with HUD at the federal level: new ideas have often been met with responses like, “Gee, we've never done that before.” It takes months—sometimes years—to convince them that it can be done at no additional cost to the federal government.

I think it's very important for us to look at what we can do with respect to our housing partners. In New York, there are a little over 161,000 units financed though the federal program. We have about 20,000 units financed between the state and the city: 12,000 by the state, 8,000 by the city. Three-and-a-half years ago, the governor of New York State determined that he was not enamored of public housing financed by the state, so a unilateral decision was made that New York State would no longer pay a subsidy to state-funded public housing.

That policy creates an interesting dilemma: while the state is paying the debt service—because it's on the hook for the bonds it issues—it's no longer providing the day-to-day operating subsidy and trying to force privatization of housing authorities around the state. I have first-hand experience with that: I actually helped privatize one of the first such deals in New York State, when a local housing authority couldn't continue to finance its housing. In New York City, we have lost $42 million in the last three-and-a-half years as a result of that decision. That situation creates some stress on the environment, because we can't take federal money and put it into the state programs, so we have to find unrestricted reserves and alternative financing mechanisms for those 12,000 units that will allow us to take the program away from the state.

The federal government may actually be helping us indirectly because of the site standards established years ago to restrict where you could build public housing. We had about $230 million in development money that couldn't be used in New York because we couldn't meet HUD's site standards.
Consequently, we were able to negotiate a conversion of that money to federalize some of the state- and city-funded developments.

There was a requirement that we spend about $3,000 per unit in order to federalize those developments. We have moved in that direction with a portion of them and are now moving in that direction again, because two years ago federal law created another opportunity for New York State to federalize additional units. If we’re able to complete that successfully this year, we will reduce the total number of state-funded developments affected by the governor’s decision to a manageable level. That will allow us to say to the state, “If you’ll work with us for about five years and be creative, we can take away your long-term financial responsibility to pay bond debt for the next 20 years.” That’s the kind of thinking that housing authorities around the country need to begin looking at.

Let me give you a general sense of where we are at the New York City Housing Authority and what we are doing to address some of the issues that are by-products of a housing policy at the federal level. Three or four years ago, our population was down to 30 percent working families, and now we’re now up to 33 percent. That increase was a result of our going to HUD and requesting authorization to bring in working families under a preference. HUD gave us that authorization, and we ended up in court immediately thereafter because of questions about possible negative results from that sort of a shift in policy. We were successful in resolving that as it related to all but 21 of our developments. Those 21 developments are under a separate federal decree, and we’re working through those. For every two vacancies, we will now bring in one working family and one family from our traditional waiting list. That will begin to change the very fabric of public housing in the city.

The first criticism that we’ve heard is that we’re walking away from our commitment to provide housing for the poorest of the poor. Our response to that is, we’re not walking away; we’re committed to maintaining the same number of assisted units. The question now is, do we have to own those units to ensure the availability of affordable housing? For almost two-and-a-half
years, we’ve worked with HUD to create a program that would allow us to take
the subsidy that would have been paid to us for units that were demolished—
units that may have been sold to the tenants under a co-op program, or units
that no longer needed a subsidy—and go out into the open market and negotiate
a master lease with a private owner for a term of 25 to 30 years. By contract,
those units would become public housing, subject to all the rules and regulations
of public housing eligible for subsidy. Such a program would in essence return
us to the days of the 236 program, in which we had a project-based subsidy
that was not Section 8.

We now have authorization from HUD to do this. We’re getting ready to
release a request for proposal for a pilot initiative that will allow us to begin
gauging the reaction from the private market to bringing public housing into
the community rather than having it localized in developments that we own
around the city. That’s not enough to address the overall issue, because we
know that there’s a lack of affordable housing in the city. The standard that
was used in the ’49 act is interesting in its view of a 20-percent gap between
the highest amount that somebody pays and the lowest rent. In the current
market, just in Manhattan for example, we have households that, at 30 percent
of their income, can afford up to $400 or $500 a month. But the lowest rent
that you can probably find in Manhattan for a two-bedroom unit would be
$1,500 to $2,000. So that 20 percent gap is easy to quantify today. Because
the housing market is so hot right now, none of the construction going on is
for the affordable market. People are using private activity bonds, and maybe
20 to 40 percent of the units are being set aside as “affordable housing.” But
the rents are not pegged to household income; they’re pegged to a standard that
reflects the 50 to 60 percent of median income paying 30 percent. In other
words, it’s not really affordable housing—at least not as it relates to hundreds
of thousands of families in New York.

We have attempted to look at ways that the housing authority can con-
tribute solutions to the affordable-housing problem. In order to explore that,
we have to look to the days when the prevailing housing philosophy nationally
was the “tower in the park” concept, in which there were many acres of land
around a few high-rise buildings. In looking at current zoning restrictions,
we’ve identified an opportunity to build additional housing because we were
nowhere near the total capacity—the floor-area ratios used by the city zoning codes. We have tentatively identified 23 sites where we can put between 250 and 350 additional housing units—sites where we have an opportunity to change the economic mix of public housing and impact that immediately, as opposed to the slower process of building new housing to meet working-family preference.

As we looked at that concept, a couple of things became very obvious: one is that it's not just about building housing; it's also about trying to address some social issues that were left out when the housing was built years ago. One of those issues is the availability of retail and commercial facilities. We've looked at the retail-commercial corridors, and we've identified where an extension of that quarter logically relates to a proposed redevelopment initiative. We have initiated conversations with the city's planning commission, where there's a great deal of support for incorporating retail and commercial space into our housing developments. That has positive impact in many ways. It makes life support immediately available so people don't have to travel to get basic necessities like milk and bread. It also means job opportunities. It means you can increase the tax base and change the entire fabric of a community—not just a public housing development but the neighborhood around it as well. We can create a stepping-stone, from high-rise down to those that are four or five stories tall and built out on the property lines rather than in the interior like those “tower in the park” projects. We can create a transition zone that maintains scale that people can relate to and doesn't create a visual shock.

We know that, in the next five years, we could develop 2,500 additional housing units and several hundred thousand square feet of retail and commercial space. We are not at all convinced that, in doing this, we are going to get support from the state in using the private activity bond cap, because the private activity bond cap is the hottest commodity, the most sought after and competitive process available right now. We're really trying to evaluate other ways that will allow us, as a public entity, to use capital markets to facilitate the production

In New York City, we have an advantage because we own the land, and land is the most expensive commodity in trying to produce housing.”
of housing. That would mean that we would really be structuring mixed-income financing in a way that was not originally contemplated by HUD, which saw a mixture of federal resources brought to the table. We're contemplating an approach that includes a combination of commercial rates and tax-exempt rates.

To give you an example, our first development could potentially be 100 percent market-rate housing, and it could be financed with tax-exempt financing. To which people say, "What do you mean, tax-exempt financing? It's market-rate housing." But there are provisions under the tax code that allow you to develop something because it's important to the community from a public-policy perspective and could not be done by the private sector to accomplish the public-sector goals. You can actually issue tax-exempt financing to accomplish that. So we're looking at that as a vehicle to produce affordable housing.

Now, we have an advantage in New York City because we own the land, and land is the most expensive commodity that you have to deal with in trying to produce housing. In looking at the land costs and the available financing tools and assuming that we have to be almost completely self-reliant, we believe that over the next five years we can produce 2,500 units and hundreds of thousands of square feet of retail and commercial space. But it's not enough to talk about producing housing; we also have to talk about how to preserve the housing we have. Under federal programs, we're receiving between $350 million and $400 million a year in capital-improvement money to maintain existing housing. As a result of long-term housing policies and the roller-coaster ride that you get with funding over the years, we have an unmet capital need of $7 billion in our federal program and $1 billion in our state- and city-funded programs. There's no way that we can ever dig out of that hole.

When I talk about an unmet capital need, I'm not talking about life and safety issues or buildings collapsing. I'm talking about modernizing apartments that were built 30 and 40 year ago so that they make sense in today's environment—trying to upgrade the wiring and the water and sewer lines because the infrastructure is getting old. So, we've been evaluating ways to leverage capital dollars to produce money to address some of the most egregious issues and to do this in a way that doesn't tie up a huge portion of our resources. In the early analysis, we believed that we could issue between $1 billion and $1.5 billion in bonds to address some of our capital needs and use some of the money for a
new production program. Out of that $350 million to $400 million a year, we would only commit about $175 million a year for debt service over ten years. So, by bringing this additional equity to the table, we could actually move forward fairly quickly to address a whole series of issues and facilitate development of housing without minimizing our flexibility in opportunities.

We believe we have a whole array of tools available to us, and as we continue to look at issues away from housing production, we begin to see ways that we can save money internally. We have initiated for the first time ever a project-development-based budgeting system, in which, starting July 1, we will have a number of major developments and major departments going through a zero-based budget process and looking at what it really takes to operate the housing we have and what resources we actually need to maintain a department, to provide computer support and to provide finance and accounting support. Over the next three years, we believe we can use this mechanism to reduce our operating budget by about 15 percent, without significantly changing the level of service provided.

I say that based on my work with other organizations and on discussions with financial analysts. We’re confident of this forecast because we’ve seen that, when an organization grows without a master plan or without real department-based budgeting, the result is a duplication of services and the operation is less than efficient.

So we’re very optimistic. When I talk about 15 percent, generally people say, “Well, what’s the big deal? That’s not a lot of money.” It’s $300 million in our operating budget, and $300 million, along with other initiatives like bringing in working families up to 50 percent, will generate over $125 million a year in new revenue.

Now, let’s go back to the give-and-take philosophy. Currently, there’s a negotiated rule-making process under way with HUD, and part of this new philosophy is to encourage an entrepreneurial environment. With 3,400 housing authorities around the country, some of which really don’t have enough
resources to be viable, HUD wants to create a Robin Hood environment in which the largest housing authorities lose a portion of their operating subsidy right off the top and have it reallocated to the smallest housing authorities. Plus, as you generate new revenue through rental income, you create a rolling three-year base, so that you lose a portion of that revenue each year. So there's a give-and-take environment that requires the housing authorities to become even more creative and to find even more interesting ways to work within the system and continue to grow without having to worry about the next step from their federal partner.

Let me focus on two remaining issues that are very, very important and pertain to the resident population. One of our big issues is welfare-to-work. We have 40,000 families in public housing today who are at risk of losing benefits under the Temporary Assistance for Needy Families program. They're two-and-a-half years into that program, so they have two-and-a-half years to finish their training programs and find permanent employment. We're not optimistic that we're going to be successful, even though we have a lot of programs under way. We're working with a lot of not-for-profit and for-profit entities to generate training programs. So, if they lose their benefits, do they lose their housing?

Our board has adopted as a matter of policy a rent program in which, if you play by the rules— if you do everything you're supposed to do to try to transition into permanent employment — and you lose your benefits for a reason to which you did not directly contribute, then we will allow you to live, for free, in public housing. You have to make a commitment at that point that you will continue to work with us to get permanent employment, but you will pay zero rent. If you break the rules that the Human Resources Administration or the federal government has established under welfare-to-work programs, then you are at risk of losing your housing. We are really going focus on housing those people who are making an attempt to make that transition, not people who have decided that this is just another federal program in which somebody's going to step in like a white knight and save them. It's a tough decision to make, but it's an important decision because, long-term, we have to facilitate an opportunity for our residents to move into the work force and become a positive part of the fabric of the community.
The other very important population issue is “aging in place,” and it's an issue that isn't going to save money—nor is it going to generate new housing. But if we don't do something to address aging in place, in the Housing Authority as well as in the community, we are going to find ourselves facing a new set of problems in a way that none of us has anticipated. The Housing Authority has over 70,000 seniors living in public housing. Only 9,000 of them live in seniors-only buildings. The aging process is such that, at some point, people become forgetful and less capable of taking care of themselves. They cannot perform the activities of daily living that we all take for granted. When that happens, they are potentially dangerous to themselves and to the people who live around them. If you have a gas stove, and you turn it on and forget that it's on and the flame isn’t burning, you can cause an explosion that will kill you and your neighbors and cause significant property damage.

So we've embarked on a program that has a three-pronged approach. One is to offer to support community-based organizations that are applying for funding through a notice-of-funding-availability for naturally occurring retirement communities (NORCs). We're optimistic that we'll have 4 or 5 of the 12 or 14 submitted applications actually funded, and that will create one potential approach to the issue. We executed a contract with Mt. Sinai Hospital at the end of 1999 to look at 12 developments in East Harlem from two perspectives. One is the unmet health care needs of our seniors, and the other is those support services needed to help them live independently for as long as possible. That's the second model that will give us more data and help us evaluate how we move forward. The third is going to those family developments where we have concentrations of seniors and determining what it will take to physically reconfigure either a building or floors within a building to move seniors into an assisted-living environment where support services can be provided.

These are very interesting challenges. We have wonderful opportunities, and I think that, in spite of the give-and-take philosophy that has existed intentionally or unintentionally at the federal level, we here in New York have developed the tools to move forward, address affordable housing, preserve the housing stock that we have, and ensure that individuals still looking for housing have some hope of getting housing in the near future.
Roger Starr: The Role of Robert Moses

Title 1 of the National Housing Act of 1949 is really the naughty boy, the one that gets blamed for everything because it's about slum clearance but not about what's going to take their place. At least in the low-rent housing program, Title 3 of the Housing Act, the idea is to build new housing for people of very modest income and to subsidize that with federal grants. Fine; but for every new apartment built in public housing, a unit has to be destroyed. The total of new housing units has to be matched by the disappearance of old buildings, by whatever means. We forget that aspect of it: the mandate that we not increase the amount of housing through the low-rent housing program.

The slum clearance program was initiated by the adoption of the National Housing Act of 1949. It is Title 1 of that act. New York City responded almost immediately by establishing something called the Slum Clearance Committee. It seems to me that the first political mistake of that process was labeling people as living in a slum. Their first reaction to that is to protest against it, to say, "If you think our place is a slum, fix it up; don't destroy it." In fact, however, there are areas that are counterproductive; there are areas in which the human mix isn't working properly, where crime is excessive, where the buildings are in very bad shape. There is good reason for wanting to replace these areas, by clearance if necessary, by new construction, by change from residential to industrial or commercial.

The City of New York appointed Robert Moses chairman of the Slum Clearance Committee. When you put in charge of clearing space somebody with the energy and the self-confidence and the skills and the political ability of Robert Moses, some people are bound to be hurt, to object to his manner, to feel that
they're getting the worst of the bargain. Moses gave off that image. I happen to have seen Mr. Moses close up, and I noticed that he took his hat off and bowed whenever a member of the female sex entered the elevator, and this occurred whether the female was of the human race or was simply a little poodle.

Mr. Moses had certain soft spots, and he certainly had soft spots when it came to Long Island. He used to coddle the wealthy people who wanted nothing like Jones Beach, for example. He offered them all kinds of things—curious things—that they wanted. He treated these wealthy people as though they were somewhat retarded children, so they'd say, "Bob, we'll go along with Jones Beach if you bring the trees from our estate on the South Shore across the island to the North Shore and replant them in our new home up there. It's a beautiful place, and these are wonderful trees." Moses would then say, "Yes, I'll do it," but when he got the trees uprooted, he discovered that there wasn't a single north-south road on Long Island on which those trees could be transported. He had to get barges; he had to get tugboats, and he towed those trees all the way around the end of Long Island to the north and was able finally to replant them on the North Shore. Such a man can't be all bad.

Moses faced the problem of finding the areas that had to be rebuilt, to turn areas that were non-productive into decent human homes or businesses that created wealth. He understood something else that became a big bone of contention between the Slum Clearance Committee and many very literate and vocal activists: He believed that the way to produce something good was to find a group—a union, a private builder, an association of some sort—that would take responsibility for a decrepit area. His idea was that the city would clear it and then turn it over to some group that could produce results, whether it was a housing project for people of low income or a project of luxury housing that would throw off money in the form of substantial taxes. He made these arrangements in advance, and a lot of people objected to this. A lot of people didn't want the land to be cleared because that meant they'd be moved. But there was general acceptance of the need for clearance, and many people demanded that he auction off that land to whoever paid the most money for it, and Moses refused to do that. He was accused of acting illegally, but the courts supported him, so he went ahead.
In order to redevelop an ailing piece of land in a city that has to use every bit of its surface productively, what do you do about the people there? Moses said he could relocate them. He told me on many occasions that hap-
hazard relocation would not work. His scheme was to go out on vacant land in Rockaway and put up some buildings there. Then he would identify an area in Brooklyn that was decaying badly, and he'd say, “I'll build some housing in Rockaway, and I'll take the people from the first three buildings in Brooklyn and move them to the first three buildings in Rockaway. Then I'll demolish those three buildings in Brooklyn and build new buildings on that site. And then I'll demolish the next group of buildings and so on, and everything is going to work out fine.”

I told him I thought that was an impossible scheme. That was trying to treat human beings like parcels in a baggage room, that some people might want to go to Rockaway, but that certainly didn't mean that all the people in that particular area of Brooklyn wanted to go to Rockaway, and there was no way of knowing ahead of time whether the people in each set of houses that he prepared to demolish really wanted to be moved to this new area. The fact of the matter is that, in relocating people, you can't help but injure some, disappoint others and bring satisfaction to some as well. It's a very difficult job, but unless you can find virgin land, it's a job that has to be done.

Battery Park City is a very interesting example of virgin land. Ninety-two acres have been built there, and we are still arguing about what kind of housing should be put up in Battery Park City. The fact of the matter is that Battery Park City is very expensive. It cost a great deal of money to build—to transport the sand from the bottom of one part of the harbor and pump it out at the Lower West Side of Manhattan, to provide the pilings that would go through the sand and, beneath the sand, the glacial fill and other elements between the top of the river and the hard rock underneath the river, the mica schist, to which the pilings had to be attached to hold up the buildings—all of that was a very, very expensive proposition. But the place could attract people who were willing to pay that, and in theory, would be a joint venture between the City and State of New York, under which the net earnings of the Battery Park City Authority, a government agency, would be used by the City of New York to rehabilitate or build new housing for persons of modest income.
You can argue both sides and never find a resolution to this. Some believe, as I do, that the most expensive land should be used to produce taxes, which help construct, rehabilitate and remodel low-income housing in the city, and others will argue that it's more important to put low-income people together with very wealthy people because this will make a sounder community. I'm not going to argue that issue because I don't know the answer. The issue here is to try to find a way to effect the greatest improvement not only to the Lower West Side of Manhattan but also to old and decrepit housing in general.

Now, I'm not naïve; I know that the people who run Battery Park City, who worry about its possible decline and about the need to keep it shiny and bright, are going to hang on tight to the money they need to keep Battery Park City what it is. And the people who want the money to be used for low-income housing in the City of New York are going to say that Battery Park City is hanging onto too much money. This is the kind of situation we really have to face straight on. There is no perfect answer, no perfect solution to using the goods or the wealth that's produced in one part of the city for other areas of the city that need help. The idea of Title 1 in the first place was to use a piece of land to improve conditions not only on that piece of land but also on other pieces of land. And if we can find a happy solution to all of this in every case, we will have achieved something quite remarkable.

**Phil Thompson: Slum Clearance and Displacement**

Many of us who remember the '70s and '80s think about communities like Harlem as economically depressed places, and that's not entirely accurate anymore. Many low-income communities are experiencing significant private investment right now. Harlem is one of those. And in the South End in Boston, it's not what it was twenty years ago; in the Bay Area of San Francisco, the old low-income neighborhoods are gone. Downtown Oakland right now is being totally transformed—an area where they used to make movies about gang shoot-outs.

Twenty years ago, we would have seen this as a good thing—that we had made these communities once again attractive to the private market. There was a lot of rhetoric then about needing to get these communities stabilized.
and moving and then, at some point, to attract the private market. And now it's happening.

On the one hand, this is cause for celebration, but there's a negative side, which is displacement. I serve on the board on Harlem Community Congregations, Inc. (HCCI), which is a coalition of 96 churches and has a CDC. This is their number-one concern now. They worked hard initially at trying to attract investment, and now they're concerned that their senior-citizen church members will be displaced and moved out of the neighborhood. They're worried, ironically, that the empowerment zone will gentrify the neighborhood so that people can't live there—the people who have weathered the hard times and fought to make it an attractive place for private business.

They've fought to bring down crime, to stabilize the neighborhoods, to fix up the parks, to work with the kids, and then as a result of all that, they get pushed out of their neighborhood because they can't afford to live there. That's the dilemma they're grappling with. It's like you're hitchhiking; you say, "I need a ride," and then here comes an 18-wheeler and, boom, flattens you right over. You say, "I wanted a ride. I didn't ask for this."

"You say, 'I need a ride,' and along comes an 18-wheeler and boom, flattens you right over."

So how do we deal with that? Is it possible to do development without displacement? I think it is, and I want to argue that the effects of displacement are still not widely known. I keep coming across articles that say, in effect: "Well, just take all the poor people and sprinkle them in the suburbs or in some other neighborhood, and everything will be fine." Politically, I don't understand where that comes from; it minimizes the importance of social networks and institutions that actually sustain poor people.

I have been working with public-health researchers who tell me that they can take a map of urban renewal and pinpoint the locations of problems related to drug abuse and mental health. They claim that urban renewal programs have a dramatic effect on social networks and the social fabric—the support networks that poor people rely on—and that these effects are continuing and multi-generational. That's actually not surprising to me: I'm the son of a preacher,
and I remember when urban renewal came through Philadelphia and what it did to my dad’s church. People don't understand what churches are. I saw a public policy proposal just recently that said, “After you move everybody to the suburbs, they'll have access to schools and churches out there, and those churches have more capacity.” When you think about what a church is, that’s ridiculous.

In my dad's church in Philadelphia everyone was from Rice, Virginia. They migrated to Philadelphia in networks, and the ties in that church went back 100 years. People asked why there wasn't homelessness in the '50s and early '60s. There surely was a housing shortage; there surely were problems of affordability and income. The church was very active in taking care of people, and 100 years of relationships made sure everybody was taken care of. If a kid was going the wrong way, people pulled him in. But that just didn't happen overnight; those relationships got built over time. We've found that a lot of those relationships actually exist in some public housing developments, so we should be really careful in our proposals when we think about moving people around.

I do think it's possible to do development without displacement, but it requires different tools and strategies from those used in the past. In the case of HCCI in Harlem, for example, what they need is not a subsidy from HPD to lower the purchase price of a unit in a development; they need site control and ownership of a site in a marketable area. They can then use that to leverage financing and ensure that a portion of the new development remains affordable. There are all kinds of new tools that can be used, but the process requires new thinking, new strategies, particular to this market and these neighborhoods—not a one-shoe-fits-all kind of approach. I would also argue that there are unexplored possibilities for development right now— for development without displacement— much grander than 2,500 units over the next several years.

For example, I don't understand why in this market the entire Lower East Side can't become a Battery Park City— but an integrated Battery Park City, economically, racially, functionally. Revenue from the new development would not go to fill the coffers of the state and city budgets, which is what the Battery Park revenues are used for; rather, money would go back into that neighborhood to subsidize, to put the residents there now into new housing and provide job training and other opportunities for people who live in those buildings now.

Red Hook, the Far Rockaways, 86th and Amsterdam, Lincoln Center,
Grand Houses, 125th Street—all those sites are in potentially very marketable areas, and this is the time to do it. All kinds of plans and developer RFPs have gone out and come back, but the market wasn't right. Now, the market is right to do many of these things, but it requires vision to make it happen. It also requires good design and very good management, and it presents some big challenges.

I personally believe that the only way we can solve the really big problems in society—like lack of integration, like inequality—is to plan for integrated neighborhoods. If we can't do that, we can't solve the truly divisive problems in our larger society.

One of the biggest challenges is the climate of government intimidation that affects many poor communities across the city now. Many people fear the development process because they think there is no way that government affinities will listen to them. They're scared of government right now, and that has to end. And we have to stop real estate “fire sales” like those happening in Harlem, which blocks larger planning, larger visions of what could be done, for example, between NYCHA and some of the vacant properties that HPD or other agencies control. We need to stop such sales so that thoughtful planning can take place.

One way to increase the trust on the part of residents in these communities and public housing developments is to bring more partners to the table who will think about the future of this city. I'm thinking about unions, many of which have majority memberships of low-income women who live in these neighborhoods. These unions are trying to find ways to be more relevant to their members, and many have significant pension investments that could be used for some of these housing developments.

Environmental groups are another potential partner. We need the more empowered community organizations, CBOs, and tenant groups, in conjunction with local colleges, to become better players in the development of the future. There are many institutions in the city with lots of experience that can make this kind of planning possible. This is a community-building approach, with all issues brought to a common table. This would include, for example, our drug enforcement policies and state drug laws, which are incarcerating huge numbers of people in the neighborhoods. They're taken to jail mainly for
non-violent drug offenses, and there they get great training in crime. When they return to their communities, they have no work experience and no work opportunities; they're uneducated and have no eligibility for education, so there are huge absorption problems in these communities.

We need to find ways to bring all of these issues to a common table and to involve the city's major institutions. Then we can actually plan a different New York for the 21st century. I actually feel very encouraged about the possibilities, provided that the leadership is there.

Peter Marcuse: Multiple Roles of Public Housing

I want to tell you about the figures from the Housing and Vacancy Survey that has just come out for New York. New York City does a small but very careful sample study. The census does it for the city in connection with rent regulation, and it's been done every year for decades. In a project at Columbia, we decided to look at those figures a little differently this year to see what it would take to solve the housing problem.

We calculated the number of units that would be needed to get the vacancy rate up to five percent, which has been generally accepted as the normal vacancy rate. How many units it would take to solve the overcrowding problem. (By accepted standards, 11 percent of all households in New York are now overcrowded.) How many units it would take to deal with doubling up. How many units it would take to deal with maintenance deficiencies, deterioration, dilapidation. How many units it would take to provide permanent housing for all of the homeless. Then to look at the cost of that, and to look at the cost to make housing affordable for those who are now paying more for it than they can afford.

The number of housing units needed is about 450,000. The dollar amount is about four billion. I want to give you a very brief capsule history of public housing and to do it in terms of three images. One is the image of public housing as the noble experimenter. The second is the story of public housing as a beleaguered foot soldier. And the third is of a cork.

The history as noble experimenter is probably the standard one within the housing reform movement. It presents that history as the effort in the '30s to deal seriously if somewhat belatedly with the problems of housing for the poor
— at that point, the employed poor with income checks—to provide good, decent housing and a decent environment, including health clinics, child care facilities and so forth, a really decent environment.

This noble experiment was cut short when the priorities of the war took precedence, and the experiment was converted to providing housing for war workers. After the war was over, the appropriate priority for the experiment was to deal with the heroes who had served in the war, to build housing for veterans. This was the point at which city and state projects were well built and well designed to provide appropriate housing for heroes. Then, with Title 1, the issue of slum clearance became conspicuous, and an approach was developed, with a major increase in federal funding, to provide housing that would not only help solve the housing problem but also improve neighborhoods and clear slums.

There was a backlash to that, a protest movement. The experiment needed to deal with and took on the issues of civil rights, of racial discrimination, of equity in housing; it changed some of the physical approaches that public housing took to building, provided very high quality housing, housing with dignity; housing that, in retrospect, was probably the most expensive public housing ever built. With the decrease in the strength of the civil rights movement brought by the Nixon presidency, the noble experimenter decided to pull in its horns somewhat, to operate on a smaller scale, to look at in-fill as a possible solution, to address the needs of the elderly that had not played such a prominent role before. The experiment was largely defeated in the Reagan era and now needs to look at other ways of achieving the same objectives, primarily through combinations between public and private initiatives.

The second storyline is that of the beleaguered foot soldier, of a continuing aggressive effort by housing reformers and housing advocates to deal with the housing problems of the poor, housing problems not being solved in the market, an effort constantly buffeted and prevented from achieving its real goals by widespread social forces, interest groups, lobbies, conservatives, etc. In that
story, there were reformers with high ideals, who were indeed interested in a noble experiment. But the real reason public housing was funded—the reason the 1937 Housing Act was passed— was that, in the aftermath of the Great Depression, there was a concern about social unrest. There was a real fear of what continued unemployment and bad housing would produce politically and socially. So public housing, largely as an employment-generating measure for the construction industry, was seen as a means of dealing with the problem of social unrest.

This foot soldier of public housing did not provide particularly good housing, but it provided fast housing and provided it in those places where it would most readily facilitate war production: in Brooklyn, adjacent to the navy yards. Its purpose was not primarily to provide housing but to facilitate war production. After the end of the war, with neither a threat of social unrest nor the needs of war production, federal funding for public housing abated completely, until the ‘49 Act. The city and the state stepped in because the political pressure of returning veterans, of the heroes who had fought the war, was such that no governor or mayor could stand to see veterans with their wives and children sitting in the waiting room of a real estate agency looking for housing. Housing had to be provided for them.

The Housing Act of 1949 was a compromise with interests that had very little concern about public housing, interests primarily focused on the most efficient use of desirable downtown land. Slum clearance was a priority not in the interest of improving housing for slum residents, but rather in the interest of making land available for development. Public housing the foot soldier was pressed into service to facilitate that clearance and redevelopment. With the backlash to that process, the foot soldier went into retreat, backed off to the extent that tenants and civil rights groups were able to mobilize what was left of the program to build some good housing. It was indeed built in the 1960s but on the defensive, pushed back and essentially annihilated as a new construction program in the Reagan era. The foot soldier is now being used again because there is such heavy investment in housing, because there are between two and three million physical units owned by the public and something has to be done with them. We are now finding ways of cutting our losses, and in that process, biting the bullet, demolishing some of it and reducing the public’s
exposure. That's the story of the beleaguered foot soldier, and it is the one I think that historical analysis would most likely show to be the most accurate.

I'm going to put this in a third context and suggest the metaphor of a cork. The first two versions suggest that public housing has a major role in determining its own future. In the first version, if we were only smart enough and grew the experiment carefully enough, we would solve the problem and restore public housing to its original use. In the second version, if those who believed in public housing rallied around it and defended it strongly enough, it could again perform its purpose. I tend to the belief that public housing is really a cork on the tides of much greater forces, much greater influences, and that the future of public housing really cannot be determined within the scope of the program itself, that its scope is a much broader one.

This view of public housing involves at least five issues that have to be taken head on, not necessarily by those who have operational responsibility but by those of us who have the luxury of being on the outside and able therefore to speak as citizens without a direct vested interest.

The first issue is racism. I think a great deal of our history has to do with racism, not only in housing and in neighborhoods and suburbs, but also racism in education and in employment, racism that produces some of the economic conditions that public housing tries to deal with.

The second issue is increasing polarization in our society, the increasing gap between rich and poor, one of the products of globalization, of a city that puts almost all of its eggs in the basket of the financial, real estate, and insurance sectors, producing on the one hand a group of very rich who tend to build enclaves separating themselves as much as possible from the rest of the city, and on the other hand, a ghetto of poverty that increases the level of segregation in society.

Privatization is the third issue, the ideological worship of the market as the best way to solve almost any problem. I don't think any serious thinker has ever considered the private housing market adequate to the problems of housing for poor people. While most honest people recognize and believe that the real estate industry should be allowed to do everything it can in the area of public housing, they also realize that it cannot provide housing for those who cannot afford to pay for it. That is an appropriate role for the public sector, and I think that needs to be constantly reasserted.
The fourth issue has to do with the anti-government attitude that political demagogues in particular are very fond of putting on their banners. It’s an anti-tax attitude, the idea that the taxes that one pays get sent to someone else rather than the realization that some things should be publicly provided and others through individual initiative.

Finally, there is the issue of home ownership as the perceived solution to all housing problems, that if we can increase the proportion of home ownership in both public housing and private housing, we will solve the problem of those who cannot afford to pay for their housing. In fact, ownership in many cases simply passes the risks from the public sector to the private sector.

My conclusion is that we need innovative and imaginative proposals and we need basic optimism, but we also need to be willing to grapple directly with the major issues that I’ve mentioned. As citizens, we need to begin to look at public housing as something good, not as something we "unfortunately" have to have. In fact, public housing is something that we are “fortunate” to have and “fortunate” to be able to get more of. The key to good public housing is to maximize the public role in its provision.

**Edwin Melendez: Concentration of Poverty, Home Ownership, and Social Capital**

There are three major streams of research or intellectual inquiry that have influenced not only housing policy but also community development policy over the last couple of decades. I want to comment on those areas of research, trying to put housing policy in a broader, economic and community development context, and I want to try to point out why some of the old paradigms are emerging from new research in these areas.

The three areas are highly interrelated. The first is the notion of the concentration of poverty, starting with Wilson’s work on the underclass. The second area has to do with asset vs. income as the driving force behind inequality in society. And the third is the concept of social capital, social networks, and how communities build the fabric that allows them to cope with displacement, low income, and other problems.
Many policy makers assume that the solution to the concentration of poverty is to disperse the poor, and a lot of policies have been put in place to achieve that or to mix income categories, to create mixed-income housing, whether in public housing or in other developments.

The history of public housing includes a lot of public housing authorities and developments that worked very well, and they were surrounded by social conditions similar to those surrounding ones that didn’t work so well. The difference seems to be in their management, in the community organizations and some social agencies in place, in the institutions that stabilized those communities. We’re now revisiting what we can do, as we rebuild public housing, to use social capital and social networks to come up with a broader range of policies. We’re not saying that mixed-income strategies are necessarily bad; we just know very little about their impact. Housing budgets are not necessarily bad; they’re more useful to some people than to others. We’re still learning the effects of displacement, of moving people to other areas, areas where they have no social networks. We’re getting mixed results from the research from this.

In this context, I think we generalize too much. When, for instance, we look at the Latino community, it is not clear at all that these notions of concentrated poverty apply. The Latino communities in the Southwest are concentrated and poor, but they don’t display the effects of concentrated poverty found in the cities of the Northeast. They have strong families, and they have working poor. And when you look only at the Northeast and compare the old Puerto Rican communities with the new Dominican settlements, you find completely different pictures, even within public housing.

The second area that I think needs revisiting is the question of home ownership. It’s been pointed out that home ownership is certainly not the cure for all problems. On the other hand, some current policies, by their failure to encourage savings, ensure that the poor will remain poor. Welfare is but one classic example of the idea that the more you save, the more penalized you are by the system."

“Welfare is but one classic example of ‘the more you save, the more you’re penalized by the system.’”
In any case, not every person now living in public housing should be living there. Perhaps a mix would be good. We’re facing a lot of constraints in the development of new public housing, so we have to explore policies that will open more space within the public housing we already have, perhaps through mobility for those who can move out. One example would be the elderly, which also fits with solving another social problem. And certainly home ownership, within certain parameters, can be a good thing. Again, with Hispanics in the Southwest, in contrast to those in New York City, very affordable home ownership has been a strategy explored by community-based organizations very successfully. It also builds on the assets of the poor and serves to stabilize the community.

Finally, we come to the role of social capital, about which there is a great deal of research taking place as it relates to housing, employment training, placement, and so on. This brings us to the notion of comprehensive neighborhood development. The role of the old organizations—particularly CDCs—in community development may be rethought in that light. Indeed, many CDCs have been reassessing their strategies, developing more workforce development projects, rethinking ways to develop their neighborhood, their investments. They are diversifying traditional affordable housing, building for rental; they have more home ownership programs.

Again, we cannot generalize too much from this. Among Latino communities it really depends when a particular group came to the United States and the way they settled, whether we can really talk of comprehensive initiative and ignore the ethnic base and the ethnic community organization that helped prior immigrant groups settle. We still need to focus on those organizations that allow new immigrants to get not only housing but also employment and social services.

Research is emerging from the community development arena that suggests a need for greater caution in applying policies to all locations. We need to be more cognizant of research that reveals the effects of these policies, presents alternatives, and allows us to deal with the housing problem in more comprehensive way—allows us to focus on the community and the totality of its problems, from jobs to housing.
FELICE MICHEITI: “IS THE PAST REALLY A PROLOGUE?”

From my perspective, there’s never really been a federal housing policy per se. If you go back to the various acts, ‘37, ‘49, ‘54 or later, you find that each of those initiatives really didn’t grow out of a policy. They grew out of a need. Essentially, they were a response to a particular need at a particular time. Later there was an attempt to reconfigure what had been done, to fine tune it and make it clearer.

The ‘49 Act wasn't a housing program per se but an economic revitalization program. The '54 Act reaffirmed the housing piece of '49 to focus on decent home and suitable living environments. Under Nixon, we got Section 8, community development block grants, and we got rehab and new construction. Nixon, a Republican president, in the end became an advocate for that because he had political problems. CDBG, at least at that time, was a way to deal with some of the issues in the Southwest and not necessarily in the urban cities; it was a political accommodation.

Then under Reagan, the focus shifted from production to vouchers, to public-private partnerships. In the middle of that came changes in culture, changes in society; suddenly we had the homeless crisis, and we “fine-tuned” housing policy to deal with the federal preference issue.

Federal housing policy has never been a comprehensive housing policy but really a combination of various programs developed at various points in time to address various needs—not necessarily housing needs—followed by attempts along the way to adjust those programs, reform them, fine-tune them. But in my opinion, we never started with an essential base or core policy.

From New York City’s perspective, the job has changed dramatically from the minimal role of fund matching in the days of urban renewal, and our responsibilities have changed along the way. The major issue, of course, has been that there were never enough federal dollars at any one time or through any individual program to result in measurable neighborhood change. There

“First in the Koch administration and then under Dinkins, the city took the unprecedented step of using city dollars for housing issues.”
were attempts at that; even at the height of the Section 8 gut rehab new construction period, we were talking about allocations of 5,000 or 6,000 units a year over a period of several years. Those of you who have some historical background know that from abandonment alone, we had in that period close to 50,000 or 60,000 units of city housing stock. While we relied on federal programs and took the position politically that it was a federal responsibility, those federal programs alone never provided us with the tools necessary to solving our problems.

The city got into the housing business on its own as a result of a political accommodation. It wasn’t because the city stepped back and said, “We have 60,000 abandoned units.” At the beginning of the Reagan administration, the city started to see the rise of homelessness, first with families and later with the institutionalization of individuals. So housing became an extremely visible problem. Before it had been visible in the sense that there was obvious abandonment in neighborhoods, some going well back before the ’80s, but it became much more visible when people literally had to step over bodies on the street. When an issue becomes “in your face,” so to speak, you have to do something about it.

Despite having said year after year, “Housing is a federal responsibility; it’s not a city responsibility,” the city—first in the Koch administration and then under Dinkins—decided to take the unprecedented action of using city dollars to deal with housing issues. And again, even from a city perspective, you can go back and look at some of the same issues and problems on the city side that you saw historically on the federal side. A lot of the issues really have been here for the last 50 years and more.

From the city’s perspective, the first issue was income. If you decide to allocate money for housing, how do you decide which income groups are worthy groups? Is it low-income and within that a subgroup called homeless?
Is it moderate income? Are families with two wage earners middle income? How do you allocate those resources? Then, if you're able to come up with a formula that adequately addresses the needs of a certain income group, how do you actually meet that need? New construction? Rehab? Preservation? Do you address it through home ownership? Rental?

Then to take it one step further, if you decide on production, do you do it for all low-income families? If you decide from a “social-engineering” point of view that mixed income is the way to go—and I’m a supporter of mixed-income housing—you face a conflict between tremendous need at the lower income levels and limited production or financial capacities. Once you decide to do a mix, it’s a trade-off in terms of the lower-income side. From the social engineering point of view, you can argue that mixed income is better long-term housing. But take a situation like the one we had at the time of the Koch 10-year plan—and are close to again today—with over 5,000 families in emergency EAU centers, presenting themselves as homeless, and you’re under a court mandate to house those families. If you decide on a mixed-income model, then you have to look at a significant number of production units to accommodate both your immediate needs and what you believe to be “good housing.”

Those were some of the issues that the city had to grapple with, and it wasn’t very different, actually, from the federal perspective. If you look at federal preferences, you see an attempt to provide housing without increasing production. But the results of these federal preferences were often disastrous because the program took the most problematic families and concentrated them in a single building that became a catalog of all of the issues and problems associated with those families—drug abuse, battered spouses, mental illness, a whole host of things. Then it was considered a housing problem, not a social problem, so there were none of the traditional social services answers available.

Several things have remained constant over the years. Need hasn’t changed. And we still don’t have the answer to servicing those needs or, again, allocation of resources among all groups. There have been attempts in public housing to create mixed-income communities, which is a good concept, which one can argue often results in better housing for all. But because the funds haven’t increased, it results in the loss of low-income units. So, without an increase in production, there is less housing for all.
Let's look at federal policy today; let's just take the low-income tax credit issue. We have three levels of government competing for the low-income tax credits. We have city governments competing, state government competing in the sense that both the city and state use tax credits to leverage their subsidies, and the federal government. How does the federal government compete for tax credits? Through public housing and Hope VI. We've made a conscious decision to encourage mixed-income housing, understanding that without a commitment to fund the production of that mixed-income housing, the federal government, instead of creating an allocation of tax credits unique to public housing, will just let everybody compete for the same pot. We're left with a situation where the tools and programs available are diluted because of these competing concerns.

And that's on top of the issue of vouchers. We use vouchers to assist tenants in paying rents, but we also use vouchers, in many of our mixed-income projects and our Hope Six projects, as a disguised form of subsidy. Vouchers allow for higher rents, and in allowing higher rents, they provide a lower subsidy, and a lower subsidy means the government has to give less money. Not very much has changed: the needs are there, and they're still overwhelming, but the ability to meet those needs federally has fluctuated from administration to administration.

After the Reagan administration, the states and cities were asked to substitute for federal housing initiatives. Then came the private sector. Now there are fewer and fewer resources on the state and city levels as well, but the need continues. Reference was made earlier to a housing and vacancy survey that predicted a five-percent vacancy rate and a need for 400,000 units at a cost of $4 billion. The Koch 10-year plan initially committed $4.1 billion to reach a goal of 252,000 units, in a mix of new construction, rehab, and preservation. Then it was amended to $5.3 billion, and later, in the Dinkins Administration, that level of commitment was continued. In fact, that 10-year plan did what it said it would do—actually more, because the $5.3 billion carried well beyond that point. And the goal of 252,000 units actually came in at around 275,000. If we now see a need for another $4 billion for another 400,000 units, we have to ask ourselves where we would be if we hadn't had the 10-year plan.

Was that 10-year plan perfect? No. Like most federal housing programs, it wasn't perfect. It began as a political response to a problem, to a mayor who
was running for re-election, understanding at that time that housing was perceived as the city’s number-one problem. I think it’s an unfortunate consequence of that very success that when people now list the city’s prime problems, they do not point to housing. The reason for that is simple: the abandoned shells don’t exist any more. But that doesn’t mean the need for housing units doesn’t exist; it’s just more hidden. In addition, homelessness is not as visible as it was. One of the reasons for that is that many of the 10-year plan production programs accommodated homeless units, but in the last few years, that commitment hasn’t continued, and we’ve been living, in effect, off the pipeline. So now, we’re starting to see a new rise of homelessness on the streets. There are many more singles on the streets than there were before and many more families in SROs.

If you look closely at the housing and vacancy survey, you’ll also see that, while the city’s rate of loss of housing units has declined, we continue to lose affordable units. While the units now in the city stock are, across the board, better quality units—better quality and better maintained—their rents are much, much higher than they were before, so the affordability gap has widened tremendously. So the need still hasn’t changed.

It’s a very popular notion, this notion of mixed income. When we developed the Battery Park City Authority and the Housing New York program, one of the issues was whether to create mixed income or to take that revenue stream and bond it to create housing in other communities, like the South Bronx and Harlem. The development costs of Battery Park City were in the range of $300,000 a unit. If done properly, renovation in the South Bronx or Harlem could be accomplished for $75,000. In effect, that $300,000 to create a unit at Battery Park could create four units in Harlem or the South Bronx. That was the thinking—not whether a mixed community is better than a non-mixed community. The issue was the overall need. How do you capture that income stream, and how do you best use it?

I think it was the right decision for Battery Park. I don’t necessarily think it’s the right decision in other communities. I don’t necessarily think it’s the

“Battery Park City was a virgin community; it was created out of nothing.”
right decision for Clinton—Hell's Kitchen—or the Upper West Side or the Lower East Side or Cooper Square. Those communities now have very high land values, with potential for a healthy stream of income, so why not apply the philosophy of Battery Park City?

The answer is very simple. Battery Park City was a virgin community; it was created out of nothing. Clinton, the Lower East Side, Cooper Square, the Upper West Side—all of those communities were working class or a mix of poor, working class, and moderate income. The values in those communities changed over time because of the change in the city's real estate values and real estate cycles. Those income groups still exist in all of those communities. They were there before gentrification, and I believe they have the right to remain after gentrification, simply because their roots are there, their families, their social organizations, their religious institutions. If we feel the need to capture value in those communities, it would be a mistake to do so by forcing people in to relocate to other communities.

On the other hand I think it would be a tragedy to create enclaves in other communities like the South Bronx and Harlem, pockets of poverty, simply because of the need to house large numbers of poor people. Many of the poor people came from those communities in the first instance, but the difference is that they were dispersed within the community. When the city had to accommodate large numbers of homeless at the same time, we took 10 buildings, 20 buildings, 1,000 units at a time, in whole pieces of neighborhoods, and filled them with poor people. The justification was the overwhelming need.

As in the case of Battery Park City, I think it's more important to look at existing communities and try to create within them an economic fiber that allows them to thrive and to grow so that they'll have a framework for commercial revitalization and other kinds of infrastructure improvements. If we just move in more and more poor people without providing for those communities to become self-sufficient, then we basically create crippled projects. Then, as people look at these crippled projects, they blame the victim, saying, "When you create housing for poor people, look what happens to the neighborhood."
AWARDS CEREMONY

The Public Affairs Award for Distinguished Service to the New York Community, given annually by the School of Public Affairs of Baruch College, was presented to Clara Fox by Mark A. Willis, executive vice president of the Chase Community Development Group of the Chase Manhattan Bank.

In his remarks, Mr. Willis said of Ms. Fox, "Her commitment, caring, and leadership have made an indelible imprint on housing policy and housing opportunities in our community. ... She has greatly helped in the provision of housing for low- and moderate-income families in our city ... and continues to care greatly about the social welfare of New Yorkers."

In her acceptance address, Ms. Fox said, "The 1949 Housing Act ... was really historic and was the precursor of many housing programs and policies that, over the past 50 years, have housed decently mainly low- and moderate-income families throughout the country. ... The important part of the 1949 Act, outside of the fact that it created all of this housing, was the stated goal, for the first time, of a decent home and a suitable living environment for every American family."

DAVID JONES: INTRODUCTION TO THE AFTERNOON SESSION

Mr. Jones led off the afternoon session by comparing the present climate in housing policy with that present when the 1949 Act was passed. He pointed out that the 1949 initiative was laudably bipartisan, supported by both the Democratic president, Harry S. Truman, and the powerful Republican senator from Ohio, Robert Taft. By contrast, housing was not even mentioned in January's State of the Union address.

He observed that this diminution in public attention to housing was particularly troublesome for New York City, whose 182,000 public housing units shelter a population equal to that of the City of Boston. But the Quality of Housing Act of 1998 prohibits the NYCHA from expanding its stock, favoring instead public-private ventures.

After expressing pessimism about any foreseeable step-up in the federal role, Mr. Jones bemoaned the fact that the surplus revenues from Battery Park
City—$57 million this year, $130 million over the past three—are going not toward housing for the poor but into the city's general revenue fund.

He underscored that New York has the talent and the experience to be at the forefront of creating and executing public housing policy. What is lacking, he said, is political motivation.

MICHAEL STEGMAN: “HOUSING POLICY AND THE NEW ECONOMY”

I want to talk about some work that is in progress; I’m not sure where it’s leading, and I’m not sure what the policy implications are. It could lead to new kinds of political coalitions that could really move us ahead on the public policy agenda. Or it could lead to more competition for a limited amount of funds. I don’t know which. It’s been said here that we will not get housing back on the national agenda until the media really pays some attention to it. I did a Lexis/Nexis search on affordable housing, and this is just a small sample of the articles that I found:

“For Hospitals, the Emergency Is Housing” is about the difficulty of recruiting interns and residents in our urban hospitals and in some of our wealthy suburbs, in Stamford as well as New York. “Workers Trapped at El Minimo” is about the millions of minimum-wage workers who can’t find housing, particularly in Los Angeles. “Homeless on $50,000 a Year”—you can tell by the title. “Resort Towns Face Raucous Boom Towns”—wherever you go, the affordable housing crunch is capturing the imagination and attention of local decision makers and political people, but not the national government.

And it’s what the media is concentrating on: not the kinds of problems that we’ve been talking about. This is what you find in the headlines: last week, in The New York Times, a front-page story on working people being squeezed in East Hampton, municipal workers unable to pay for housing.

The question is, is this a policy watershed, or is this just a cyclical issue dealing with the building boom and roaring economy? You can see the kind of premise of this work: for the past 20 years housing policy has been linked to problems of poverty and welfare dependency. While we talk about attracting more working people to public housing, that’s really just a portion of the problem. No question that the higher incidence of our serious housing problems
are very, very poor people, but the reality is that it is a growing problem, and it's not being recognized in policy. What I'd like to do today is present some data from some work I'm doing. I'm using some national data, from the American Housing Survey of 1977, which is a very rich source of housing data. But it doesn't include New York City, and I'm not focused on New York City.

What the survey does allow me to do is pull out something called "Data on the New York Consolidated Statistical Metropolitan Area," or CSMA, which is really the New York suburbs, northern New Jersey, Long Island, and parts of Connecticut. It's a big chunk of geography. But I would argue that, while you could use the Housing Vacancy Survey to replicate much of what I'm going to talk about today, if you don't have data on what's going on in the suburbs and the larger region, then you're only looking at a portion of the housing issue.

I'm going to define a set of housing needs the same way that HUD defines them, except that HUD applies this definition only to very, very low income renters and ignores the rest of the housing situation in its periodic publication of reports called "worst-case housing needs," which drives the political debate in Washington. This is why I don't want to use the concept that HUD uses. "Critical housing needs" are the same as "worst-case housing needs," but I'm not going to be constrained by their very, very low income definition for purposes of this presentation. So we're going to be looking, in this vast piece of geography, at families that pay more than half of their income for housing or live in severely substandard housing.

Here, we have to define what we mean by "working families." The definition I'm going to use is a family with earnings at least equal to a full-time minimum-wage worker, which is about $10,700, all the way up to 120 percent of the median income—much broader than anything that HUD or most housing advocates or researchers use. If I use this definition and apply it to this piece of New York geography, this CSMA is comprised of about 50 percent working families, regardless of income. There are about five million families in this area, and about half of them earn income up to 120 percent of median. That half includes virtually all working families that have very severe housing cost burdens—that pay half or more of their income for housing. About 65 percent of the families in that half live in substandard housing, and 83 percent are crowded. So this group—this 50 percent—really covers the
broad middle of the working family population. The question is, what is their housing situation?

There are about four-and-a-half million working families in this region [see Fig. 1, p. 44]. A million-and-a-half of them have critical housing needs, regardless of whether they work or not. About a million-and-a-half families out of the four-and-a-half million spend half or more of their income for housing or live in substandard housing. Then there are the moderate-income working families I talked about: $10,700 up to 120 percent of median. There are 514,000 of these moderate-income families with the same problems that HUD defines as “worst-case housing needs.” These are people who get up every day, play by the rules, work hard, and still live in severely compromised housing situations.

If we look at that million-and-a-half families with critical housing needs [see Fig. 2, p. 44], 29 percent are elderly; they’re not working, and they have very severe problems. Some of them are in naturally occurring retirement communities and public housing. About 23 percent are non-elderly and not working. Some of them are on welfare. These are unemployed, maybe with a weak attachment to the labor force, but they don’t have that threshold level of income. Fifteen percent earn less than the minimum wage. But a third of them, the 514,000 families I was talking about, have incomes between $10,700 and 120 percent of median.

If we take that 33 percent [see Fig. 3, p. 45], those 514,000 working families, this is what their income breakdown looks like. About half of them, 54 percent, are below 50 percent of median income, between minimum wage and median income, which is what HUD defines as “very low income.” But that’s only 54 percent of the families— the working families— with critical needs. Twenty-nine percent of those families have incomes between 50 and 80 percent of median income for this vast consolidated metropolitan area, and another 17 percent have incomes between 80 and 120 percent of median. So you’ve got a broad income range with very serious housing problems. And many of these families are the families that are being written about and featured in TheWall Street Journal, The New York Times, The Houston Chronicle, The Los Angeles Times and The Boston Globe, about the growing seriousness of the affordable housing problem that public policy largely doesn’t address.
If we look at minimum-wage workers in this New York area [see Fig. 4, p. 45], we see the number of families that work at multiples of the minimum wage. The first, the lowest one, is families that earn an income between 25 percent and 100 percent of the minimum wage. There are 382,000 families that live with a minimum-wage income. There are another 500,000 in this region that live on wages equal to no more than twice the minimum wage. That's the equivalent of a husband and wife working at minimum-wage level jobs. We've got over 600,000 families that work and live in this region with income of three times the minimum wage, and about 100,000 of them also have critical housing needs.

A few things that stand out here are probably very surprising to people who haven't really looked at data about working families [see Fig. 5, p. 46]. Number one, you see a whole lot of home owners. A substantial number of home owners have the kinds of housing problems that we're talking about. Two hundred thousand of them are paying more than half their income for housing. There isn't a program that addresses the cost squeeze faced by people who can't afford to maintain and keep up with their home ownership costs. They are not part of any coalition, whether we're talking about teachers or hospital workers or people getting two to three times the minimum wage. We can't afford to ignore them anymore. Here, interestingly, are people who are actually getting housing assistance and paying more than half their income for housing. They're on light subsidies, or they're in voucher programs with no upper limit on what it takes for them to secure housing.

The reason why I say that you have to look at this problem regionally is that a whole lot of these problems are with suburban residents [see Fig. 6, p. 46]. If you look at this in the central cities of this region, a disproportionate number of the working families with these serious problems are renters. But in the suburbs, a disproportionate number are home owners. We're largely not talking about these folks when we talk about the importance of affordable housing issues. Not only are we focusing only on the cities, we're focusing generally on renters.

For this region, I wanted to look at the differences within working families, among whites, African Americans, and Hispanics [see Fig. 7, p. 47]. In each case, large percentages of each racial and ethnic group facing a severe housing cost squeeze are home owners.
Now what's happening out there? We have a national home ownership record, and each year we seem to break the existing record. From 1989 to 1997 [see Fig. 8, p. 47], it went up from about 63 million home owners to about 70 million. The rental inventory bar is about constant. It's actually declined slightly over the last couple of years, so losses are basically being replenished, but it's not growing. Again, this is national; this is not for the region.

Let's take a look at new, unsubsidized rental production in the Northeast [see Fig. 9, p. 48]. This totals only 11,000 units in 1998. The interesting thing is, not only was the median rent $850, but also units under $550 (which don't register on the graph) were about nine or ten percent of all of the 11,000 units. How much of that did New York get? There is virtually no unsubsidized production going on; in fact, because the Census Bureau, under formal definitions, doesn't consider tax-credit development subsidized, this category would basically disappear; under virtually all of the “unsubsidized new production,” under $550 is tax-credit housing. So we're not getting any help on the production side.

What happens on national policy as we take that step back? What I call “hard units” are non-voucher public housing units—Section 8 units, Section 236 units, project-based, long-term affordable units financed by the federal government. Let's look at the net change from year to year in the inventory of the permanently affordable, federally subsidized, public, and assisted housing stock [see Fig. 10, p. 48]. In 1977 we added a net of 150,000 units to that inventory, and in 1983 we added about 230,000 units. As the production programs wound down, we added in 1993 about 50,000 units to the inventory. The tax-credit program began in ’86, and on average we're now adding about 62,500 tax-credit units.

As Section 8 contracts expire and the public housing transformation program matures and the administration makes good on its commitment to take down the 100,000 most distressed public housing units, you see a net decline in the size of that inventory. From 1995 to 1998, this inventory, which dates to the early ’70s, lost about 237,000 net units. We know that it's going to lose more because many more public housing projects—those not fully occupied, for example—are scheduled to come down. And, as Section 8 contracts continue to expire, not all of them will be renewed. So we've just about replaced what we've lost with the deep-subsidy units. We've replaced them with shallow-subsidy
units, tax-credit units, shifting from the very poor to those at around 60 percent of median.

So actually the tax-credit program helps working people, and indeed the pressure from the industry is not to increase the income limits for that program. The question is, what do we do about that changing mix? Quite frankly, I'm not familiar with all the policy implications of this work; I'm still in the early stages of it. But there's no question—in this region, like the country overall—that about three-quarters of the critical housing needs, as I define them, are on the cost side, people paying more than they can afford for housing. So there's no question in my mind that we need a whole lot more demand-side assistance. However, that demand-side assistance has to be thought about in terms of home owners, who are facing unbelievable cost squeezes and burdens.

We've talked about what it might cost to rebuild housing to meet all kinds of needs. I've looked here [see Fig. 11, p. 49] at what it would cost for housing vouchers, just for this region, to bring everybody down to 30 percent of income. (By the way, that's not a capitalized figure; it's an annual figure that you would need for rental assistance.) The answer depends on who we're talking about, and I'm talking about the 514,000 working families that we looked at earlier. If we wanted to take care of their severe housing cost burdens, it would cost almost $5 billion a year just in this region. And because it reflects subsidies, that's on top of all of the money that's going into this region right now.

If we wanted to target working families with children, it would cost $3 billion a year. It depends on what we see as the highest priority. If we're talking about very low income working families with children, which is the smallest group, it still would cost about $1.3 billion a year to relieve those serious housing cost burdens.

When I was at HUD, we would routinely be asked by your political leaders to raise the income ceiling on a variety of our programs because of the high cost structure in New York and the fact that so many working people had serious problems and constraints. This work really suggests that Congress will have to deal with that issue, whether in the home program or home ownership programs. If we try to underwrite these working families with critical needs through CRA affordable-housing products and activities under the Freddie Mac and Fannie
Mae affordable-housing goals, even some with very serious problems in the rental sector could afford to buy a home.

Among those 514,000 working families in New York with a serious housing problem [see Fig. 12, p. 49], 19,000 could afford to buy a home using one of Fannie Mae's or Freddie Mac's most popular products. They could afford a house with a 97-percent mortgage and the underwriting ratios that are used there. If you look at the 36,000 or the 83,000, we see a substantial ability to pay debt service — real estate taxes and insurance— on a mortgage on a home. The problem is that there aren't a whole lot of homes in this price range available in the region. What's called for is broader collaborations on home ownership, working with the community sector, the lenders and others.

The environmental folks who deal with the issue of sprawl have become supporters of urban revitalization. But as I look at the literature, the more we deal with "smart growth" and constraint and caps on growth and building permits and so on, the more I see problems with affordable housing and the bidding up of land costs and housing prices. You can't approach the problem of growth management and smart growth without building in, from the beginning, an affordable housing strategy.

So increasing support for smart growth provides another opportunity for us to broaden the affordable housing agenda, including the growing use of impact fees that add to housing costs. Increasingly, local governments are going to have to address this problem much more seriously than they have to date and become significant players in doing something about the housing squeeze on their working families. When we take a step back and focus on the problems of working families, we've got to think in less myopic terms about what is good for housing, what is good for families who face these kinds of problems. The most successful income-support program in the country is the earned-income tax credit for working families. It's the largest; 20 million working people get earned-income tax credits. They are larger for families with children. They're capped for two or more children. I would like to see it expanded for families with larger numbers of children, but the reality is that in places where housing costs are substantially out of line with wages— even in places like New York where wage levels are also high but housing costs are even higher— a whole lot
of working people are not eligible for earned-income tax credits because their household income is too high.

That really means state supplements. There are about a dozen states that supplement the federal low-income housing tax credit with add-ons, piggybacks. There are about 10 states that do the same with earned-income tax credits. New York State has, I believe, an earned-income tax credit. I would look very carefully at how that might be used to target more working families, families that are particularly affected by housing costs. We don't need a traditional housing program; we've got to think more broadly.
Incidence of Critical Housing Needs, New York CSMA, 1997 (Fig. 1)

<table>
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<th>Category</th>
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<tr>
<td>All working households</td>
<td>4,300,000</td>
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<tr>
<td>All households with critical housing needs, regardless of income</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Moderate income working families with critical housing needs</td>
<td>400,000</td>
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Working Status of Households with Critical Housing Needs, New York CSMA, 1997 (Fig. 2)

- Elderly, Not Working: 29%
- Non-elderly, Not Working: 23%
- Marginally Employed*: 15%
- Moderate Income Working Families**: 33%

*Marginally employed include families with earnings from wages of $2,675 to $10,700, (e.g., between one-quarter and one, full-time minimum wage equivalent.

**Moderate income families are those whose total income is between $10,700 and 120 percent of area median income, and where earnings account for at least half the family's total income.

Source: 1997 American Housing Survey
Incomes of Working Families with Critical Housing Needs, New York CSMA, 1997 (Fig. 3)

Source: 1997 American Housing Survey and author’s calculations

Incidence of Severe Housing Cost Burdens, by Family Income Relative to the Minimum Wage, New York CSMA, 1997 (Fig. 4)
Tenure of Working Families with Critical Housing Problems, New York CSMA, 1997 (Fig. 5)

- Severe Cost Burdens:
  - Home owners: 199,999
  - Assisted Renters: 19,196
  - Unassisted Renters: 180,313

- Severely Inadequate Housing:
  - Home owners: 21,059
  - Assisted Renters: 12,442
  - Unassisted Renters: 93,954

Location and Tenure of Working Families with Critical Housing Needs, New York CSMA, 1997 (Fig. 6)

- Owners
- Renters

Source: 1997 American Housing Survey and author’s calculations
Critical Housing Needs of Working Families, by Race/Ethnicity, New York CSMA, 1997 (Fig. 7)

Size of the Occupied Housing Stock, U.S., Selected Years (000's) (Fig. 8)
New Unsubsidized Apartments Completed, by Rent and Regions, U.S., 1998 (Fig. 9)

<table>
<thead>
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<th>Region</th>
<th>Median Rent</th>
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<td>$805</td>
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Shallow Subsidy Tax Credit Units Are Replacing Project-Based, Deep Subsidy Units: Net Change in Project-Based Inventory, U.S., Selected Years (Fig. 10)
Annual Cost of Housing Voucher Program That Would Reduce Excessive Cost Burdens of Working Families to Thirty Percent of Income, New York CSMA, 1997 (Fig. 11)

Potential Demand for Homeownership Among Working Families with Critical Housing Needs, New York CSMA, 1997 (Fig. 12)
**PANEL DISCUSSION**

*Moderator: David Jones, Executive Director, Community Service Society*

*Panelists: Naomi Bayer, Director, New York Office of Fannie Mae*

*Frank Braconi, Citizens Housing and Planning Council*

*John Mollenkopf, CUNY Graduate Center*

*Michael Schill, New York University School of Law*

*Gregg Van Ryzin, Baruch College*

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**John Mollenkopf: Family Income**

I think we need to sort out how much of this problem is an income problem and how much of it is a housing problem or a production problem. I would say that four-fifths of the problem is an income problem. Incomes in the city and the region have been rising fairly steadily over the past five or six years. We have a fairly static housing stock. The distribution of the rise of the income has been very unequal. The median price of housing is going to rise with the overall rise in supply and demand. The amount of money is mushrooming in the economy. The median is going to rise very rapidly as the total amount of money mushrooms. But the growth is very unevenly divided: the top one percent are getting the lion's share of that income growth. The median income has not been rising as fast as the total income, and that's going to cause the affordability stress that you see in the middle and lower-middle part of the housing market. Politically, that's important for us because those are not people who have historically been the constituency for the kinds of programs that the subsidized housing constituency is built around in New York City. As the most potent way to address the problems we're seeing, I would point towards things that create a more equal income distribution.

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**Gregg Van Ryzin: Supply and Demand**

I share the view that we need to consider the demand side of the problem. If you look at the housing problem historically, which is the theme of this conference, you'll see that it's changed quite a bit. In the early post-war period and certainly in the years before that, there were severe housing inadequacy
problems—substandard housing, housing without basic plumbing facilities—but that situation has changed dramatically. The housing stock in this country has become predominantly much better and, as a result, more expensive. I think there is still the tendency, especially in New York because we come from that long tradition of “housers,” to go after the housing problem by building. I think you see that in our reflections on the Housing Act of 1949, as well as in thoughts about current proposals. I think in New York City in particular, with its old housing stock, the housing quality problem has much diminished relative to the affordability problem. I think that we need to articulate as well the need for more direct programs to address the affordability problem, like expanding New York State’s earned-income tax credit. We also have a real property tax credit that gives some very modest relief to mostly elderly households in the state, but that’s certainly a legal vehicle that could be expanded.

Michael Schill: Subsidies

If we look at the ‘99 Housing and Vacancy Survey that just came out, we see that 24.6 percent in the city have a severe housing affordability problem, paying over 50 percent of their incomes in rent, or home owners paying over 60 percent. The bulk of households are in that category. We’ve done quite well in terms of our work on housing quality. Only 3.1 percent of all households live in severely deficient housing, whereas 18.1 percent are paying more than 50 percent in rent. So I think that we have to focus, looking forward, on what type of housing policy we need.

I think we need a two-pronged approach. I think one of the policies that the federal government has increasingly turned to, demand subsidies, has been very effective and serves as a form of income policy with respect to housing. New York has been particularly creative in its use of supply subsidies; we’ve used them not just as a housing tool but as a community development tool, and we’ve seen over successive administrations the South Bronx quite literally rebuilt—something that you can’t do with just a demand subsidy. To achieve that, you
need a partnership, with banks, Fannie Mae, intermediaries, nonprofits. In one sense, we need to continue those efforts, like research that we’ve done to look at the cost of housing and how we can reduce the cost of housing development.

Among the problems in New York are the encrusted regulations and horrible practices in the housing industry that tend to raise the cost of housing construction, which means that subsidy dollars have to be spread. But we can’t spread them as far as we could if we could reduce the cost of construction. We came up with about 56 recommendations in a study commissioned by the Housing Partnership and HPD.

One very sobering fact is, if you did all 56 of those things—and there probably should be 70—you could make housing affordable to families with a household income of $74,000. But we know that not everybody’s going to do exactly what we say. What do you do for the remainder? That suggests that there’s going to be a continued role for housing subsidies and for the sort of deep subsidies that are declining in our current housing situation; so we need to spread those subsidies to as many people as we can by doing a two-tiered approach: deep subsidies, as well as some shallow subsidies. At the same time, we need to try to get our house in order in terms of regulation and trying to reduce the cost of construction.

Frank Braconi: Building vs. Preservation

Listening to today’s speakers, I’m reminded of a comment that John Maynard Keynes once made—something like, “I think they’re all totally wrong, and I completely agree with them.” By this I mean that there’s been a lot of wisdom in the specifics, but the specifics aren’t tied together in any general policy.

One of the biggest errors I think we make on a policy level is trying to build our way out of problems. For example, it’s CHPC’s estimate that there are about 100,000 households and individuals in New York City who literally don’t have a place to live. They’re either temporarily doubled up or they’re homeless. But we can never solve the problem for those 100,000 people because we can’t take the people who need the housing and put them in the units.

In the 1960s in New York City, the public and private sectors together built 350,000 units of housing over 10 years, and at the end of the 10-year
period the housing stock was 150,000 units larger, not 350,000. What happened? First, the new housing forced out old housing. At the end of the decade, the vacancy rate had fallen, not increased over what it was in 1960, and rents had risen 50 percent faster than the rate of inflation. You cannot anticipate market adjustments to supply surges, even if you could engineer the supply surges themselves. Why? More housing creates more households.

Second, elasticity of immigration. A century ago, news of housing opportunities or vacant apartments would take months to reach the “old country.” In today’s world of instant global communication, it’s likely that a potential immigrant to the United States can learn about a vacancy in a building in New York within a few hours. So some immigration to or settlement in New York City is a response to the supply of housing. Finally, domestic migration is clearly reactive. We can’t predict market movements.

Many people can’t buy their way into the housing supply no matter how much you build; their incomes are just too low. Unless you subsidize the incomes, they’re never going to get into the game of musical chairs for New York City’s housing.

So for all of those reasons, I would suggest we discard the idea that we can build ourselves out of all the problems and start thinking about other kinds of solutions to the housing problems in New York City. First, we could address the affordability problem through some kind of income supplements. Second, we could provide rehab money, both public and private, in the form of PRP loans, to bring up housing units that are not being maintained to an adequate level of habitability. Third, we could use new development programs strategically, to advance community development and neighborhood modernization so that more of New York City’s neighborhoods are places that we want to live in.

Naomi Bayer: Private Capital

Let me talk about money. This is a time of unprecedented private capital directed to affordable housing and community development through the major lenders, partially driven by the Community Reinvestment Act, certainly by Fannie Mae and Freddie Mac and, we like to think, through our commitment to provide this kind of housing. Certainly, raising the major housing
goals encourages us to go in that direction. On a recent tour of Harlem, I saw, block by block, a tremendous number of new rental developments: single-family, one- to four-family homes, new homes, new construction, rehabs, limited equity bond-financed co-ops, the whole range. These are projects that the city has put a lot of money into.

On every block, Fannie Mae had some participation, through the non-profit lending partners that we work with. The capital that we are willing to put into neighborhoods to support these efforts is basically unlimited, and the challenge is to find a balance between public and private monies that will make all of this work. The private sector can put in capital to the extent that there's a market to support it. But in most cases, government participation in one form or another is needed to make that work, and the balancing of private capital and government participation lies at the heart of a lot of policy issues.

Central also is the question of whom we are going to serve; which of the various groups in need are we going to address? When the private sector commits its capital to projects, success often depends on how clearly articulated the policies and programs are. When programs are clearly defined, it's much easier for private capital to flow in and support them. Whether it's a big housing policy, either at the federal, state, or local level, or just a defined group of programs, when they're clearly articulated so that people know the rules and can participate, it's a lot easier for that capital to flow in.

I also want to talk about this great group of working families with housing needs. The other factor in that equation, besides the financing entity, the developer, and the families themselves, are the people who employ those families. Increasingly, we see employers in need of a work force recognize that housing can be a means of attracting and retaining it. In the long run, they see this as good business.
One thing I’ve learned as the housing commissioner of the City of New York is that the ability to reflect upon the past in order to thoughtfully consider future actions is a luxury that is not typically afforded to municipal agencies or their employees. We are faced with an onslaught of decisions in an unforgiving public environment that doesn’t tolerate delays or mistakes, so conferences like this one are critical to helping bridge the divide.

Several weeks ago, HPD took the plunge and actually hosted its first conference on housing policy, which gave us a rare opportunity to reflect on the agency’s seminal work over the last 15 years, beginning with the city’s critical turning point in the mid 1980s when a long-term capital strategy was put into place and helped to lay the foundation for the city’s renaissance. The conference gave us a chance to hear how other cities across America and Europe were supporting community redevelopment.

Perhaps most critical were the discussions related to the future. Over the next decade, what issues facing our cities would impact on housing and community development? Globalization and the rise of the digital economy, education, welfare policies and immigration trends all will have significant impacts on urban areas and their housing and community development policies. How should New York City best position itself to take advantage of these trends?

We must first begin by looking back, and here one is struck by the significant effect of the federal housing policy on cities, and in particular, New York City. The 1949 Housing Act still resonates with us today in two very key areas. First, by establishing the goal of decent housing for every American and articulating that the federal government has a significant role to play in achieving
that objective; second, by enabling government to apply its sweeping powers to clear slums and be a catalyst for new development. Urban renewal is often more remembered today for some of its glaring failures than for its successes. And while New York City has its share of both, it is impossible today to imagine our city without its public housing inventory, Mitchell-Lama Housing, which is home to over 100,000 middle-income families, Lincoln Center for the Performing Arts, educational institutions like Fordham and Pace University, and the rebirth of thriving residential communities like the Upper West Side and TriBeCa. All of this was made possible through urban renewal and powers granted through the 1949 Act.

And where has this work taken us today? Clearly, we will not undertake large-scale site clearance—relocation and redevelopment—in the coming decades as we did in the 1960s and 1970s. However, we can utilize government’s power to accomplish other significant housing objectives. The recent release of the U.S. Census Bureau’s 1999 New York City Housing and Vacancy Survey has revealed that the physical condition of New York City’s housing stock, despite the fact that half of that stock was built before 1947, is the best it has been since the survey began measuring conditions in 1965. Ninety-nine percent of the city’s housing stock revealed no signs of dilapidation, and neighborhoods that had suffered the worst from housing abandonment and deterioration have now shown the greatest comeback.

For example, in 1987 nearly half of the residents in the Morrisania neighborhood of the South Bronx lived on a block with at least one boarded-up, abandoned building. That number has now dropped to 10 percent, indicating a significant improvement in the quality of life for those families. Clearly, the policies of the past have helped to contribute to our ability in the last six years to focus on preservation of the most troubled housing stock, encouraging and helping to maintain responsible private ownership and facilitating home ownership opportunities in all of New York City’s neighborhoods. Of course, with improvement in housing conditions, reduction in crime, and the rise in the quality of life in New York City’s neighborhoods have also come increased demand for housing.

Our vacancy rate is now just 3.19 percent, hardly good news for anyone trying to find an affordable apartment or home. And quite frankly, that 3.19
percent is a blended rate; in rental housing at the lower income levels—apartments between $300 and $500—vacancy is practically non-existent. And overcrowding is the worst it’s been in some time. So what must we do to address the growing gaps in supply and affordability while maintaining the gains in housing conditions that we have worked so hard to secure?

First, we must recognize that government cannot by itself meet the growing demand for housing, but government can and must use its considerable legislative and regulatory powers to encourage private-sector development. Programs that provide tax incentives, for example, have become a powerful inducement for new construction and rehabilitation of housing. These programs should be expanded and improved to meet new market demands.

Scarce resources like the low-income housing tax credit and tax-exempt bond financing should be increased to reflect current economic conditions, and the city’s limit on capital debt should be raised. Over the course of the last couple of days, the entire capital program for the City of New York has been halted, pending some resolution of the debt-cap issue in Albany. So all of the capital projects that the City of New York is funding, with the exception of those that are critical to health and safety, have been stopped for the time being. These programs leverage significant private investment and help meet a wide array of housing needs.

Second, we must maintain our focus on preservation of the existing housing stock. We cannot demolish and rebuild everything, and we are blessed with an inventory of multiple-family dwellings, which are home to two-thirds of our families. We must encourage private investment in this stock and ensure that it is adequately maintained. New Jersey has recently enacted a building code designed specifically for rehabilitation. By removing the disincentives to rehabilitation that exist in the building code—which was designed with new construction in mind—they have set off a boom of rehabilitation construction. Since the adoption of this rehab code, New Jersey’s has seen an increase in residential construction activity of over 30 percent. We should review our own

“Everyone who wants to live in New York City cannot be accommodated in Manhattan’s trendy neighborhoods.”
practices and ensure that we do everything possible to encourage rehabilitation of existing viable housing. Quite frankly, that would also have an impact on conversions as well.

Third, we must target developments strategically. Everyone who wants to live in New York City cannot be accommodated in Manhattan's trendy neighborhoods. We must help to restore all of New York City's neighborhoods, from Bedford-Stuyvesant to Jamaica, Queens, to Mott Haven in the Bronx to Washington Heights—to communities that serve a variety of income levels and families seeking not only to rent apartments but also to purchase homes. In New York City, that may mean a co-op or a condominium apartment, but in whatever form, home ownership holds the key to the sustainability of development and the growth of these communities. This also requires that communities sustain the development of local businesses to provide the goods and services that such residents will require.

Fourth, government must work to remove barriers to development. It is too costly to build in New York City, and the taboos that exist around the discussion of this matter should be lifted. Working with NYU and the New York City Partnership, we undertook a detailed study of the factors that contribute to the significantly higher cost of building housing in New York City. We hope this work will provoke some dialogue and move us to adopt some of the study's very worthy recommendations. We must acknowledge that the city cannot move into the 21st century with its current significant market disadvantage, which simply makes it impossible to build housing without subsidy, even when economic conditions and interest rates are favorable. We are a city that has thrived partly because employers know that they have easy access to a skilled workforce and an excellent mass transit system. If young, skilled workers starting out in their careers cannot live here, we will begin to see the new economy move elsewhere.

Finally, we must look to increase the supply of affordable housing in unlikely places. Too much of our waterfront is left unutilized or dedicated to vacant industrial uses. It is time to acknowledge that, while New York may have led the way in many innovative housing policies and programs, we are now sadly lagging behind the rest of the world in the redevelopment of land and in reclaiming abandoned and underutilized areas of our city. Regardless of
your views on the wisdom and the outcome of the redevelopment of the Hudson River Waterfront along Manhattan’s West Side, everyone must agree that 30 years is just too long to come to a consensus on redevelopment. We must find a way to engage in the public dialogue needed to reach agreement without endless litigation and rancor and fights.

We’re embarking on a very interesting project out in Bushwick, Brooklyn, where we’re going to have an international team of planners come in and look at a site that is underutilized and abandoned, an old industrial site that we think looks very promising for mixed-use development, principally housing. Europeans have been much more effective in their long-range planning, their ability to reach consensus around a variety of different areas and work through thorny problems. We don’t seem to be able to develop that kind of consensus in New York. It takes years and years and years. Meanwhile, we miss economic cycles; we have sites that lie vacant for several years. It’s something that we really need to try to figure out how to deal with.

Question: My question has to do with how to get the pieces in place to make use of the various available resources. What do you need from people like us, who are housers or in the private sector, to help put your vision into action?

Richard Roberts: The city’s sale of land for revenue has gotten caught up in a whole range of discussions around prudent interim uses. I think a very small portion of the activity has been directed towards the utilization of city-owned land. Certainly HPD has an extremely extensive program-planning mechanism and works very collaboratively with a variety of different entities and individuals interested in moving forward with very important development and redevelopment plans.

But some of these issues are simply not within the bailiwick of the housing commissioner. City planning has said for years now that they are receptive to the idea of rezoning manufacturing sites and industrial sites for redevelopment as housing. We need them to accelerate that and to actually put their money where their mouth is on that type of work. We need to engage them in that process. At this point, we’ve seen some support, but we haven’t seen a lot of activity.

Part of that has to do with the fact that we’ve got competing interests at the local level, and people are convinced, for some reason, that manufacturing
is going to come back to New York City in a big way. Quite frankly, I don't think that's the case, and I think people need to deal with that.

And we need to advance debate on the larger issues. I think Americans have always had a problem with the question of housing as a public good versus a private good. This country had to be brought kicking and screaming to a commitment to public housing. Even then, such housing was constructed in a way to encourage people to move out of it; the less attractive you made it, the more incentive people would have to move out of it. That doesn't sound like a very significant commitment to me.

We also need to engage a broader group of people in this discussion. In the three-and-a-half years that I've been housing commissioner of the City of New York, I've attended many meetings like this one, where we are essentially preaching to the choir. It's the same people kicking around the same ideas. We need to make a renewed commitment to our corporate community. We need to make a renewed commitment to the broader academic community. We need to do a better job of educating a broader range of elected officials and community leaders around these issues. This period of transition that city government is going to go through over the course of the next couple of years is extremely important to housing people. I was very happy to see that the Housing Conference invited potential candidates for mayor to come here and talk about housing issues, to engage them on the issues.

**Question:** Would you like to see any major changes in building codes that might encourage development?

**Richard Roberts:** On the building code issue, yes, we'd like to see some changes. We'd like to see a code specifically adopted for rehabilitation activity. We also need to wean ourselves off subsidies. Subsidies are appropriate, necessary, and important but we have, to a certain extent, allowed ourselves to become dependent on subsidies. We have failed to focus on some of the structural issues in our development climate that would make it more competitive and
put more of the burden of housing production on the private sector. From my perspective, quite frankly, not-for-profits and housing advocates could build more units if we could engage in some substantive regulatory reform of such factors as our codes, our buildings department, our land-use process, our environmental review process. All of those things, it seems to me, will lead to some rationalization of the process and some improvement in the amount of housing we can produce.

One of the study’s recommendations that we strongly advocate is the delegation of the certification authority for affordable housing projects. We believe that, if we sponsor an affordable housing development project, we are just as qualified as City Planning to certify that application and to start it moving forward. I certainly don’t have the staff to do that now, but I would certainly favor getting authorization.

**BIOGRAPHIES OF HOUSING CONFERENCE PARTICIPANTS**

**Stan Altman** Conference co-host. Dean of the School of Public Affairs of Baruch College of The City University of New York. Dean Altman holds a doctorate in systems science from the Polytechnic Institute of Brooklyn. He was the co-founder of the Journal of Urban Analysis and served as its editor from 1972 to 1989. He served in various capacities while at the State University of New York at Stony Brook, including deputy to the president, Presidential Fellow for Housing, associate provost for health policy and planning for the entire SUNY system, and director of the Center for Health Policy and Management.

**Naomi Bayer** Conference panelist. Director of the New York Partnership Office of Fannie Mae, the Federal National Mortgage Association. Ms. Bayer is responsible for implementing House New York, a five-year, $8-billion investment plan to finance affordable housing for over 120,000 people.

**Frank Braconi** Conference panelist. Executive director of the Citizens Housing and Planning Council, a non-profit research organization concerned with physical and economic development of the city.
Clara Fox  Recipient of the School of Public Affairs’ annual Public Affairs Award for Distinguished Service to the New York Community. Founder and executive director of the Settlement House Fund and co-chair of the New York Housing Conference.

John Goering  Conference organizer. Professor, School of Public Affairs. An expert on the relationships among housing, community development, and racial discrimination, Professor Goering is a former deputy director of the Office of Policy Development and Research at the Department of Housing and Urban Development. Dr. Goering served as policy researcher and acting deputy director on President Clinton’s Initiative on Race. He is finishing a book on the results of a large housing demonstration that measured the effects of neighborhood change on residents of public housing.

David Jones  Conference panel moderator. Director of the Community Service Society, an organization dedicated to the ongoing analysis of the city’s poverty population, workforce, and social services programs.

Sidney I. Litzman  Conference co-host. Vice president and dean, Zicklin School of Business, and interim president of Baruch College at the time of the conference.

Peter Marcuse  Conference panelist. Professor, Columbia University. Mr. Marcuse is an internationally known scholar of urban policy as well as a lawyer who has contributed much to thinking about public policy in New York City, especially regarding housing, redevelopment, and changing modes of living in poor communities.


Edwin Melendez  Conference panelist. Director and professor of management and urban policy at the Community Development Research Center of the Milano Graduate School of Management and Urban Policy at the New School University. He has written extensively on issues related to Latinos, particularly to Puerto Ricans and Caribbean populations.
Felice Michetti Conference speaker: “Is the Past Really a Prologue?”
President, Grenadier Realty, and former chair of the New York City Department of Housing Preservation and Development.

John Mollenkopf Conference panelist. Professor of political science and sociology at the CUNY Graduate Center and director of the Center for Urban Research.

Richard T. Roberts Conference speaker: “What Are the Best Directions for Housing Policy for New York City?” Then-chairman of the New York City Department of Housing Preservation and Development, Mr. Roberts has been on advisory commissions for the City University and has worked with Benno Schmidt on the Edison Project. He received his law degree from Yale University.

Susan Saegert Conference panel moderator. Professor and housing analyst, City University Graduate Center.

Michael Schill Conference panelist. Professor of law and urban planning at the Wagner School of Public Service, New York University. He teaches law and property law, land-use regulation, and real estate. He is a noted researcher on New York’s housing problems.

Roger Starr Conference panelist. Manhattan Institute. He is the author of several books, including The Rise and Fall of New York City, America’s Housing Challenge, Housing and the Money Market, Urban Choices, and The Living End.

Michael Stegman Conference keynote speaker: “Housing Policy and the New Economy.” Professor, University of North Carolina. Professor Stegman is the Duncan McCrae and Rebecca Kyle McCrae Professor of Public Policy in Business at the University of North Carolina at Chapel Hill, chairman of the public policy curriculum, and director of the Center for Community Capitalism. In 1993, President Clinton nominated him assistant secretary for policy development and research at HUD, a position he held until 1997. He also served as acting chief of staff at HUD from November 1996 to April 1997. While at HUD, he wrote extensively on housing and urban policy and was the founding editor of Cityscape, a new journal of urban policy research. His other works
include “Savings and the Poor: The Hidden Assets of Electronic Banking,” “State and Local Affordable Housing Programs: A Rich Tapestry” and “More Housing, More Fairly: A Report of the 20th-Century Fund Task Force on Affordable Housing.”

Phil Thompson  Conference panelist. Associate professor of political science, Columbia University, and Martin Luther King Fellow at MIT. Professor Thompson was director of housing coordination in the Dinkins administration and then went to NYCHA before joining the faculty of Columbia. He has written extensively on housing and the political realities of public housing. He is currently at work on a book about African American mayors in the United States.

Gregg Van Ryzin  Conference panelist. Associate professor, School of Public Affairs, where he teaches courses on program evaluation and research. Professor Van Ryzin is director of the Baruch College Survey Unit, which conducts surveys for government agencies, nonprofit organizations, researchers, and other clients. He has published an article in Housing Policy Debate on the City of New York’s Ten-Year Housing Plan, which invested an estimated $5 billion in construction and rehabilitation.
About Baruch

Baruch College has earned a reputation as one of the best academic resources in the New York City area. From the beginning, Baruch's primary mission has been to educate students for effective leadership through business and administrative programs that are integrated with a comprehensive arts and sciences education. Baruch offers undergraduate and graduate programs of study through its three schools: the Zicklin School of Business, the School of Public Affairs, and the Weissman School of Arts and Sciences.

With a prime location in Manhattan's historic Gramercy Park neighborhood and the leading-edge Flatiron district, Baruch is at the heart of one of the world’s most dynamic centers of business, culture, and public service. This real-world “classroom” adds immeasurably to the value of a Baruch education and offers unparalleled internship and career opportunities.

Baruch students come from more than 90 different cultural and ethnic backgrounds, creating a rich social environment that reflects the diversity of New York City and prepares students for the global marketplace. Classes are taught by distinguished, widely known faculty who combine outstanding academic credentials with significant real-world experience.

Baruch is committed to offering its students a modern and technologically advanced learning environment. Advanced facilities in the Information and Technology Building and the William and Anita Newman Library help to prepare today's workforce. Scheduled to open in the year 2001, the new 17-floor Academic Complex will feature classrooms and research facilities, a physical fitness center, a theatre and recital space, and a television studio.