WEEK 3: The Financialization of Housing

September 11, 2022 | Adjunct Lecturer: Erin Lilli | URBST 222: Introduction to Urban Housing /URBST 723: Dynamics of Housing & Homelessness

What is the Financialization of Housing?

What is Financialization?

- Financialization refers to “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein, 2005 in Davis and Kim, 2015).
- Financialization of the global economy has meant increased outsourcing, a reorientation toward increasing shareholder profits, and reliance on the securitization (i.e., monetization) of debt (Davis and Kim, 2015) with mortgage debt being its dominant form backed by an ideology of homeownership (Aalbers, 2019).
- Assets, like housing more recently, are converted into tradable securities whereby credit risks are no longer fully borne by banks (Hudson and Bezemer, 2012).

What is Financialization?

As Bezemer and Hudson (2016) state,

"Mortgages are also special in that real estate assets have grown into the largest asset market in all western economies, and the one with the most widespread participation. Following classical analysis, if every real estate asset bought on credit skims off the income of the owner-borrower, then the rise in home ownership since the 1970s has sharply increased rent extraction and turned it into a flow of interest to mortgage lenders. Securitization added another dimension to this. Not only domestic homeowners, but also global investors can participate in the mortgage market" (p. 754).

What is Financialization?

Drawing on Lapavistas, Moreno (2014) defines three interlocking aspects of a financialized system as:

1. self-reliance of companies through seeking profits in the **sphere of circulation** (i.e. when money is transformed into a commodity and back into money) instead of through **fixed capital** (i.e. assets and investments used for production/to run a business)
2. commercial banks, behaving more like investment banks by facilitating speculative investment
3. real estate and housing, as sites that could "absorb masses of loanable-capital" (p. 253); (i.e. a "spatial fix")

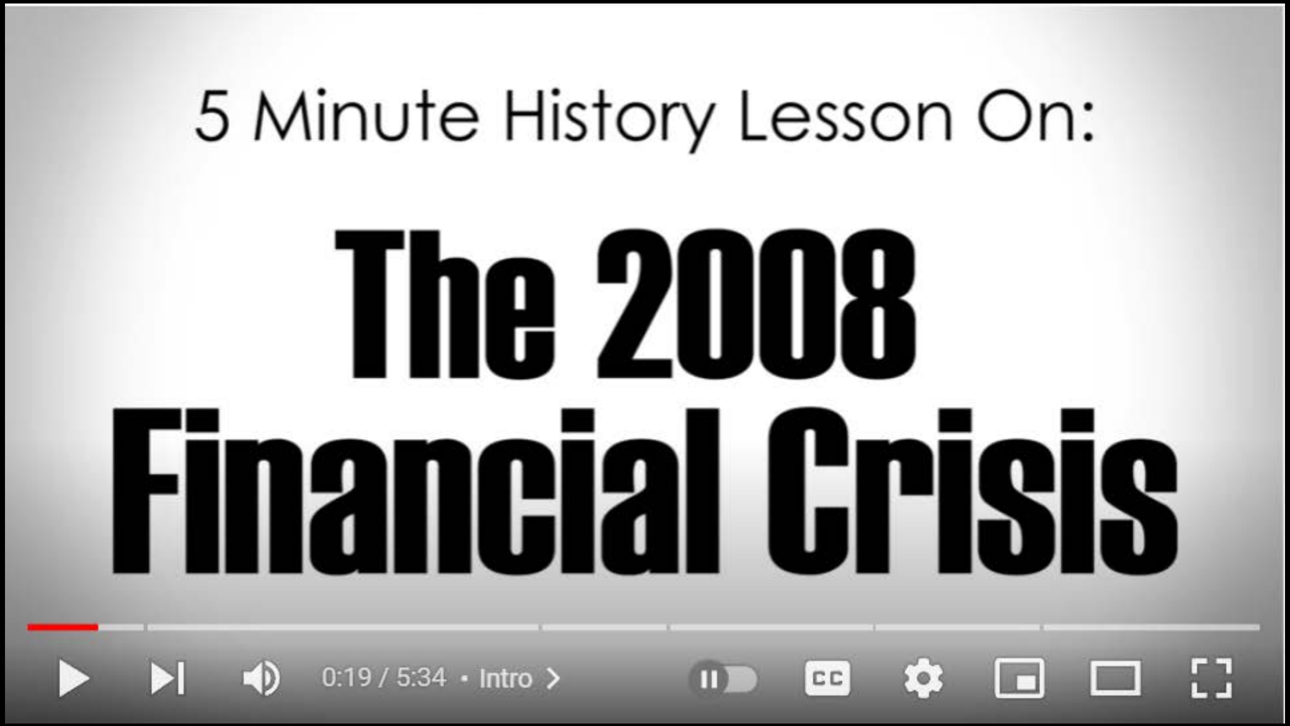
Real Estate as a "Spatial Fix" for Capital

Over the last 40-50 years, real estate has overtaken other forms of economic production (e.g. the making of goods), becoming the primary locus for a "spatial fix" (Harvey, 2006) for capital.

- Harvey (2001, p. 28) **The "spatial fix"** (in the sense of geographical expansion to resolve problems of overaccumulation) is in part achieved through fixing investments spatially, embedding them in the land, to create an entirely new landscape (of airports and of cities, for example) for capital accumulation.
- Jessop describes Harvey's **spatial fix** as: a general term that refers to many different forms of spatial reorganization and geographical expansion that serve to manage, at least for some time, crisis-tendencies inherent in accumulation.

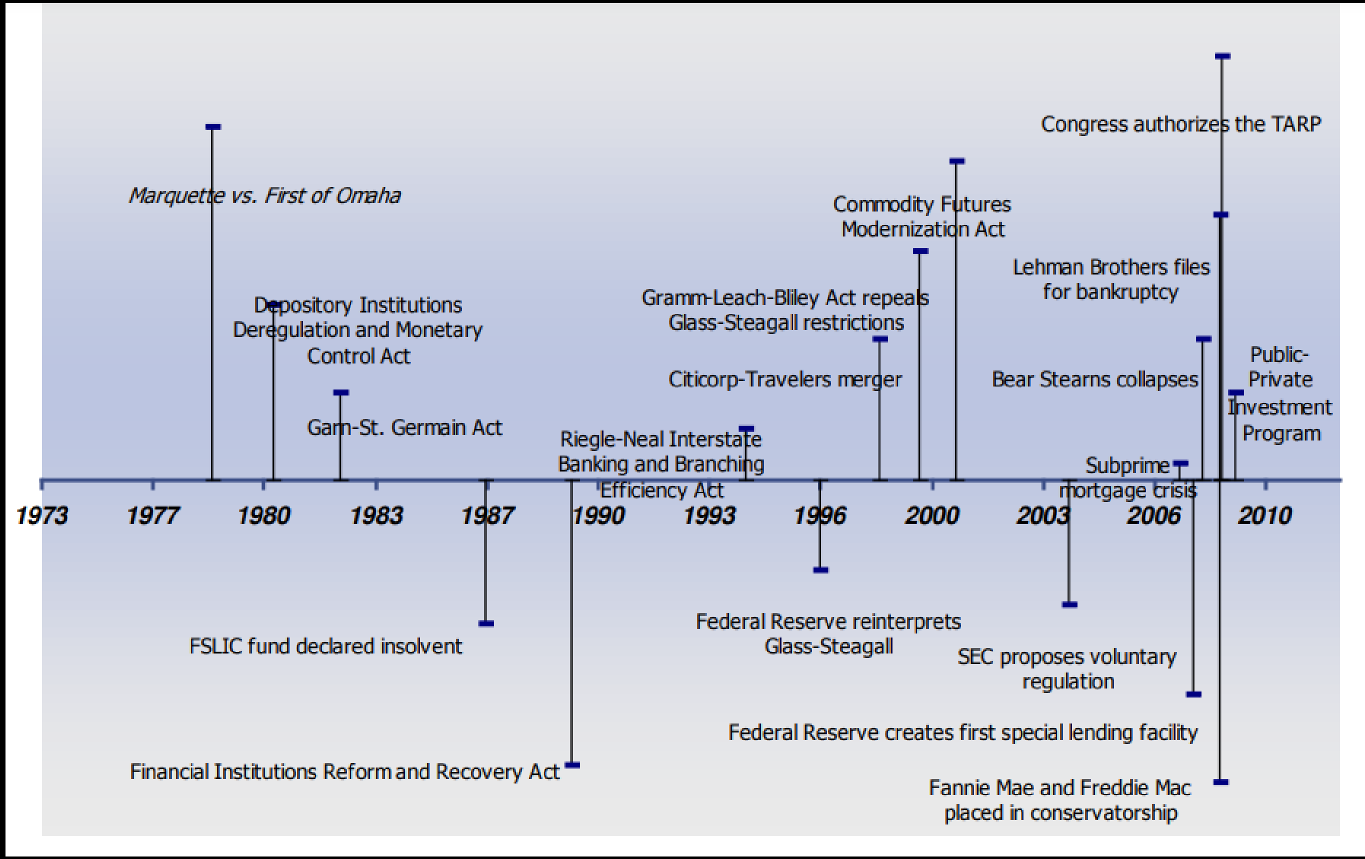
Financialization of the Economy: 2008 Crisis

- The 2008 Financial Crisis is a was caused by the increasing financialization of housing. whereby mortgages are treated like stocks and bonds, are pooled, and sold to investors.



Financialization of the Economy: Deregulation

- Since the Reagan Administration, the Federal Government's responsibility for providing affordable housing has devolved onto state and local entities using increasingly privatized means with a heavily deregulated banking system.



Sherman, M. 2009. "A Short History of Financial Deregulation in the United States". Center for Economic and Policy Research. [link]

Bank Deregulation

A history of **bank deregulation** can be found here (if you're interested!), but here are some key take-aways:

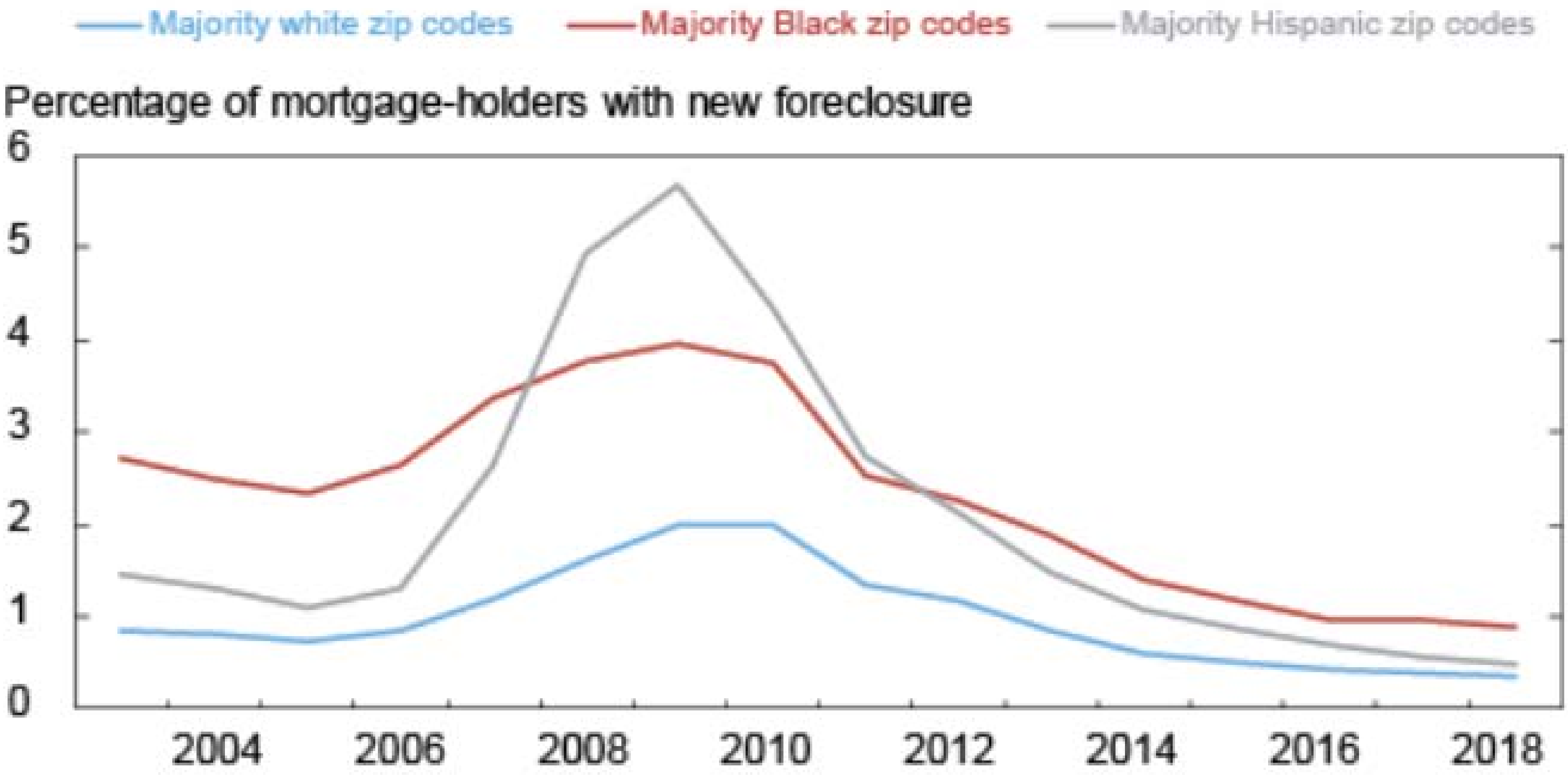
- **1978, Marquette vs. First of Omaha** – Supreme Court allows banks to export the usury laws of their home state nationwide and sets off a competitive wave of deregulation, resulting in the complete elimination of usury rate ceilings in South Dakota and Delaware, among others.
  - Per Wikipedia: Marquette Nat. Bank of Minneapolis v. First of Omaha Service Corp., 439 U.S. 299 (1978), is a unanimous U.S. Supreme Court decision holding that state anti-usury laws regulating interest rates cannot be enforced against nationally chartered banks based in other states.
  - Per americanbar.org: Usury laws are state-specific laws that set forth limits for interest rates in specific types of lending instruments to prevent lenders from imposing unreasonable or predatory interest rates

1996, Fed Reinterprets Glass-Steagall – Federal Reserve reinterprets the Glass-Steagall Act several times, eventually allowing bank holding companies to earn up to 25 percent of their revenues in investment (i.e. riskier) banking.

- Per https://www.federalreservehistory.org/: The Glass-Steagall Act effectively separated commercial banking from investment banking and created the Federal Deposit Insurance Corporation, among other things. It was one of the most widely debated legislative initiatives before being signed into law by President Franklin D. Roosevelt in June 1933.
- **1999, Gramm-Leach-Bliley Act** – With support from Fed Chairman Alan Greenspan, Treasury Secretary Rubin and his successor Lawrence Summers, the bill repeals the Glass-Steagall Act completely.
  - **2004, Voluntary Regulation** – The Securities & Exchange Commission proposes a system of voluntary regulation under the Consolidated Supervised Entities program, allowing investment banks to hold less capital in reserve and increase leverage.
  - **2007, Subprime Mortgage Crisis** – Defaults on subprime loans send shockwaves throughout the secondary mortgage market and the entire financial system.

- As the dominant form of debt, mortgage-backed securities have seemingly become synonymous with foreclosure.
- In the latter 20th century, increases in homeownership among African Americans was precipitated “by deregulatory policies that led to the rise of non-bank lenders, the proliferation of high-cost and exotic loan products, and the entry of banks into financial services previously reserved for investment banks” (Saegert et. al., 2011, p. 395). These factors along with surges in predatory lending and subprime loans, targeting minority families, led to widespread foreclosures across the country.

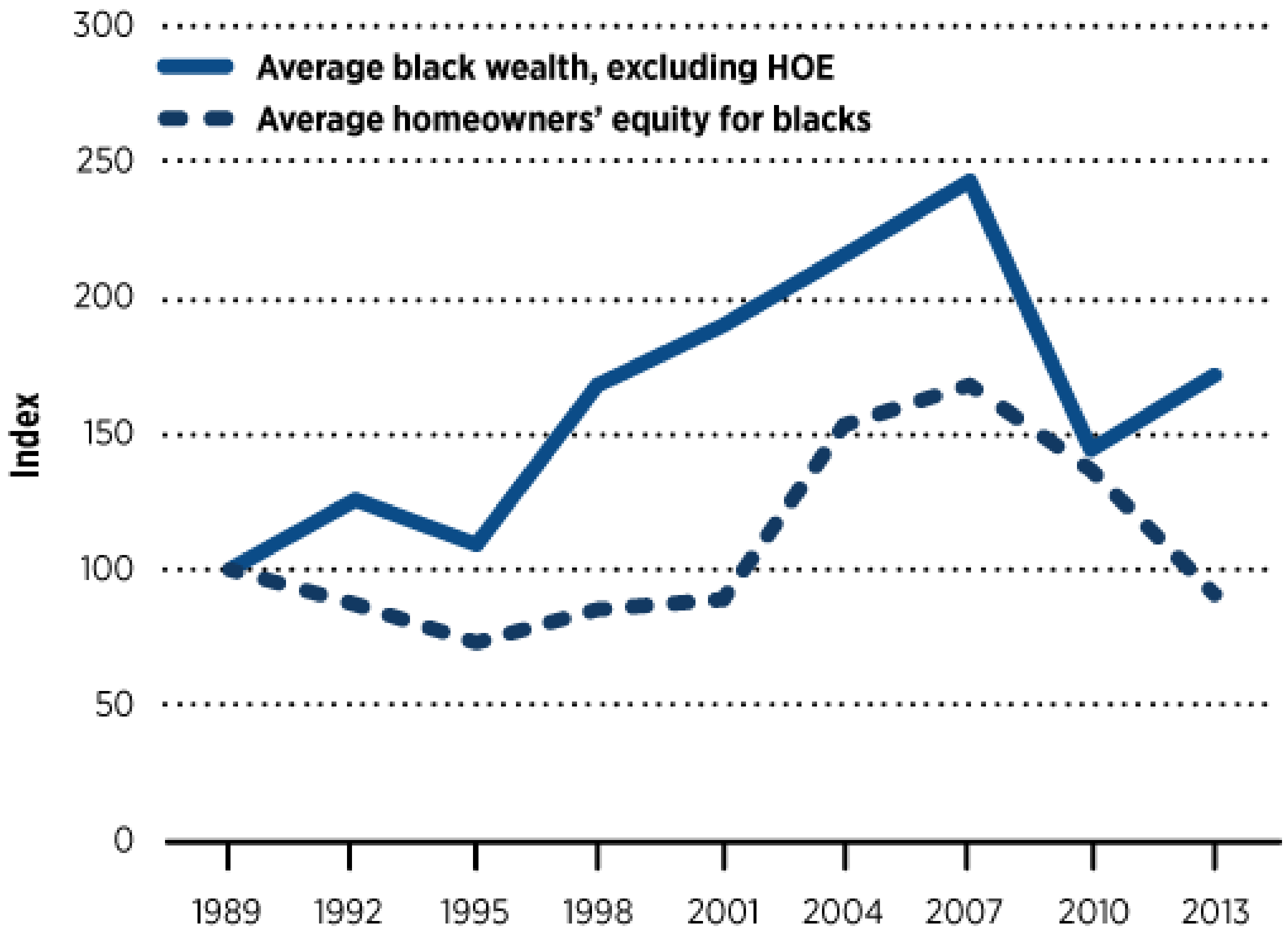
The Foreclosure Crisis Disproportionately Affected Zip Codes with a Majority of Black or Hispanic Residents



Sources: New York Fed Consumer Credit Panel / Equifax; U.S. Census Bureau.

FIGURE 2

Change in Average Wealth: Homeownership (HOE) vs. Other Assets for Blacks



SOURCE: Federal Reserve Board Survey of Consumer Finances (2013).

NOTE: The figure shows cumulative changes in the indexes (1989=100), adjusted for inflation.

■ FEDERAL RESERVE BANK OF ST. LOUIS

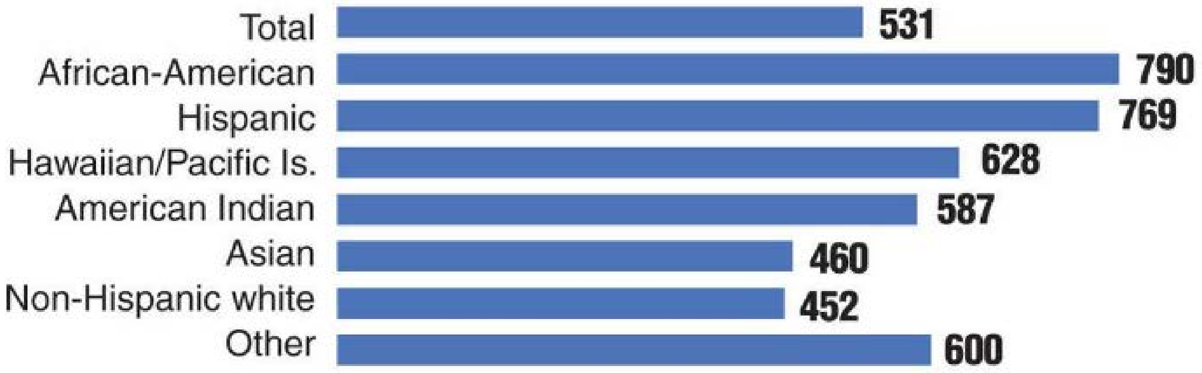
Demographics of foreclosure

How minorities have been disproportionately hit with home foreclosures:

In 2007-09, for mortgages originating in 2005-08

By racial, ethnic group

Per 10,000 home mortgages



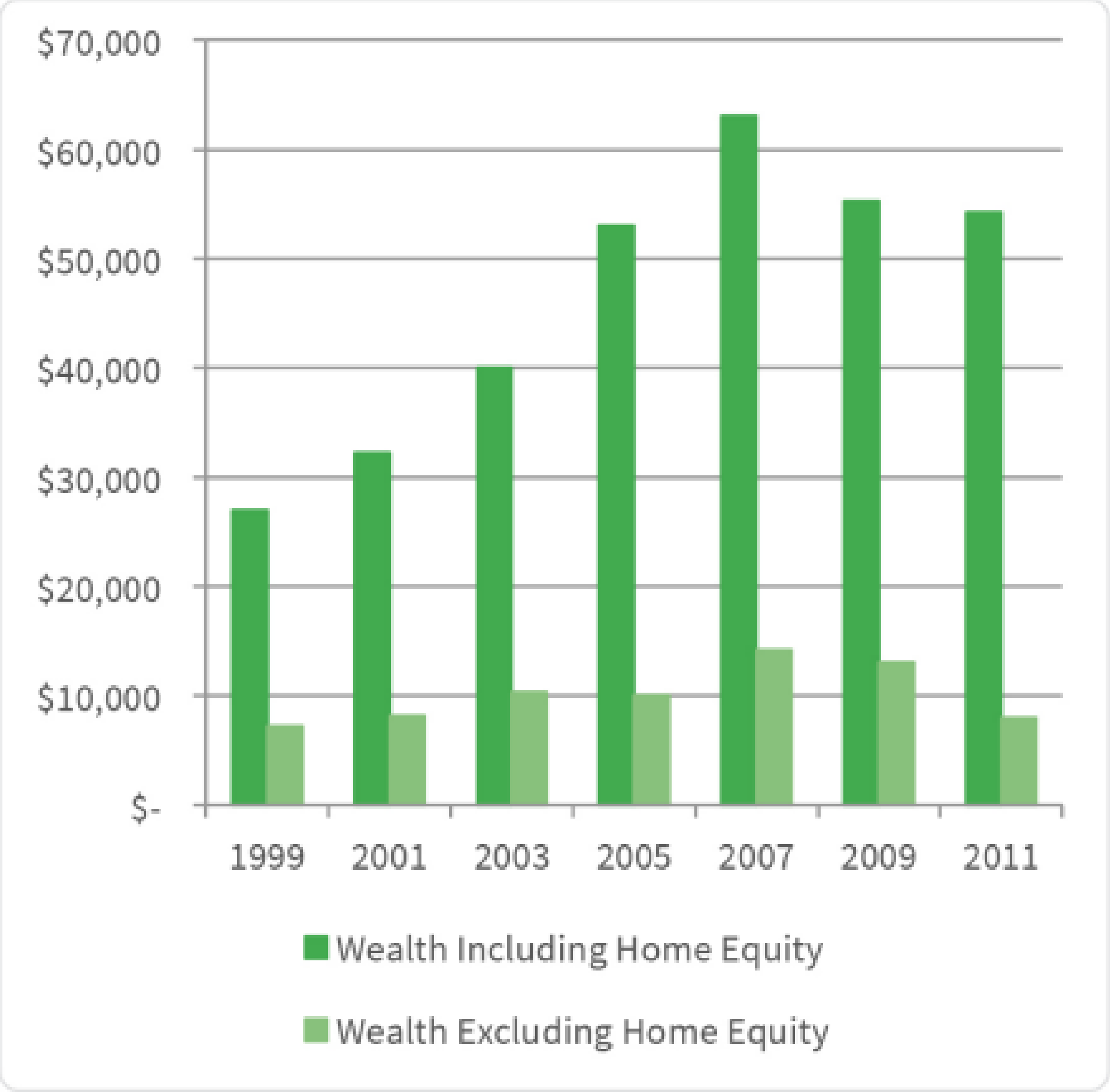
By income group

		Percent of mortgages	Percent of Foreclosures	Increased likelihood of foreclosure than for non-Hisp. whites
Low	African-American	15%	21%	56%
	Hispanic	11%	12%	20%
	Non-Hispanic white	74%	67%	
Middle	African-American	10%	15%	71%
	Hispanic	13%	19%	67%
	Non-Hispanic white	77%	67%	
High	African-American	6%	10%	81%
	Hispanic	14%	23%	94%
	Non-Hispanic white	80%	67%	

Source: Center for Responsible Lending
Graphic: Judy Treible

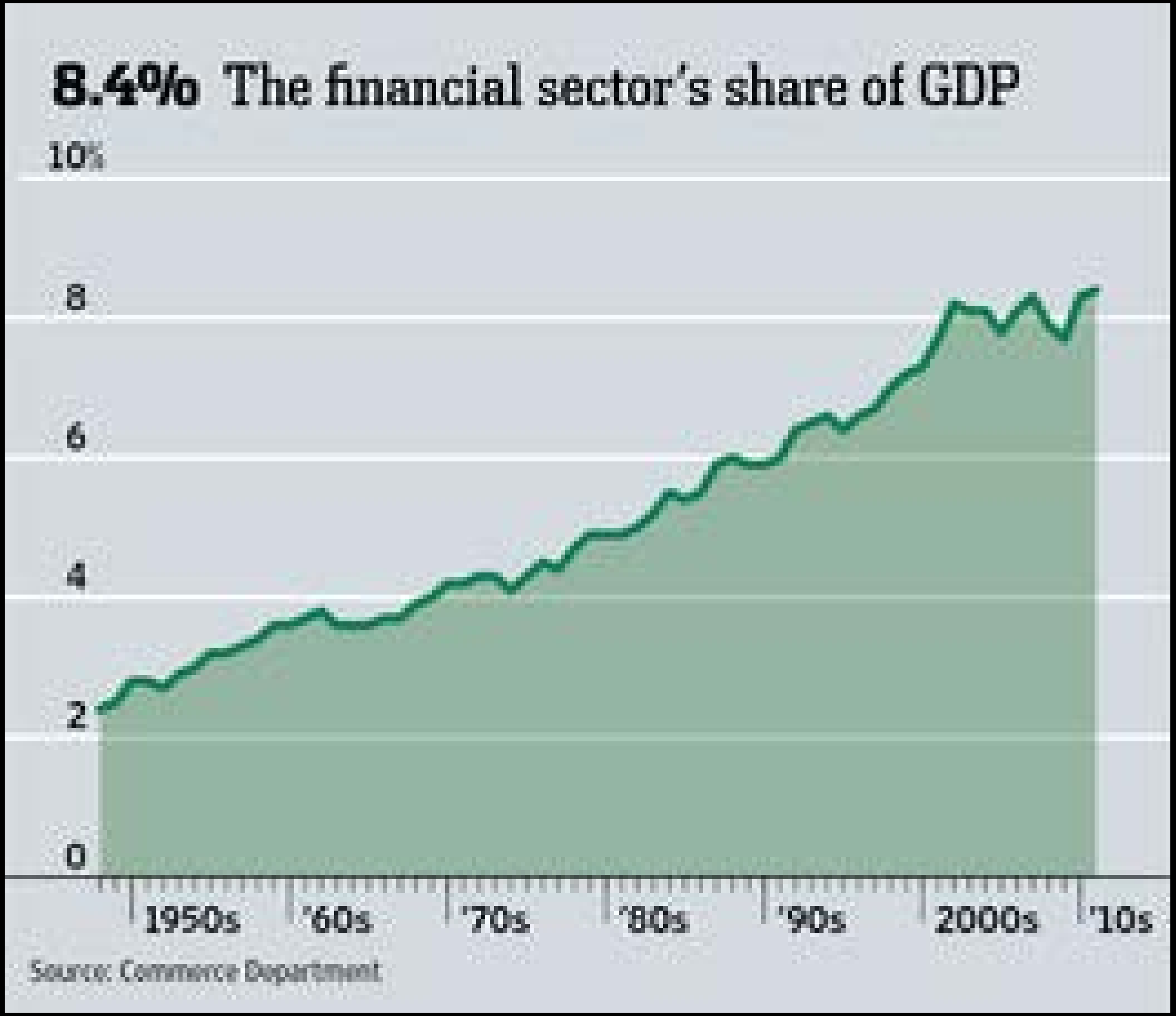
FIGURE 3A. TOTAL WEALTH VS. WEALTH EXCLUDING HOME EQUITY: WHITE HOUSEHOLDS

FIGURE 3B. TOTAL WEALTH VS. WEALTH EXCLUDING HOME EQUITY: BLACK HOUSEHOLDS



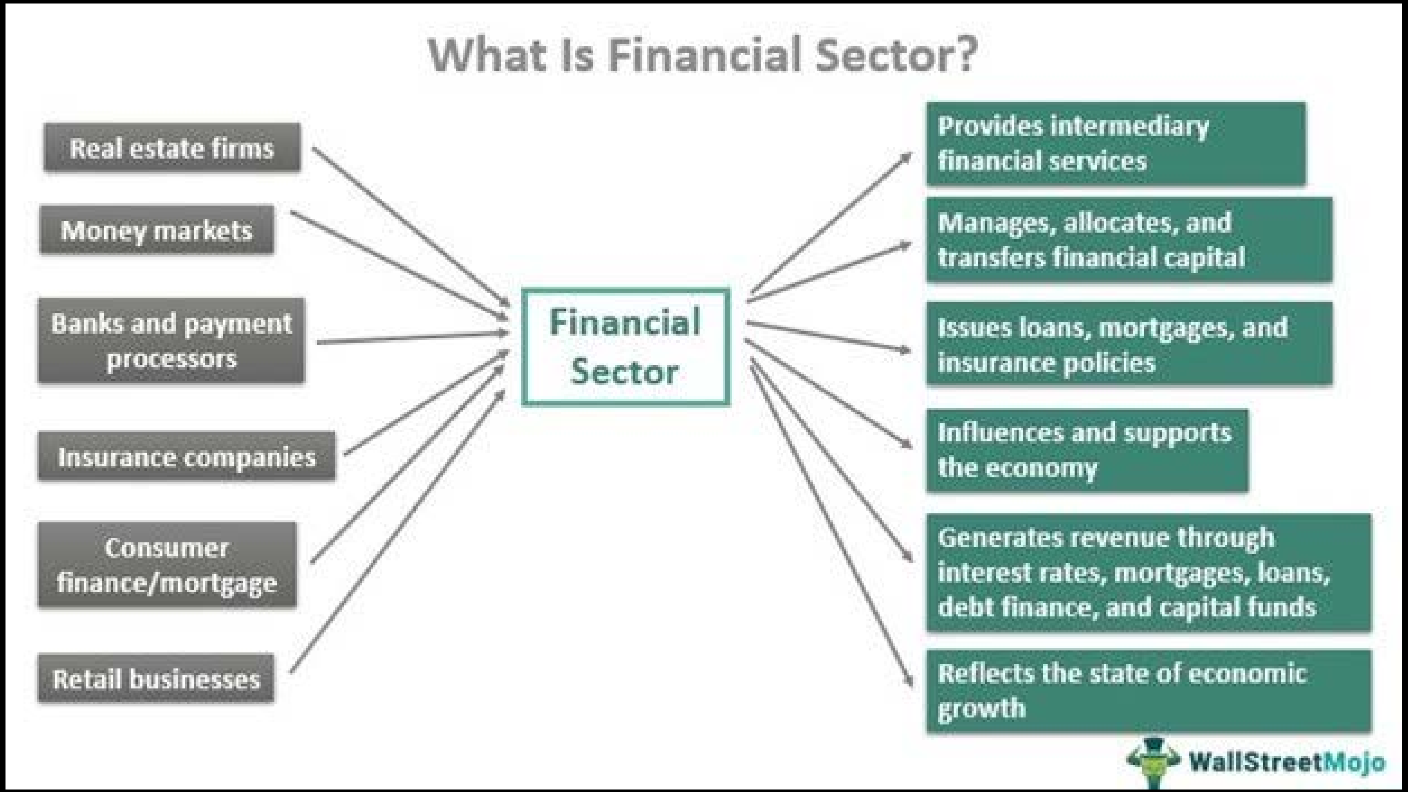
Financial Sector's Share of the Economy

- According to Hudson and Bezemer (2012): financial sector profits accounting for 40% of total U.S. domestic profits in the early 2000s—a steep increase from the 10% seen in 1950-60s.
- By 2011, finance and insurance made up 8.4% of the U.S. economy (i.e., Gross Domestic Product [GDP]).



What is the Financial Sector?

- According to the International Monetary Fund (IMF), the financial sector covers many different types of transactions in such areas as real estate, consumer finance, banking, and insurance. It also covers a broad spectrum of investment funding, including securities.



When fiscally strapped local governments reduce the risks and costs borne by private developers—through rezoning, tax subsidies (e.g., 421a), and divestment in public lands—those private housing developers can successfully leverage debt to enhance their portfolios by gentrifying neighborhoods while providing only a modicum of truly affordable housing. Renters are further squeezed when private equity firms buy their homes to grow their portfolios [Fields' reading this week].

Sources

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WEEK 4: U.S. Housing Policy Pre- and Post War

September 18, 2023
Adjunct Lecturer: Erin Lilli
URBST 222: Introduction to Urban Housing /
URBST 723: Dynamics of Housing & Homelessness

Setting the Stage for this course...

- Today's lecture will take us from the New Deal Era up through roughly the mid 1960s.
  - Crisis of Great Depression (1929) → New Deal Era Housing Policies (1930s) to cope with fall out of GD and the evolution of the home mortgage.
  - Critical lens with attention the structural racism embedded in out housing system.
- In Week 6 (no class week 5), we'll pick up with 1968 Fair Housing Act and focus more on structural racism in the housing system:
  - segregation, urban renewal, racial steering, valuation and lending
- In Week 7, we'll pick up wit the Nixon era moratorium and devolution during the Reagan era then turn our focus to NYC-specific policies of the 1990s and 2000s
- In weeks 8, we'll circle back a bit to talk about Public Housing, its history, 1990s demise under Hope VI, and contemporary issues with NYCHA.

FEDERAL ERA: U.S. Housing Policy (overview)

- From 1933 to 1980 (until Reagan's presidential terms) the Federal Government was seen as the purveyor of housing for low-income Americans.
  - This responsibility started to shift (i.e. devolve) from the Federal Gov't on to local and state governments as well as become more focused on the private sector and non-profits (often in partnership with the private sector) to meet the needs of housing for the poor and low-income.
- The Great Depression (1929) created an economic crisis that demanded serious interventions from the public-sector in the form of Roosevelt's New Deal initiatives under the Federal Government.

FEDERAL ERA: U.S. Housing Policy

- There were 3 approaches to the U.S. federal housing policy during the Great Depression.
  1. Increase the efficiency of the private market
  2. A weak attempt at public housing production
  3. Private sector subsidies to spur the creation of affordable housing
- The Great Depression exposed serious flaws in how housing and real estate industries had operated up to that point.
  - The typical 2-5 year mortgages required a balloon payment at the end and covered only 50%-60% of the full cost of the home...second and third mortgages were a common practice.

FEDERAL ERA: U.S. Housing Policy

- Early policy efforts to salvage the economy from this financial disaster.
  - **1932 Federal Home Loan Bank Act** – Under Pres. Hoover to, "create a credit reserve intended to increase the supply of credit available to the housing market, thereby allowing people to buy and maintain homes"… (source). Essentially help people cheaply buy homes, it created entities to provide short- and long-term solutions.
    - Home Owners' Loan Corp. (HOLC): created to refinance troubled mortgages, only operated for 4 years, yet introduced a new credit instrument…the long-term fully amortized mortgage. Also created racist redlining maps…more on that later.
    - Federal Home Loan Bank and Federal Reserve Bank: regulatory body to supervise and guide the savings and loans industry.
  - **1938 Federal National Mortgage Assoc.** – Also know as Fannnie Mae, created a more efficient credit system for home financing through providing a second market for mortgages by purchasing FHA and conventional mortgages and selling them to investors. This provided liquidity in the mortgage market so lenders could continue to provided new mortgages to homeowners.

FEDERAL ERA: U.S. Housing Policy

- With mortgages, you need mortgage insurance.
  - **1934 National Housing Act → Federal Housing Administration (FHA)** – the creation of the FHA meant the federal government would insure mortgages provided by private lenders.
    - This was a revolutionary change in housing and made monthly mortgage payments more manageable and the insurance program removed risk, thus making interest rates low and housing more affordable for the average person...except for African-Americans and other non-whites who were largely excluded from FHA assistance.
  - **U.S. Housing Act of 1937 (Wagner-Steagall Act)** – established the U.S. Housing Admin. to build affordable housing (for each new unit, one substandard unit must be removed, operations left to local authorities). Low maximum income requirements...lead to concentration of poverty. >>> Video on this later
  - **Housing Act of 1949** – "Declares that the general welfare and security of the Nation requires the establishment of a national housing policy to realize, as soon as feasible, the goal of a decent home and a suitable living environment for every American family. Authorizes Federal advances, loans, and grants to localities to assist slum clearance and urban redevelopment". In other words...**Urban Renewal**.

Federal Housing Administration

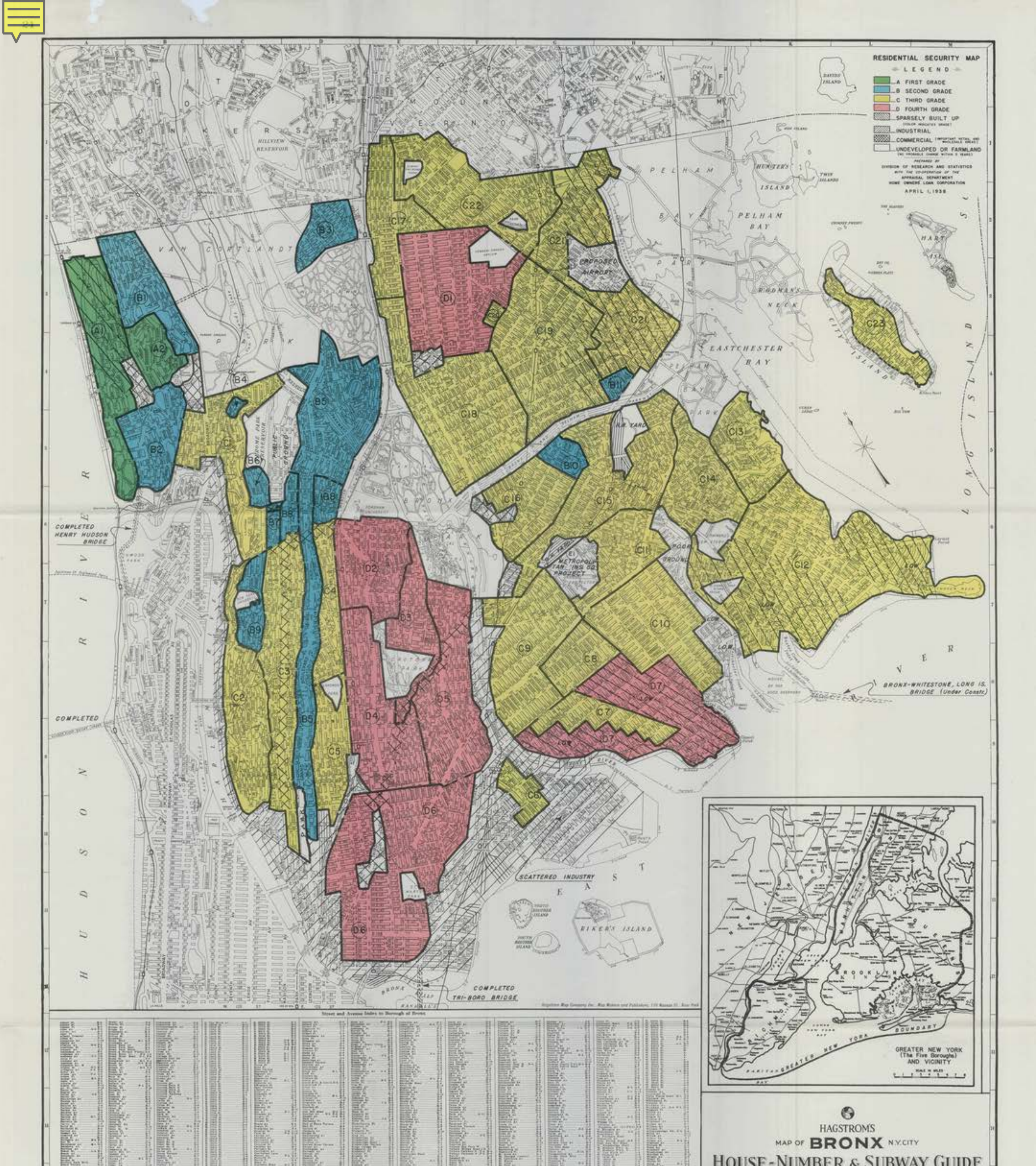
- The racially exclusionary practices of the FHA and other policies in the 1930s, "helped to catalyze urban uprisings by the 1960s" (Taylor, 2019, p. 32).
  - FHA policies discouraged homeownership among African-Americans and those living close to them, they also prohibited small home improvement loans made available to whites.
  - Example of racial provisions of the FHA Underwriting Manual, 1936
    - "Thus, although physical surrounds of a neighborhood area may be favorable and conducive to enjoyable, pleasant living in its locations, if the children of people living in such an area are compelled to attend school where the majority or a goodly number of the pupils represent a far lower level of society or an incompatible racial element, the neighborhood under consideration will prove far less stable and desirable than if this condition did not exist. In such an instance it might well be that for the payment of a fee children of this area could attend another school with pupils of their same social class".

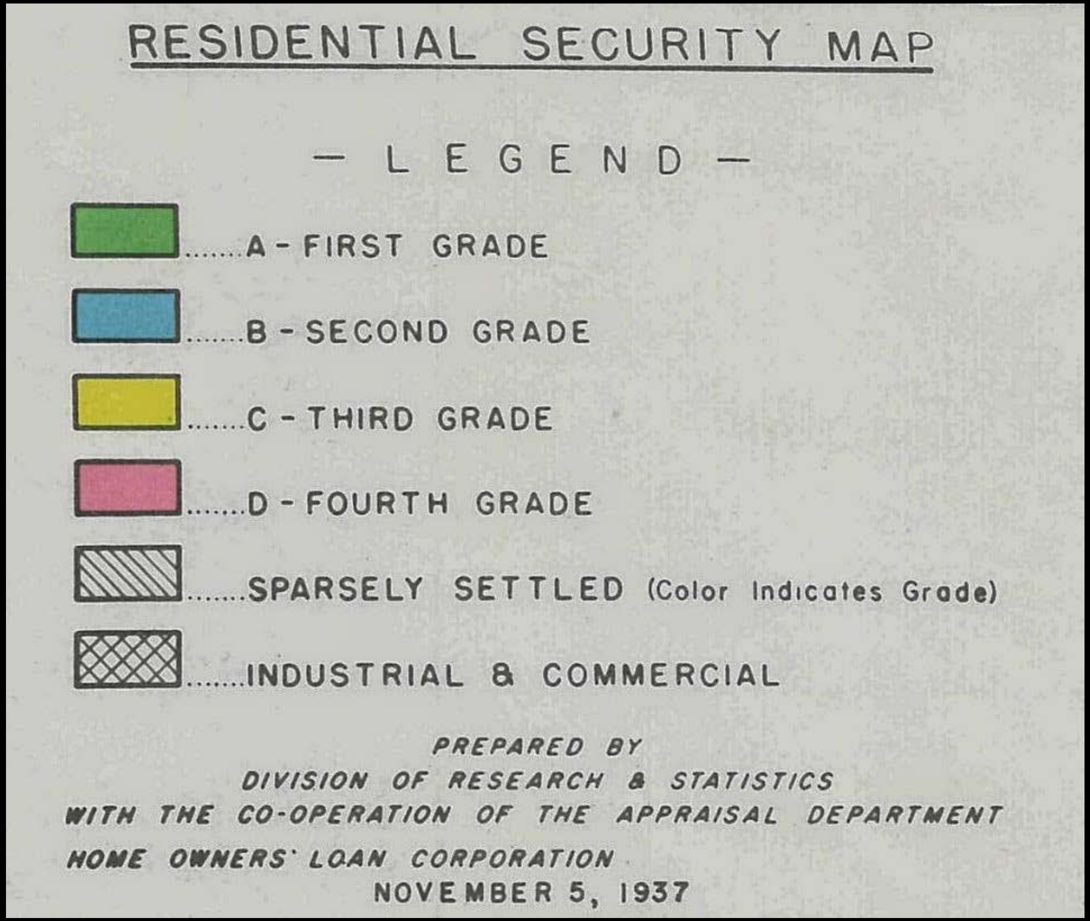
Federal Housing Administration: inception thru 1960s

- FHA Underwriting Manual , 1938 (here→ "rationale" for redlining e.g., sections 929, 932, 936-939)
  - In 1948 *Shelley v. Kraemer* banned the enforcement of restrictive (racial) covenants which had been commonly used after SCOTUS allowed them in 1926 (examples of covenants here).
    - Despite the ban, segregation and discrimination persisted.
  - Both the FHA and Veterans Administration (VA) excluded nearly all African Americans.
  - By 1959 less than 2% of FHA-insured properties went to non-whites while over the course of mid-1930s to mid-1970s FHA provided **$119B** in home mortgages.

Redlining

- Under the New Deal, the 1932 Federal Home Loan Bank Act was created to lower the cost of homeownership—through government-sponsored banks providing mortgage credit—to stave off the financial crisis that had ensued due to the Great Depression.
  - In 1933, the Home Owner's Loan Corporation (HOLC) was created to help people with distressed mortgages refinance by introducing long-term amortized mortgages. Between 1933-35 it supplied $3B toward this and created the appraisal process we know as redlining.
    - In 1934, the Federal Housing Administration (FHA) was created to insure these mortgages. The FHA worked with banks and continued using the redlining maps created by HOLC.
  - Between 1933-1951 redlining created an intentionally race-based appraisal system that explicitly denied mortgages and loans to African Americans.
  - Redlining was made illegal in the 1968 Fair Housing Act (FHA), but its affects persist today.


RESIDENTIAL SECURITY MAP
HUNTER'S ISLAND
PELHAM BAY
EASTCHESTER BAY
CITY ISLAND
COMPLETED HENRY HUDSON BRIDGE
SCATTERED INDUSTRY
RIKER'S ISLAND
COMPLETED TRI-BORO BRIDGE
HUDSON RIVER
HAGSTROMS
MAP OF BRONX N.Y.CITY
HOUSE-NUMBER & SUBWAY GUIDE

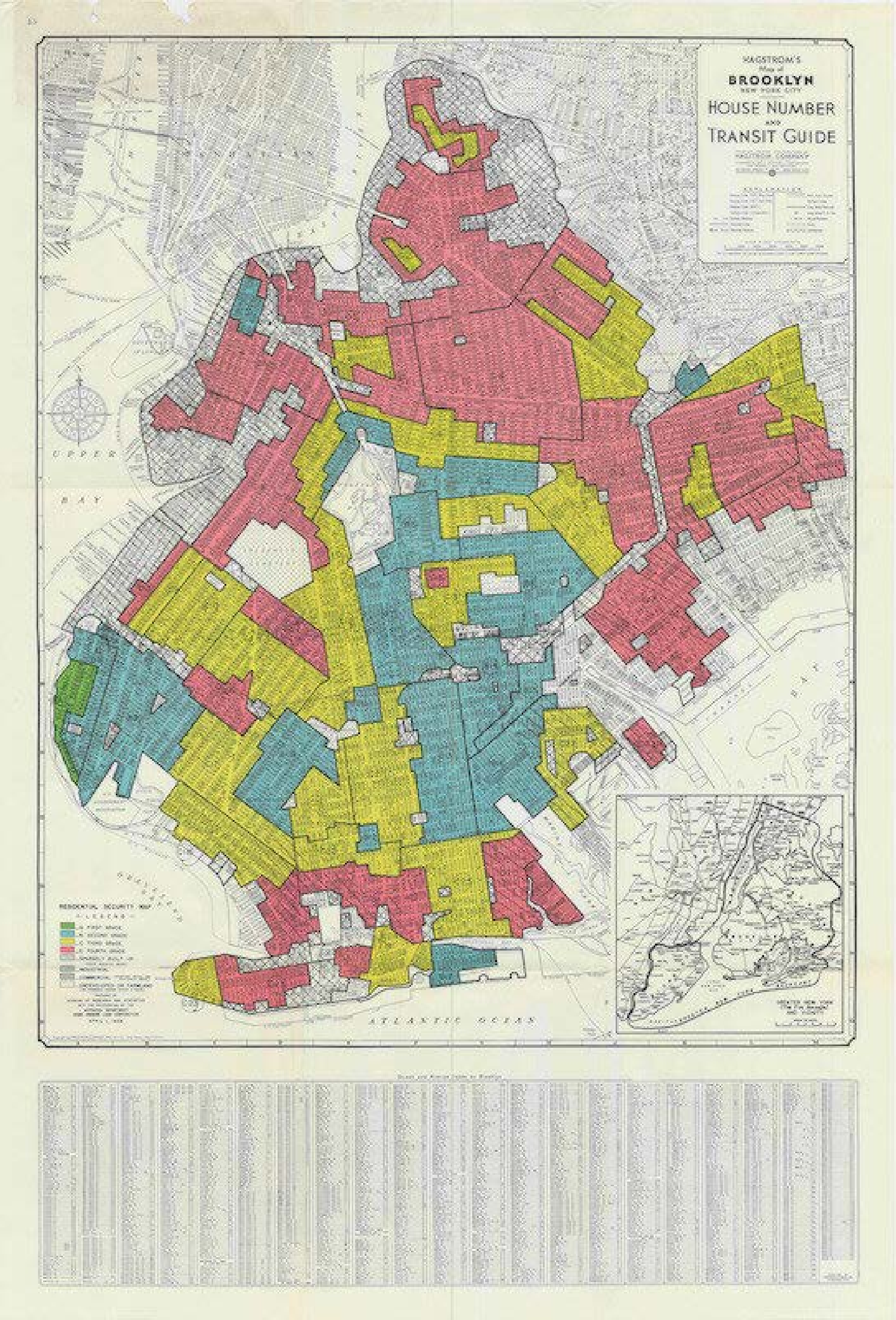

RESIDENTIAL SECURITY MAP
— LEGEND —
A - FIRST GRADE
B - SECOND GRADE
C - THIRD GRADE
D - FOURTH GRADE
SPARSELY SETTLED (Color Indicates Grade)
INDUSTRIAL & COMMERCIAL
PREPARED BY
DIVISION OF RESEARCH & STATISTICS
WITH THE CO-OPERATION OF THE APPRAISAL DEPARTMENT
HOME OWNERS' LOAN CORPORATION
NOVEMBER 5, 1937

Redlined Areas

According to the Preliminary Care Development Corp.

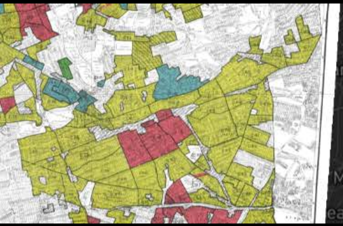
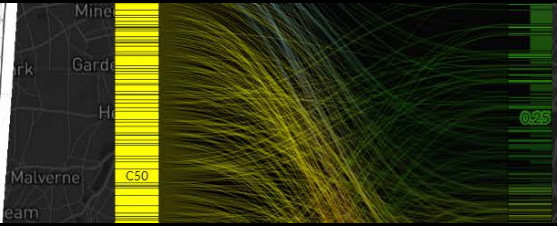
- **Poverty:** Formerly redlined areas have a poverty rate 3.6 times that of A-rated census tracts.
- **Segregation:** The proportion of Black residents in redlined areas is 9.1 time higher than that of A-rated census tracts.
- **Welfare:** 17.8% of adults in formerly redlined areas are uninsured, compared to 6.4% in A-rated census tracts.
- **Health**: 26.6% of adults in formerly lined areas are obese, compared to 16.2% in A-rated census tracts.

Source link

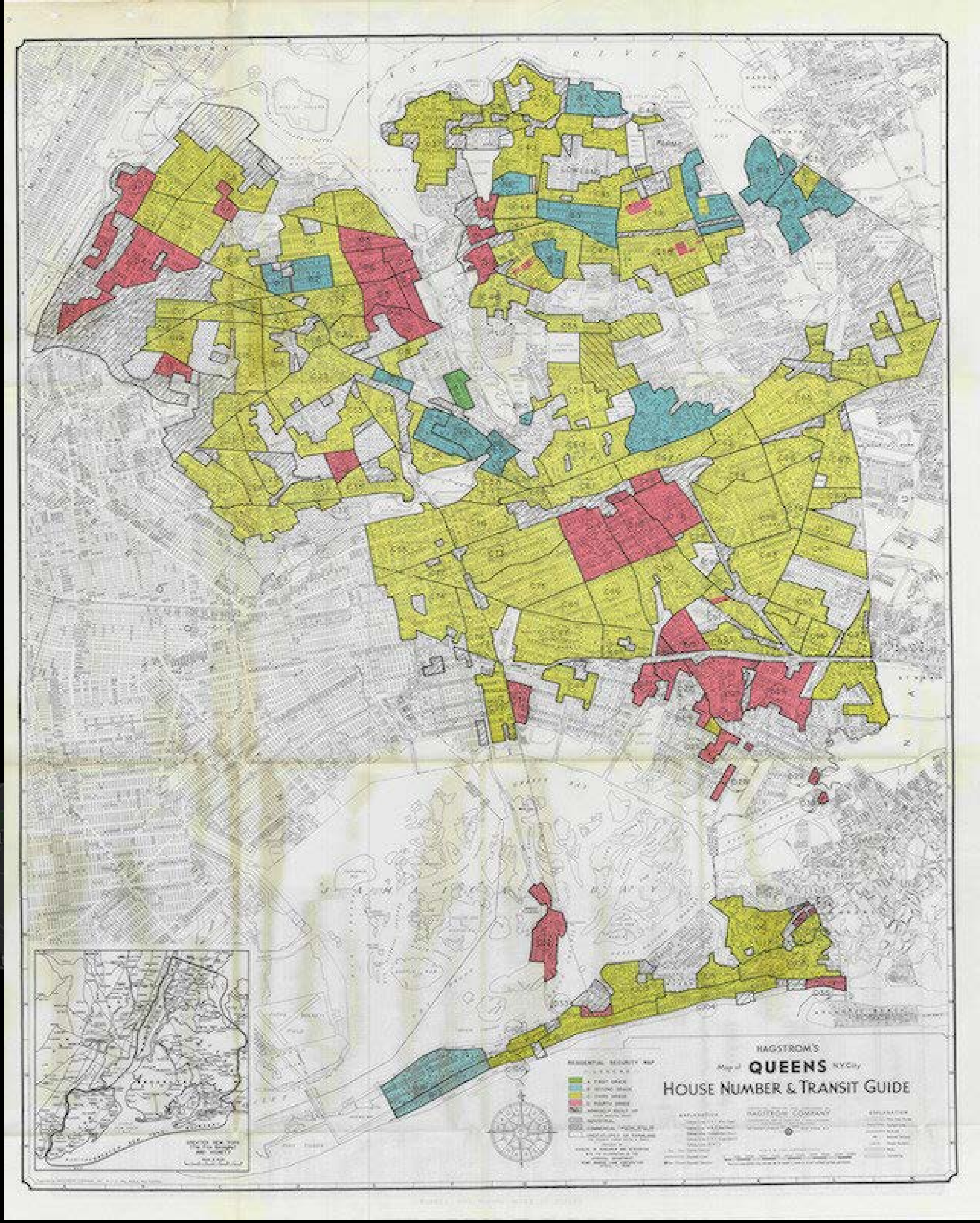


Redlining Legacies

- Explore HOLC grading and current social vulnerability scores here: link
    - Look at example of Queens and compare social indicators between redlined (‘D’ graded) areas and blue/green (‘B’/’A’ graded) areas.

https://www.britannica.com/topic/Fair-Housing-Act



Federal Housing Administration: inception thru 1960s

"From the 1930s until the late 1960s, U.S. housing policies were caught between innovation and regressive racial attitudes that produced a multilayered approach to public policy: homeownership and development for white residents, public housing or extractive and predatory tenancy for African Americans in the wake of urban renewal practices".

(Taylor, 2019, p. 28-9)

Federal Housing Administration: inception thru 1960s

- The impact of FHA policies was substantial.
  - Homeownership grew! By 1960, 60% of Americans were homeowners—this also created the foundation of a sound economy at the time.
- However, this growth was uneven.
  - Created conditions for a flourishing (mainly white) suburbia at the expense of inner-city urban development in which the Black population was largely trapped.
  - Second Great Migration: From 1940-1970, 5 million African-Americans migrated from the South to urban areas in the North, Midwest, and west Coast.
    - 10% of national population, occupying only 8% of housing
    - Living “doubled up” rose from 13.8% to 15.1% during the 1940s
    - 27% of Black housing was considered dilapidated versus 5% of whites’.
    - During this time cities were undergoing urban renewal (more on that in Week 6)

Federal Housing Administration: inception thru 1960s

- Black homeownership lagged behind that of whites by 35%-50% in the first half of the 20th century due to poverty, access, and discrimination.
- Yet, Black homeownership grew with post war migration and increased incomes.
  - By 1950, 1 in 3 Black, urban families owned their home—an increase of 137% over the previous decade compared to 84% for whites living in cities.
  - However, the costs were higher and quality lower for Black homeowners
    - Whites benefiting from the FHA received: reduced down payments and longer repayment periods even as home prices rose by 52% between 1952 and 1956.

Federal Housing Administration: inception thru 1960s

"The deterioration of urban neighborhoods was not simply a side effect of suburbanization or an "unintended consequence"; the two were dialectically connected. This connection meant that the proposition of a "dual market" was misleading. Duality suggested distinction and separation, as if the urban and suburban housing markets were not intimately related to each other. Instead, there was a single United States housing market that was defined by its racially discriminatory, tiered access—each tier reinforcing and legitimizing the other".

(Taylor, 2019, p. 37, emphasis added)

FEDERAL ERA: U.S. Housing Policy

- In the 1960s, during JFK's administration, there were programs designed to offer private-sector owners and developers incentives to build affordable housing.
  - Sections 235 and 236 were eventually implemented in the inner cities (more on that in week 6).
- These programs offered inexpensive financing via loans at below-market interest rates and interest rate buy-downs.
  - Section 235—(FHA) mortgage insurance program designed to help new borrowers achieve homeownership by allowing them to take out government-insured mortgages with no money down on new properties.
    - On February 5, 1988, the Section 235 Program was terminated under section 401(d) of the Homes and Community Development Act of 1987.

FEDERAL ERA: U.S. Housing Policy

- Section 221(d)(3) –Below Market Interest Rate program (BMIR) allowed developers to obtain FHA-insured (at 3% rate) mortgages from private lenders, who then immediately sold the mortgages at face value to Fannie Mae.
  - The program targeted middle-income households who could not qualify for public housing where rents were based on operating costs and mortgage amounts.
  - Ended in 1968, the Section 221(D)(3) BMIR program was ultimately replaced by the Section 236 program.

FEDERAL ERA: U.S. Housing Policy

- Section 236—established by the Housing and Urban Development Act (HUD) of 1968, combined federal mortgage insurance with interest reduction payments to the mortgagee for the production of low-cost rental housing. Under this program, HUD provided interest subsidies to lower a project's mortgage interest rate to as low as 1 percent.
  - This program no longer provides insurance or subsidies for new mortgage loans, but existing Section 236 properties continue to operate under the program.
  - The interest reduction payment results in lower operating costs and subsequently a reduced rent structure.

References:

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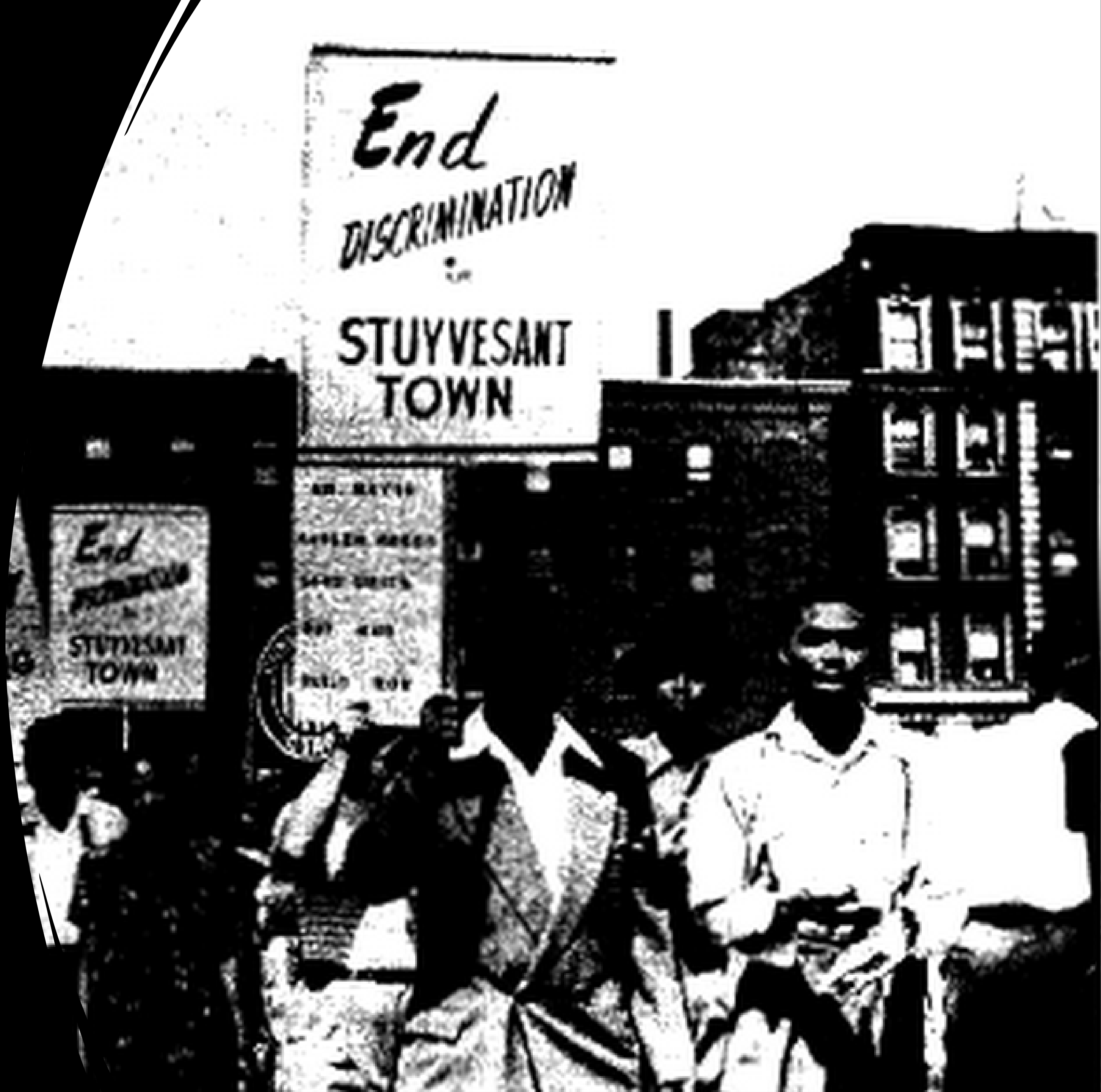
In 2 Weeks...

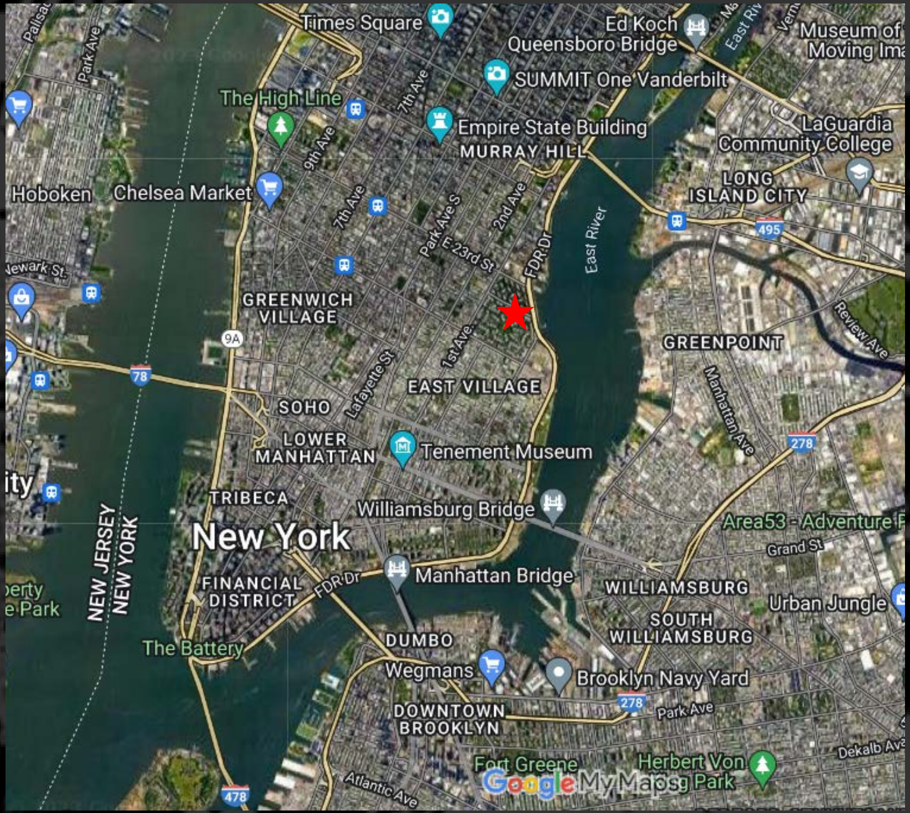
- Pick up with 1968 Fair Housing Act...what it was supposed to do versus what it did
- Look more closely at some discriminatory housing policies and their current impacts
- Learn about the impact of programs, like section 235, on housing inner-city residents, especially Black women
- Private sector programs

WEEK 6: Continued Legacies of Housing Discrimination

October 2, 2023 | Adjunct Lecturer: Erin Lilli
URBST 222: Introduction to Urban Housing /
URBST 723: Dynamics of Housing & Homelessness



“ Robert Moses, New York City’s Parks Commissioner, led the racist offensive to keep Black families confined to the ghetto. To thwart integration attempts, Moses introduced the Urban Redevelopment Companies Act which made it legal for real estate companies to exclude Blacks from modern housing developments like Park Chester in the Bronx and Stuyvesant Town on 14th St. on the East side of Manhattan. Stuyvesant Town, the largest housing project in the country, offered low-income spacious apartments to white veterans and their families. ”



https://www.liberationschool.org/red-lining-and-the-historical-roots-of-housing-segregation-in-new-york-city/

TODAY

- Finish up W4, watching the New Deal Housing WPA video + Legacies of Redlining
- New Deal Legacies: Continued segregation
- Urban Renewal
- 1968 Fair Housing Act
- Post 1968 FHA Discrimination
    - Racial Steering
    - Valuation
    - Lending: African American women paying more for less

Members of the NAACP's Housing Committee create signs in the offices of the Detroit Branch for use in a future demonstration. 1962. From the NAACP Detroit Branch Records. https://projects.lib.wayne.edu/12thstreetdetroit/exhibits/show/beforeunrest/panel5

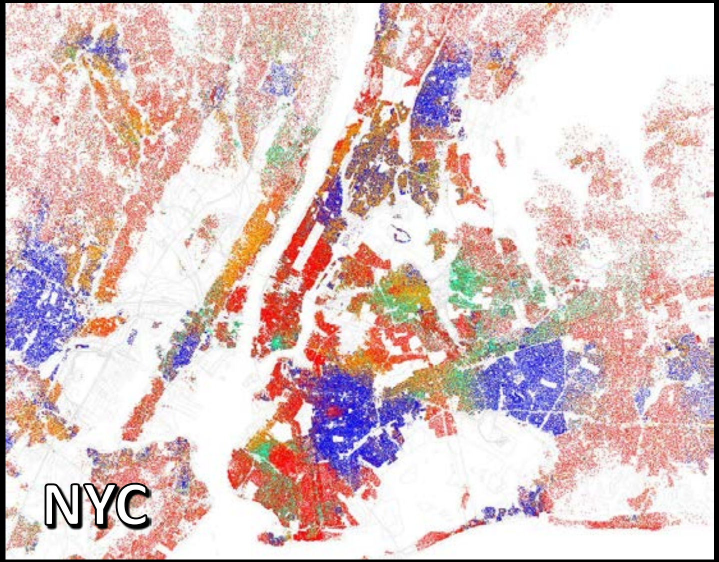
New Deal Legacies: Continued segregation

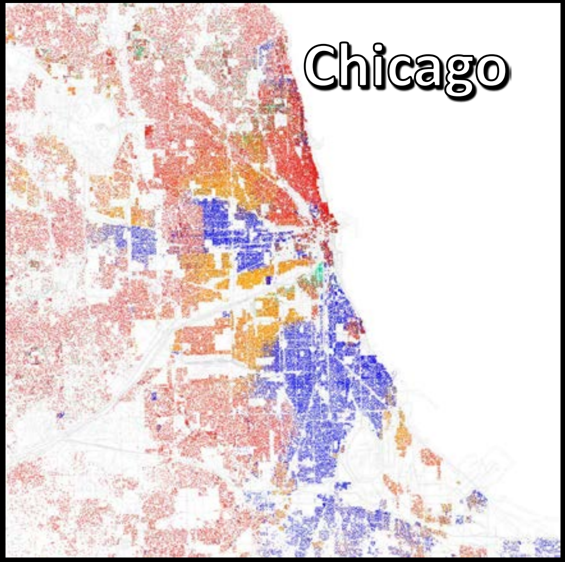
- RECENT RESEARCH: Using a full century of census data, Faber (2020) shows that cities that were HOLC graded and redlined became more segregated over time that those cities HOLC ignored.
  - In Faber's statistical analysis, he controlled for racial and socio-economic characteristics prior to HOLC as well as changes over time. In other words, he was making sure his comparison between HOLC appraised and non-HOLC appraised cities and town were 'all else being equal' for fair comparison.
- Trends toward segregation began forming from 1930-1950 and are evident in 2010 data in the following ways:
  - Black-white dissimilarity – "measures the percent of either racial group that would need to change neighborhoods for there to be an even distribution of that group within a city" (p. 747)
  - Black isolation – measures the % of Black population in an area a Black resident lives
  - White-Black information theory index – "measures unevenness (Massey and Denton 1988) by comparing the diversity of neighborhoods (i.e., tracts) within a place to the overall diversity of that place. Similar to isolation and dissimilarity indices, the information theory index approaches zero if all neighborhoods within a city are as diverse as the city as a whole, and one if every neighborhood is racially homogenous" (p. 747)

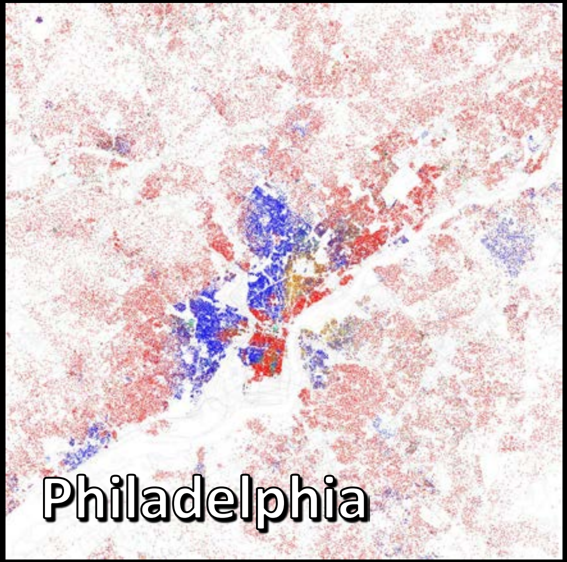
New Deal Legacies: Continued segregation

- Faber's (2020) findings indicate the long-term and detrimental impacts New Deal housing policies had on cities and towns in creating a hierarchy of places as well as "the inheritance of HOLC:s segregationist logic by a wide range of federal programs...and institutional actors..."(p. 741).
  - The FHA and GI Bill adopted HOLC's racist ideology and which financed 1/3 of all privately-owned housing between 1950-1960.
    - By 1972, these programs had helped 11 million new homebuyers and 22 million households improve their homes....overwhelmingly white people.
  - Between 1934 and 1972 US homeownership increased from 44% to 63%
  - Other institutional actions that contributed to segregation are:
    - Municipal-level zoning and land use decisions
    - Drawing of school district boundaries
    - Federal expansion and investment in the national highway system.

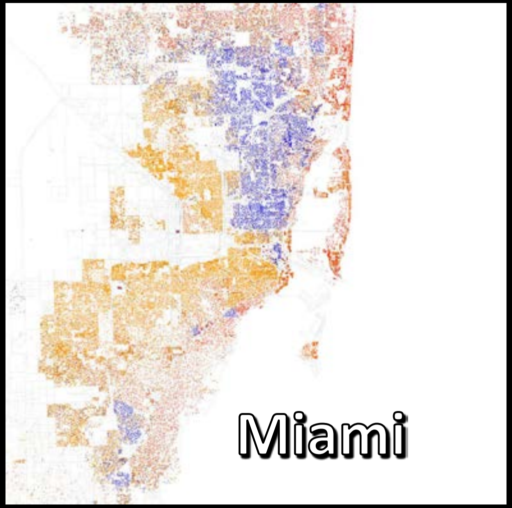
New Deal Legacies: Continued segregation







White
Black
Hispanic
Asian
Other



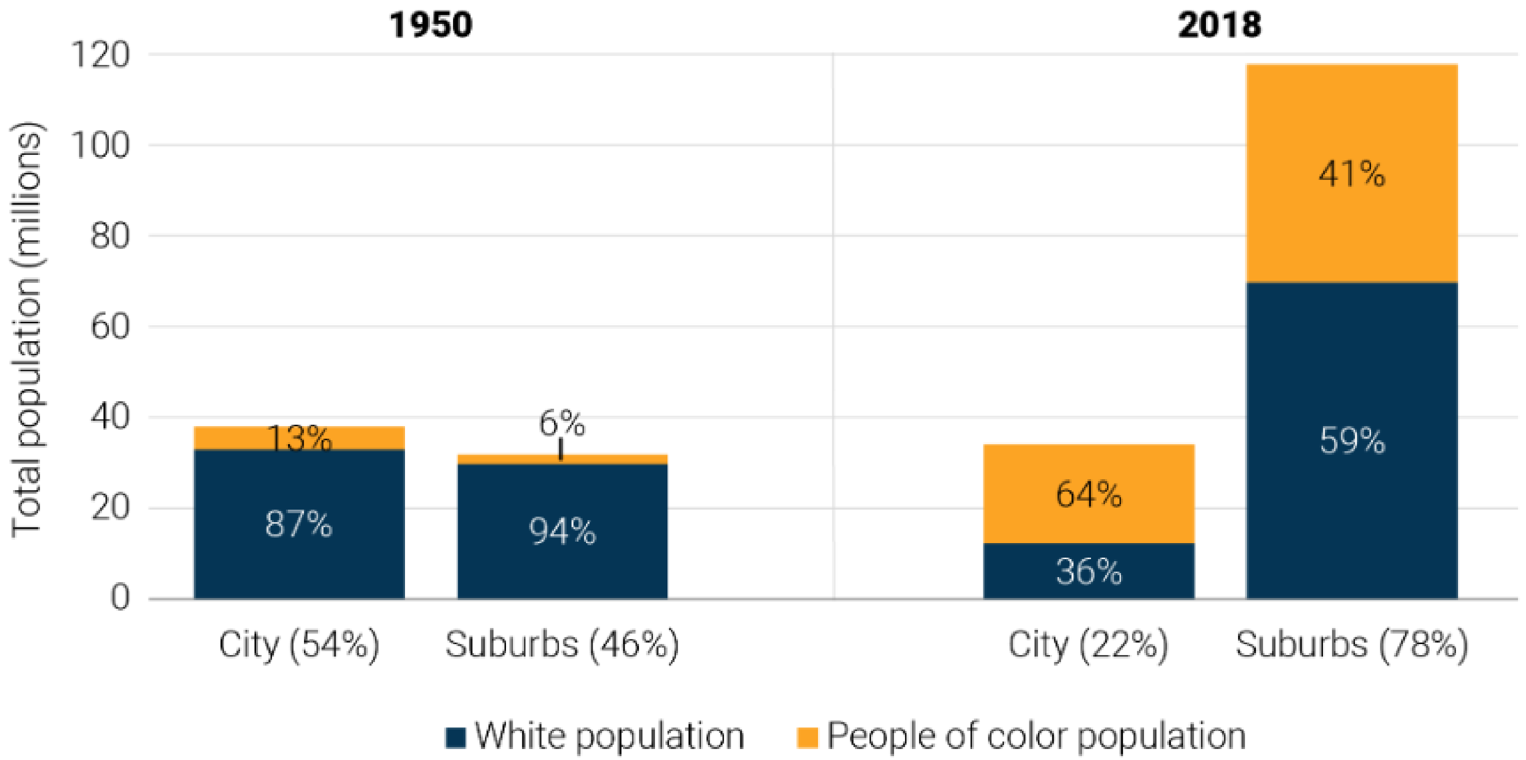
[Link]()

NYT interactive map [here]()

New Deal Legacies: Continued segregation

Figure 1. Regional distribution of population by race

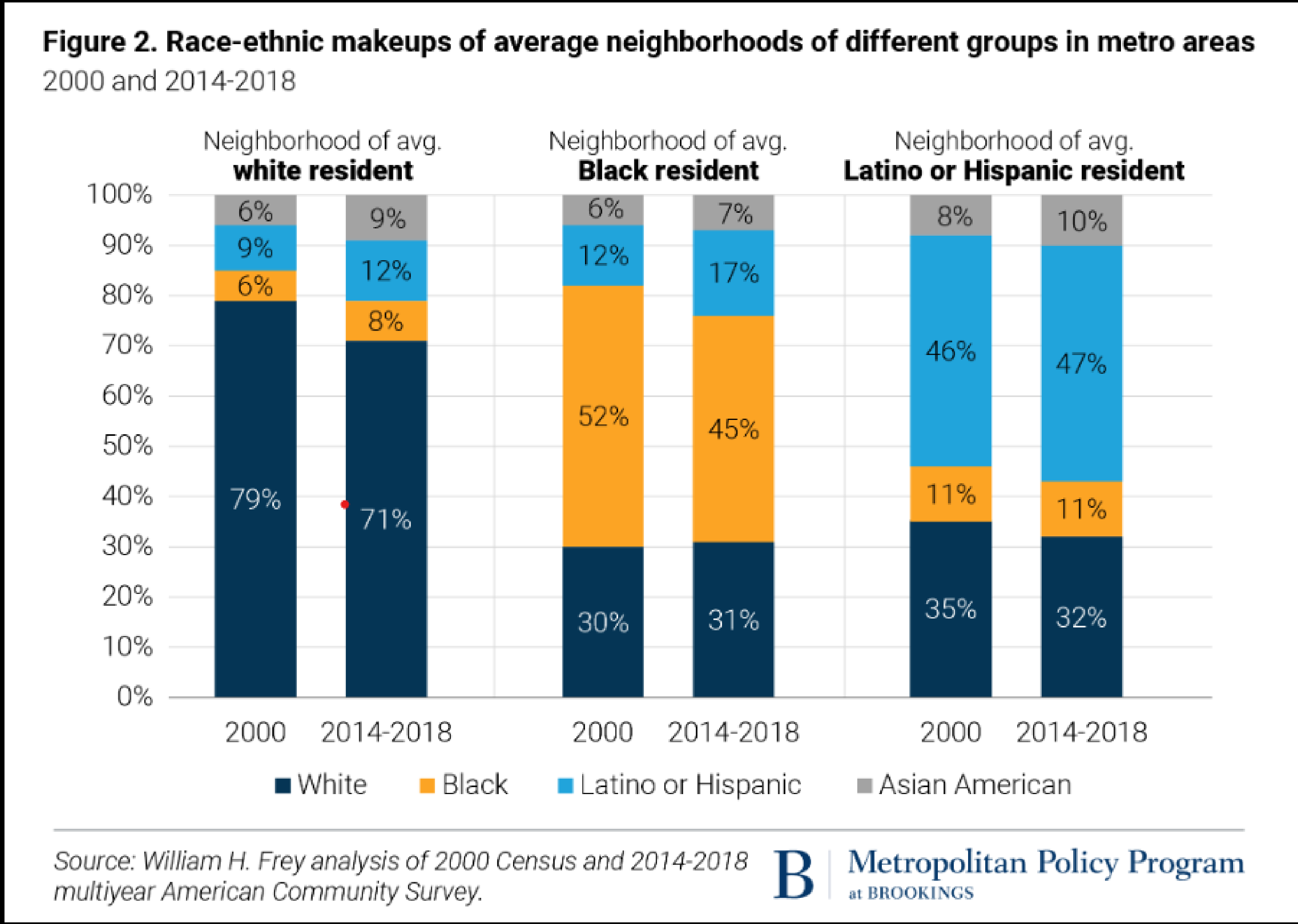
Today's MSAs containing the top 50 U.S. cities by population in 1950 and 2018



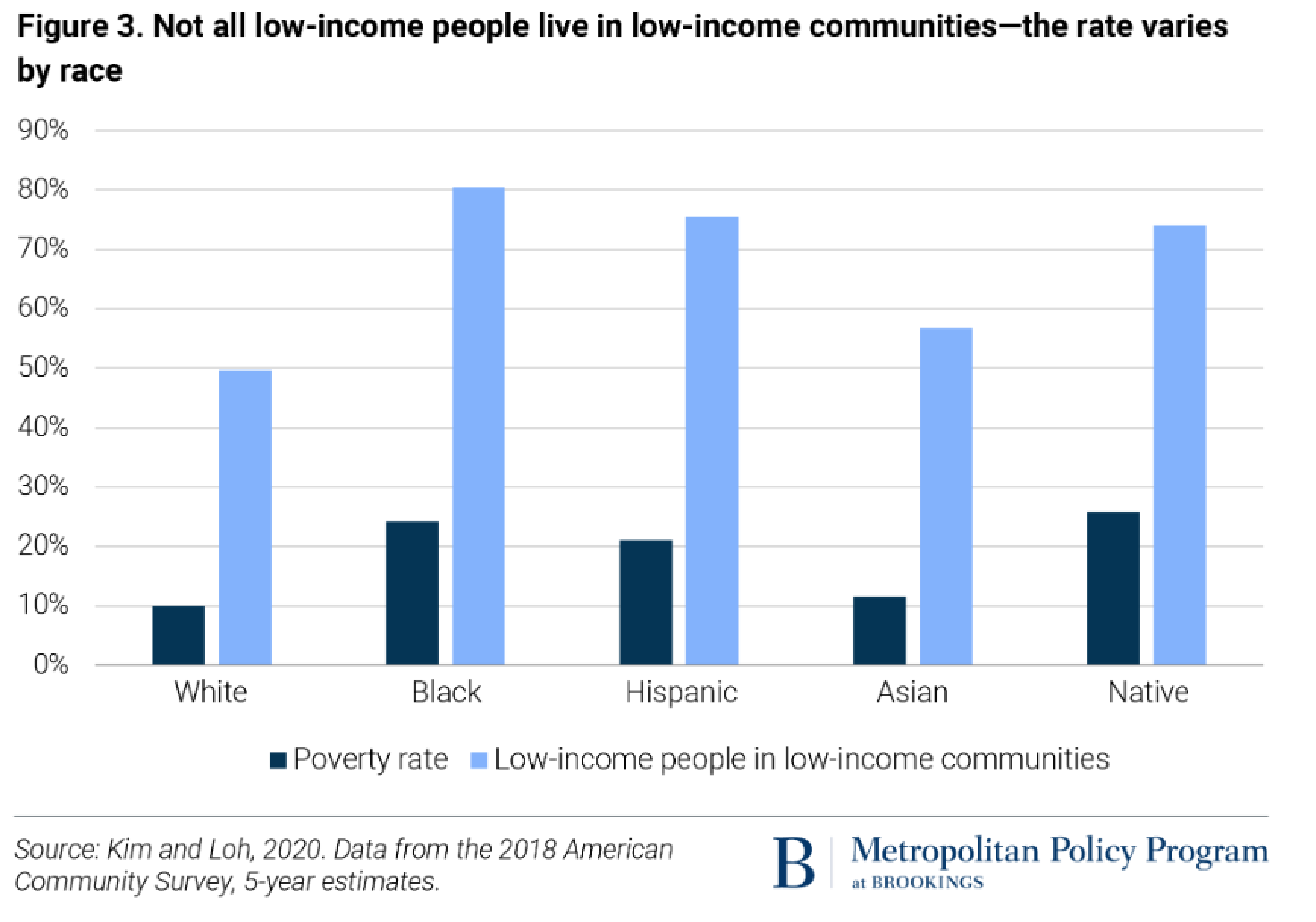
Source: Brookings analysis of IPUMS USA, University of Minnesota.

Metropolitan Policy Program at BROOKINGS

New Deal Legacies: Continued segregation



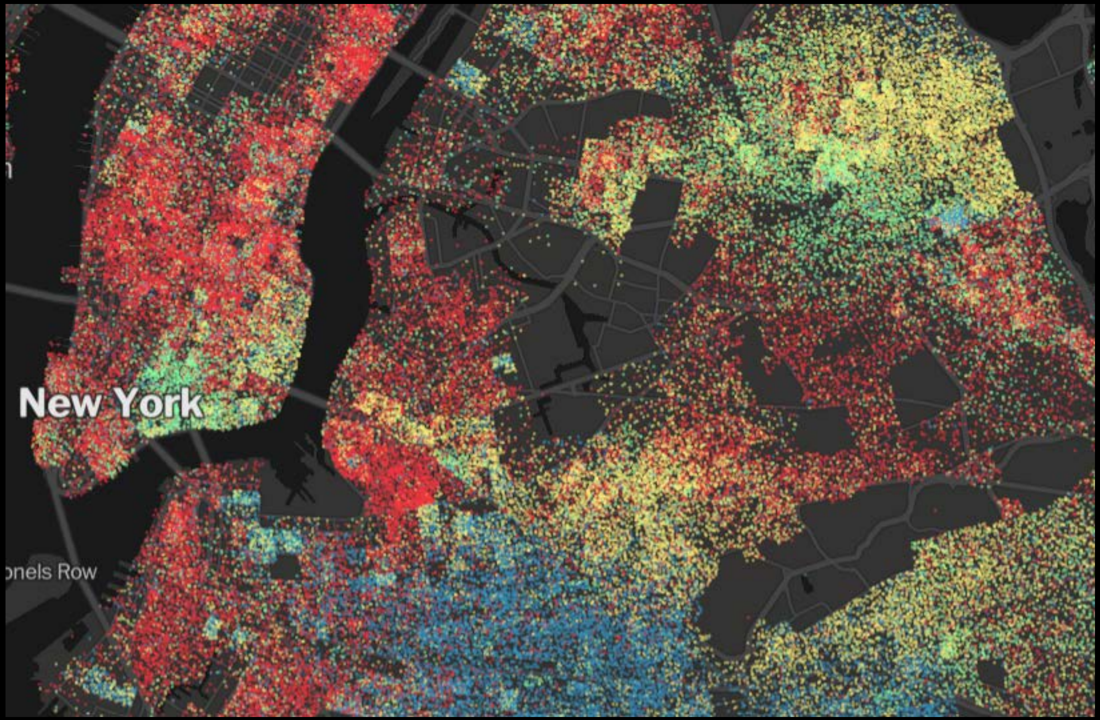
New Deal Legacies: Continued segregation



New Deal Legacies: Continued segregation

“The separation of different racial and ethnic groups into separate social worlds means that members of different racial and ethnic groups have different lived experiences,” Crowder said. “They have different daily rounds. They’re exposed to different neighborhoods on a daily basis. Residential segregation has separated these groups by educational quality and occupational opportunity”.

“We don’t have the integrated social networks. We don’t have integrated experiences through the city. It’s baked-in segregation”...



https://www.washingtonpost.com/graphics/2018/national/segregation-us-cities/

New Deal Legacies: Continued segregation

Factors contributing to the U.S.'s continued segregation:

- Great Migration, fleeing Jim Crow > 90% rural/urban swap
- Second Great Migration, 1940s/War effort labor
- FHA/Redlining
- Zoning Laws/ exclusionary zoning
- Restrictive covenants
- Blockbusting & Racial steering
- Discriminatory lending
- Urban Renewal
- Migrant families moving in with family already in place
- White flight > shift of resources and investment to suburbs and subdivision scale of development that create insular environments/homogenous real estate brackets
- Structural racism > unequal quality in schools, job opportunities, limited earning potential
- Preference and Racism

New Deal Legacies: Continued segregation

Current Trends in Social Mobility: Raj Chetty

https://www.youtube.com/watch?v=m05NeaG3d2A

Per NYU Furman Center: "The New York region has the second-highest level of black-white segregation in the country, after Milwaukee, and the third-highest levels of both Asian-white and Hispanic-white segregation".

Urban Renewal/“Negro” Removal

- **CONTEXT:**
  - The physical expansion of industrial cities was facilitated by technological innovation and policy
  - Seeking cheaper land and refuge from labor unions, factory facilities were relocated away from central cities into racially exclusive suburbs.
  - New Deal legislation encouraged suburbanization
  - FHA policies and the GI Bill allowed whites to purchase homes in new suburban developments, relegating Blacks and Latinos to disinvested urban ghettos
  - Federal Highway Act used federal money to subsidize suburban/white flight
- **Urban Renewal** policies bulldozed stable neighborhoods and pushed those who could leave out to the suburbs.

Urban Renewal/“Negro” Removal

- Urban renewal became synonymous with “progress” in the Post WWII era as cities began retooling from the war effort into other modes of economic productivity driven by competition with other nations and the interests of merchants, bankers, realtors, and corporations in downtown areas.
- The Housing Acts of 1949 and 1954 were key to bringing in federal money to realize this “progress”.

https://uwm.edu/news/how-rhetoric-shaped-resistance-to-urban-renewal/

Urban Renewal/“Negro” Removal

- Central to urban renewal was new and profitable uses for urban land.
  - **Housing Act of 1949** – “Declares that the general welfare and security of the Nation requires the establishment of a national housing policy to realize, as soon as feasible, the goal of a decent home and a suitable living environment for every American family. Authorizes Federal advances, loans, and grants to localities to assist slum clearance and urban redevelopment”.
    - Areas had to be identified as “blighted”, “slum”, or “ghetto” and could then be seized using the government’s power of eminent domain.
    - Those living and working in these blighted areas were removed with minimal compensation.
    - The land was sold to developers at a fraction of the city’s cost due to federal subsidies.

  - **Housing Act of 1954** – “provided funding for 140,000 units of public housing, giving preferential treatment to families that would be relocated for slum eradication or revitalization”.
    - By June 30, 1967 a total of 400,000 residential units had been demolished in the name of urban renewal with only 10,760 low-income units built on these sites.
    - African American communities were pathologized and deemed “disorganized” and of “no social loss” (Fullilove, 2005, p. 62).

The Tragedy of Urban Renewal: The destruction and survival of a New York City neighborhood

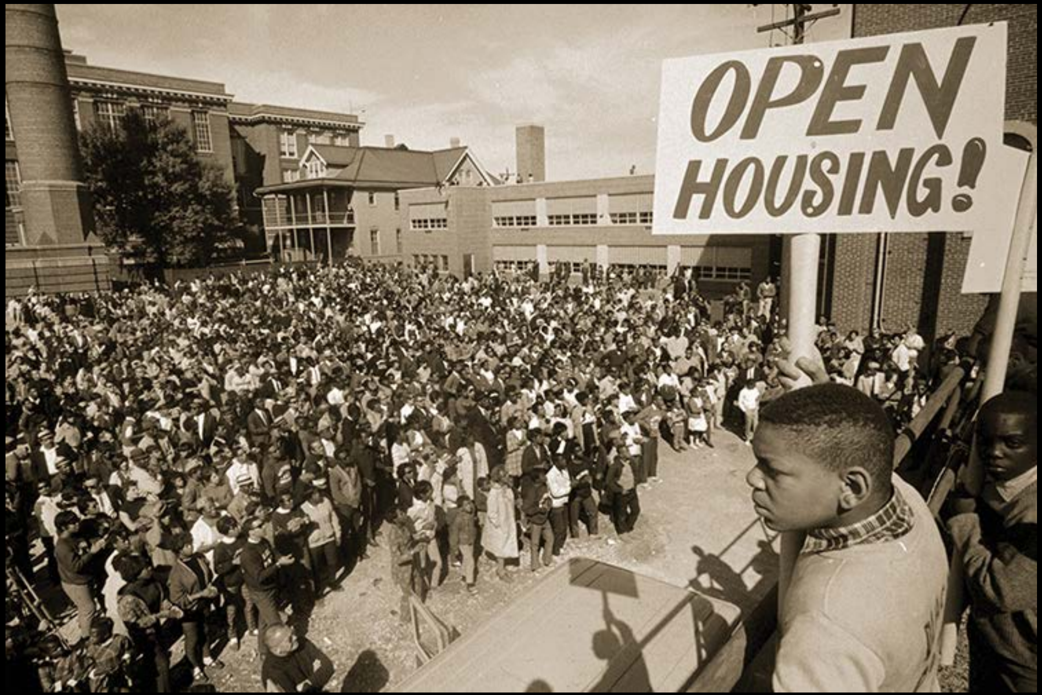
Urban Renewal: The Remaking of Society Hill

https://www.youtube.com/watch?v=mWGwsA1V2r4&t=165s

https://www.youtube.com/watch?v=qPuqgOyu8iU

Urban Renewal/“Negro” Removal

- The Second Great Migration of African Americans to northern cities-- in search of jobs and access to housing left by whites--put pressure on already disinvested urban areas
- Four options were available to cities:
  1. **Open Housing**: ending racial segregation and opening housing for Black residence. This occurred in very few places.
  2. **White Flight tot Suburbs**: leaving urban housing for Black folks. This was frequent and deprived the city of wealth and key institutions.
  3. **Maintain ghetto boundaries**: and accommodate newcomers with large housing projects contained in Black areas which concentrated proverty; Chicago was known for this strategy.
  4. **Continue policies of ghetto containment**: which lead to rising populations, less and poorer housing, highly crowded conditions, and ultimately justoifiably urban revolt.



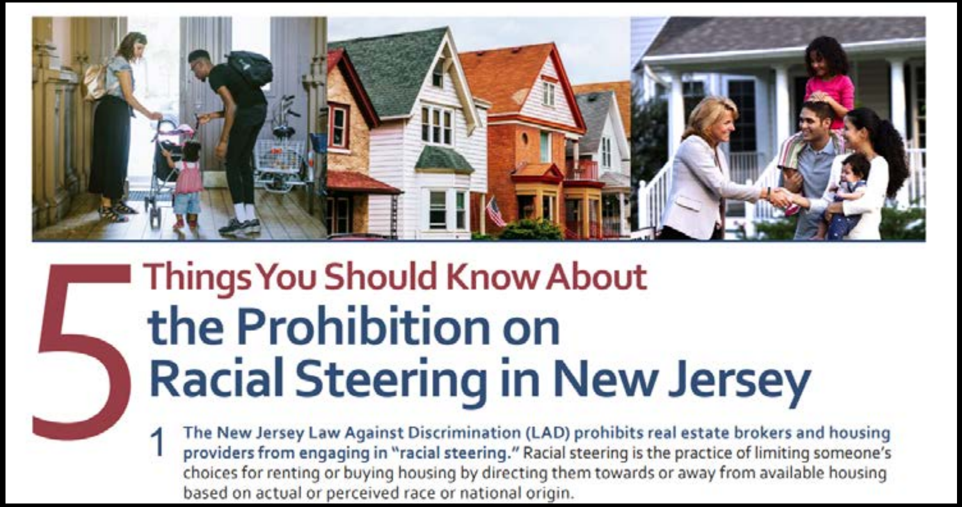
https://uwm.edu/news/how-rhetoric-shaped-resistance-to-urban-renewal/

1968 Fair Housing Act

- Also know as: *Title VIII of the Civil Rights Act of* 1968, is U.S. federal legislation that protects individuals and families from discrimination in the sale, rental, financing, or advertising of housing. Read more here.
- First brought to Congress in 1966 [Recall: when was housing discrimination by race first deemed unconstitutional?)
- Enacted in 1968, amended in 1988 to prohibit discrimination on the basis of race, color, religion, sex, disability, family status, and national origin.
- Made the denial of housing based on race illegal, however it was poorly enforced, and other, subtle forms of discrimination continue, like exclusionary zoning, racial steering, and discriminatory lending/valuations.

https://www.britannica.com/topic/Fair-Housing-Act

Post 1968 FHA Discrimination: Racial Steering

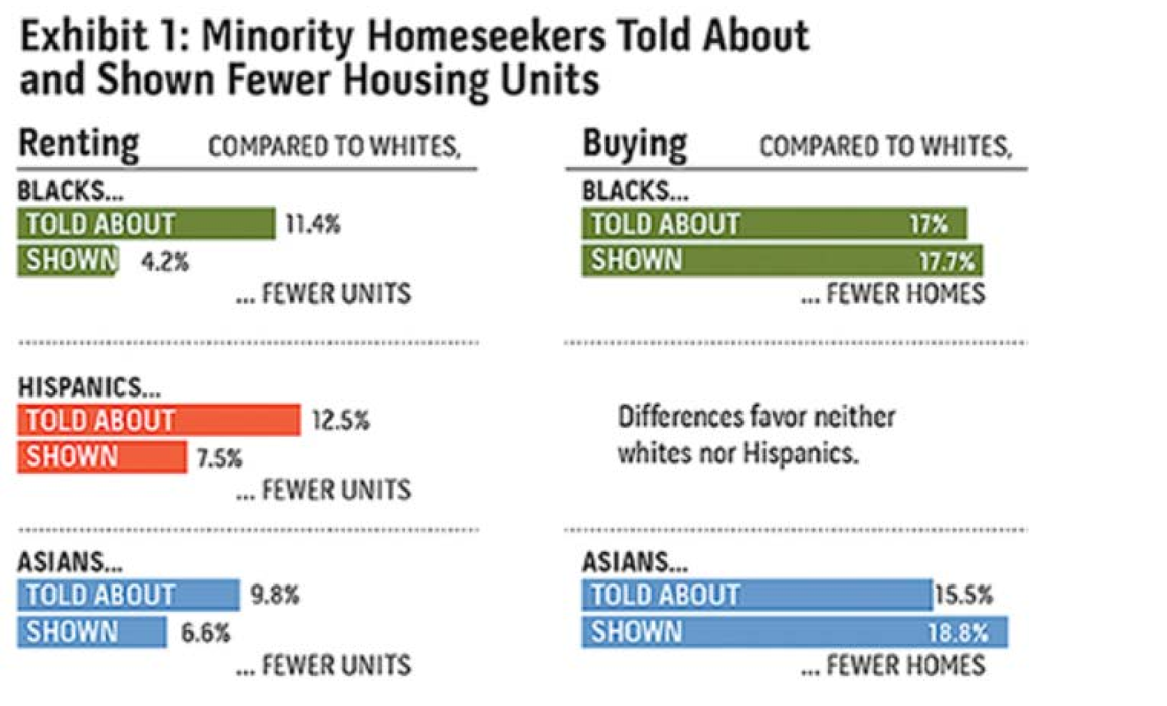


https://www.nj.gov/oag/dcr/downloads/fact_Racial-Steering.pdf

"Racial real estate steering occurs when **home seekers are guided by housing providers to communities where their race is already highly concentrated**. So as racial minorities are channeled to integrated or predominantly non-white neighborhoods and whites are shown homes primarily in white communities, steering contributes directly to the segregated housing patterns that have long persisted in urban communities and the many costs associated with that separation".

Paired-testing Studies

- Four National Housing Discrimination Studies have been conducted (1977, 1989, 2000, and 2012) (link)
- Key finding from 1989 and 2000: overall discrimination dropped considerably but is still a central feature of the nation's urban and metropolitan housing markets. Incidents of racial steering increased in some cases. (link)



Reprinted with permission from the Urban Institute. Source: Margery Austin Turner, Rob Santos, Diane Levy, Doug Wissoker, Claudia Aranda, and Rob Pitingolo. 2013. "Housing Discrimination Against Racial and Ethnic Minorities 2012," Urban Institute for HUD's Office of Policy Development and Research, xi.

Post 1968 FHA Discrimination:
Valuations

- Howell and Korver-Glenn (2018) investigated whether or not racial inequality persisted in the current housing appraisal industry and if so, how it has persisted.
- Studying Houston, Texas they found persistent racial inequality regrading home values that were independent of: home characteristics and quality, neighborhood housing stock, socioeconomic status, amenities, and consumer demand.
- This matters because an appraiser’s evaluation influences a homebuyer’s mortgage loan terms and the seller’s wealth accumulation.

Post 1968 FHA Discrimination: Valuations

- Howell and Korver-Glenn (2018) used a mixed-methods approach looking at correlations between racial composition, tax appraisals, and market value and in-depth interviews with appraisers.
- Quantitative Results:
  - Looking first at “neighborhood racial composition, we find that higher proportions of Black and Hispanic residents correspond with lower mean housing values” (p. 479).
  - “Holding all house and neighborhood characteristics constant, Model 3 predicts that an average home in an average White neighborhood is $296,000: more than two times higher than otherwise equal homes in Black and Hispanic neighborhoods (which are valued at $125,000 and $119,000, respectively)” (p. 481).
  - “Controlling for consumer housing demand, Model 4 predicts that an average home in an average White neighborhood is valued at $289,000, compared with the value of that same home in a comparable Black or Hispanic neighborhood, at $127,000 and $120,000 respectively” (p. 481-82).

Post 1968 FHA Discrimination: Valuations

- Howell and Korver-Glenn (2018) conclude:
  - "...**quantitative data** demonstrate that comparable Harris County houses zoned with comparable schools and located within neighborhoods with equitable housing stock, housing demand, distances to parks, commute times, and crime, homeownership, poverty, and unemployment rates were valued systematically lower in Black and Hispanic neighborhoods.
  - They were valued $162,000 (2.3 times) less if they were in Black compared with White neighborhoods and $169,000 (2.4 times) less in Hispanic neighborhoods compared with White neighborhoods. Because municipal services such as education and infrastructure maintenance rely on local property taxes, these large differences translate into inequalities in educational and infrastructural budgets and outcomes" (p. 485).

Post 1968 FHA Discrimination: Valuations

- Howell and Korver-Glenn (2018) conclude:
  - "...**qualitative data** provide preliminary insight into how racial disparities in home value can persist despite legislative interventions. Specifically, we highlighted how the inconsistency in comp selection strategies enables appraisers to select comps on the basis of their racialized assumptions about the comparability of communities, which in turn devalues communities of color, irrespective of actual demand".

Post 1968 FHA Discrimination: Valuations

“ The report found that a home in a majority Black neighborhood is likely to be valued for 23 percent less than a near-identical home in a majority-white neighborhood; it also determined this devaluation costs Black homeowners $156 billion in cumulative losses. ”

A second appraisal valued Abena and Alex Horton’s Jacksonville home 40 percent higher than the first appraisal, after Ms. Horton removed all signs of Blackness.
Charlotte Kesl for The New York Times

https://www.nytimes.com/2020/08/25/realestate/blacks-minorities-appraisals-discrimination.html

Post 1968 FHA Discrimination: Valuations

“ “White appraisers carry the same attitudes and beliefs of white America — the same attitudes that compelled Derek Chauvin to kneel casually on the neck of George Floyd are shared by other professionals in other fields. How does that choking out of America look in the appraisal industry? Through very low appraisals..” ”

The value of Stephen Richmond’s home in a Hartford, Conn., suburb jumped after he removed family photos and movie posters, and had a white neighbor stand in for him during a second appraisal. Monica Jorge for The New York Times

https://www.nytimes.com/2020/08/25/realestate/blacks-minorities-appraisals-discrimination.html

Post 1968 FHA Discrimination:
Lending/Mortgages

- By 1967 “slum” clearance had destroyed many predominantly Black communities and housing in urban areas.
  - Urban renewal had led to the destruction of 404,000 unis of housing + 356,000 slated for demolition. 264,000 apartment units had begun rehab or scheduled for repairs. These numbers are the total across US inner cities.
  - Tens of thousands of Black families were upended by urban renewal and many of them earned too much to qualify for public housing.
- The FHA adopted special terms to stimulate the construction of new homes to meet these needs.

Post 1968 FHA Discrimination:
Lending/Mortgages

- In the late 1960s Civil Right Era, in addition to the passage of the 1968 FHA, the Housing and Urban Development Act (HUD Act) was passed to encourage low-income homeownership in previously denied “inner city” urban areas.
  - Two key policies were employed were Section 235 and Section 221 (d) (2)
  - As we’ll see, these policies were applied in ways that further disadvantaged Black women, welfare recipients, and lower-income urban residents and thus further entrenched segregation

Post 1968 FHA Discrimination: Lending/Mortgages

- The 1968 HUD Act made it a ten-year plan, federal mandate to produce 26 million units of housing (6M federally assisted) and 600,000 units of low-income housing (to meet this mandate, welfare recipients were included).
- George Romney was the HUD Secretary at the time and the idea was he could apply the innovations from his former career as a successful auto manufacturer to the mass production of housing.
    - OPERATION BREAKTHOUGH
        - Reduce cost of housing, especially for low- and moderate-income earners
        - Mass produce quality homes for a variety of incomes; have year-round employment in housing industry
        - Reduce urban tension
        - Achieve stable communities by reversing suburban migration
        - Increase job and opportunities for minority groups
        - Encourage innovation to help the economy

Post 1968 FHA Discrimination: Lending/Mortgages

Section 235—(FHA) mortgage insurance program designed to help new borrowers achieve homeownership by allowing them to take out government-insured mortgages with no money down on new properties. On February 5, 1988, the Section 235 Program was terminated under section 401(d) of the Homes and Community Development Act of 1987.

Section 221 (d) (2)—(NHA) This program insures mortgage loans made by private lenders to finance the purchase, construction, or rehabilitation of low-cost, one- to four-family housing. This program increases homeownership opportunities for low- and moderate-income families by insuring small mortgage loans and thus reducing the lender's risk. Traditionally, this program has been targeted to assist displaced persons, although it is used in other situations as well.

Post 1968 FHA Discrimination: Lending/Mortgages

- Sections 235 and 221d2 were beneficial for two reasons:
  - They tapped into areas that had been redlined and therefore had low homeownership and eager buyers when other areas were saturated markets
  - Being government-backed, they required low down payments; S235 had huge interest-rate subsidies; 221 offered 40-year loan terms to lower monthly payments.
- So, in a reversal to the racist attitudes that drove redlining, now African Americans were sought after potential buyers.
- By 1971 the real estate industry was making $1.4B/year off subsidies from the federal financing of 1 in 4 new housing units.
  - It was still extremely difficult to build at the pace to reach the 600,000 low-income units, plus there were escalating costs for land

Post 1968 FHA Discrimination:
Lending/Mortgages

- To meet the 600,000 goal there was also an allowable "existing" portion of housing that could be refurbished and sold (in lieu of new construction).
- Originally the HUD Act allowed 25% of total subsidized housing to be existing, then that would drop to less than 10% within 2 years. However...

"The focus was to be on producing new housing in suburban areas. But immediate returns on the existing urban market proved too seductive to ignore. In 1970, 30% of Section 235 housing was "existing", and by 1971 this had increased to 53%. Although 5% of HUD's Section 235 budget was dedicated to the rehabilitation of distressed properties, the legislation was never intended to develop a market in old, urban properties" (Taylor, 2019, p. 139).

Post 1968 FHA Discrimination: Lending/Mortgages

- Three factors contributed to undermining this goal of 600,00 homes
  - High demand for housing in urban areas, wake of urban unrest and riots
  - Resistance from the suburbs to any kind of low-income housing, including single-family homes
  - Intense lobbying from the housing industry to utilize existing housing.
- The FHA would continue to insure poorly constructed, existing homes with “faulty plumbing, leaky roofs, cracked plaster, faulty and inadequate wiring, rotten wood in the floors, staircases and porches, lack of insulation and faulty heating units” (Taylor, 2019, p. 141)

Post 1968 FHA Discrimination: Lending/Mortgages

- “The problems that were to beset HUD’s homeownership program stemmed from the federal government’s reliance on a network of private institutions that, in turn, relied on racial discrimination as the guarantor of its bottom line” (Taylor, p. 135).
  - This heavily impacted Black women and welfare recipients who were targeted with the sale of FHA-insured homes that were falling apart and unsafe. Many were coerced into buying being told there were no rentals available.

Black Women bring lawsuits against HUD

- With the sudden (and manufactured) boom in the sale of inner-city housing came complaints about the conditions of homes sold under Sections 235 and 221(d)(2).
- This warranted a congressional investigation led by Democrats against Republican-administration programs.
  - Wisconsin Congressman and chair of the Committee on Banking and Currency, Wright Patman, reviews complaints and stated: "instead of providing 'decent, safe and sanitary' housing for low- and moderate-income people, many of these homeowners are finding themselves the unhappy possessors of nothing more than slums". (Taylor, 2019, p. 141)

"My obligation is to sell. I'm in the business to sell. It's not my business to warn people...It's *caveat emptor*. Let the buyer beware".

\- Chicago based real estate agent quoted in journalistic investigation (Taylor, 2019, p. 145)

Black Women bring lawsuits against HUD

- By April 1970, Section 235 made up 75% of the mortgage lending business.
- Based on the congressional investigation, HUD inspected 1,281 homes across 52 FHA jurisdictions and reviewed 2,000 written complaints.
  - 25% of the investigated homes had deficiencies
- 11% of the 16,000 *new* homes had "significant deficiencies" affecting "safety, health, and livability"
- Of *existing* homes...
  - 25% were in such poor condition they should never have been insured
  - 50%+ had "significant deficiencies affecting safety, health or livability"
- 80% of *existing* housing had significant problems compared to 43% of the *new* subsidized homes with defects.

Black Women bring lawsuits against HUD

- Homes purchased under Section 235 and 221(d)(2) were unsafe, not up to code, and falling apart; however, the system left these predominantly Black, urban residents with little to no recourse adopting what
  - Prospective homeowners never even met with anybody from a government body regarding sales under these programs—instead, they could only deal with real estate agents (speculators) and bankers whose only interests are commissions and not meeting the needs of adequately housing low-income people.
- On August 4, 1970, four women, who were also welfare recipients, from Seattle, WA contacted Legal Services, eventually waging a class-action suit (as were many of the suits against HUD-FHA) on the basis that there was a violation of the law.

Struggle for housing and racial justice

- Congress had made the provision that *existing* homes sold under Section 235:

"*shall*...meet the requirements of all state laws, or local ordinances or regulations relating to the public health or safety, zoning or otherwise which may be applicable thereto" (Taylor, 2019, p. 201).

- The women's homes were condemned by the city of Seattle mere weeks after purchase...and never should have been insured by the FHA...a clear violation of the law.
- Similar lawsuits sprang up across the country

Liza Mae Perry purchased a home for $15,000 in June of 1970. FHA did not make a compliance inspection report because the mortgagee certified that all necessary repairs had been made on the home and the house was in good condition. On July 6, 1970, only a month after the home was purchased, the city of Seattle inspected the home, declared it substandard and ordered it repaired or condemned.

Ida Mae Foster purchased a home in September 1969 for $15,500. The same month, a few days prior to moving in, FHA issued a compliance report, stating that the house was in good condition. On July 6, 1970, the city of Seattle declared the house substandard, ordered it repaired or condemned.

Ada Coleman purchased a home in January 1970 for approximately $18,000. On January 2, 1970, prior to occupancy of the home, FHA inspectors issued a compliance report, stating that the house was in good condition. On July 6, 1970, the city of Seattle inspected the home, declared it substandard, and ordered it repaired or condemned.

Saundra Cook purchased a home on March 5, 1970, for $18,750. On March 3, 1970, FHA inspected the property and issued a compliance report stating that the house was in good condition. On July 6, 1970, the city of Seattle inspected the home, declared it substandard and ordered it repaired or condemned.

INTERIM REPORT ON HUD INVESTIGATION OF LOW- AND MODERATE-INCOME HOUSING PROGRAMS

92-1

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

FIRST SESSION

ON

HUD INVESTIGATION OF LOW- AND MODERATE-INCOME HOUSING PROGRAMS

MARCH 31, 1971

Printed for the use of the Committee on Banking and Currency

60-227

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1971

Struggle for housing and racial justice

- HUD was forced to acknowledge that is facilitated in the illegal sale of faulty homes.
- So, what is the “solution” to this problem, existing only two years after the passage of the 1968 Fair Housing Act:
  - 1970 Housing Act provision, Section 518(b) allowed Section 235 homeowners reimbursement for damages in the amount they paid for repairs to their homes or payments to make repairs. However...
    - Deadline for making a claim under 518(b) was December 1971
    - HUD made very little effort to inform victims, relying on mortgage companies (who had also facilitated the sale of faulty homes) to inform their mortgage holders.
    - By October of 1971, HUD had spent only $51,000 nationally on reimbursements or in grants to pay for home repairs.
    - The 159 claims filed in Philadelphia were flat out denied because the area FHA director disagreed with the premise of the 518(b).

Struggle for housing and racial justice

- The situation in Philadelphia spurred resistance and the formation of grassroots organizations like *Concerned Section 235 Owners* to litigate against HID-FHA for reimbursement demanding:
  - Permanency of Section 518(b)
  - Inclusion of those affected under 221(d)(2)...which made up most of the defective homes sold with government support in Philadelphia...in 1972 the *Concerned 221(d)(2) Homeowners* and *Concerned City-wide Homeowners* groups formed to take legal action against HUD-FHA.
- Grassroots activism led by Black women homeowners, with the help of Community Legal Aid, forced HUD-FHA to make changes in Philadelphia:
  - Mortgage companies, not the FHA, were now to be held financially responsible for selling defective housing...this leaves the FHA off the hook

These women and the thousands of others who publicly took legal action produced a counternarrative to what HUD and Secretary Romney had been proclaiming...that the poor conditions of these homes were the fault of the poor, Black homeowners themselves. Citing historian Rhonda Williams:

"In response to the 'ghetto' conditions of postindustrial capitalism, the flowering of vociferous struggles, and social disrepute, low-income black women waged their own battles for citizenship based on achieving empowerment, human dignity, and other basic necessities of human existence" (Taylor, 2019, p. 209).

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WEEK 7: After the NYC Fiscal Crisis: Housing, Homelessness & Making Over NYC

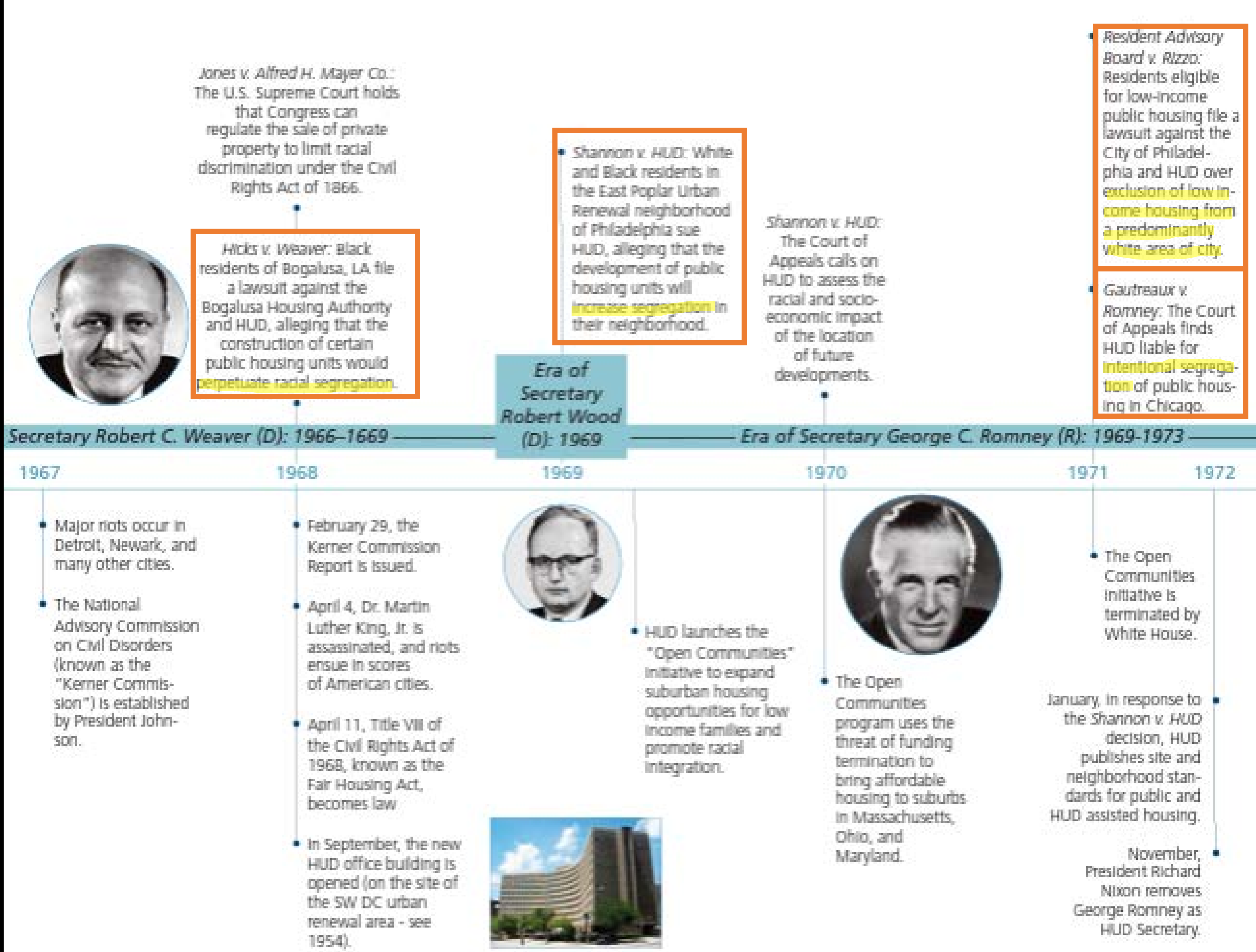
October 10, 2022 | Adjunct Lecturer: Erin Lilli | URBST 222: Introduction to Urban Housing /URBST 723: Dynamics of Housing & Homelessness

Clinton Street and Grand Street, 1980 | Photo (c) [Harvey Wang]

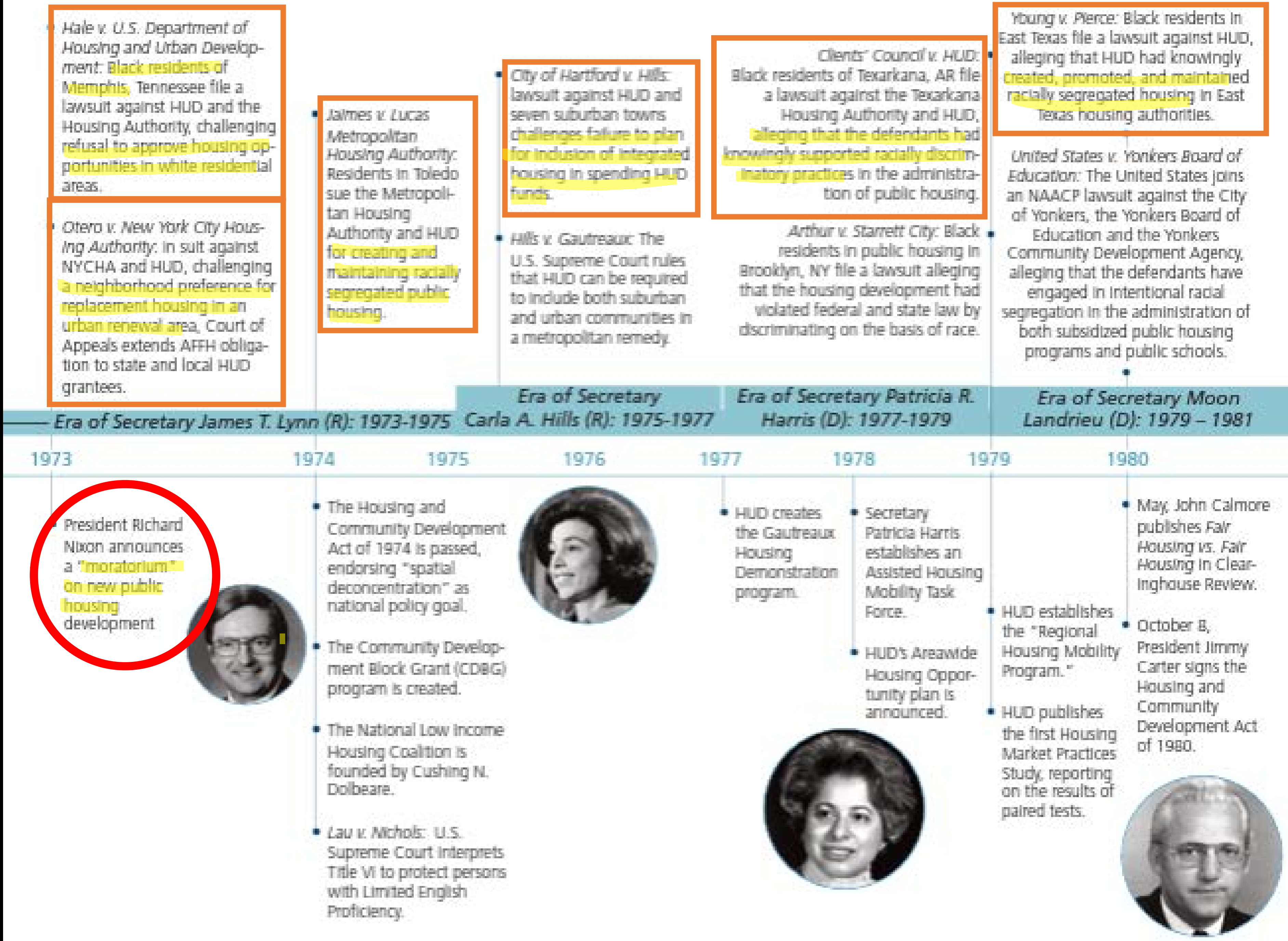
Today's Topics

- Nixon's Moratorium
- Section 8 Housing + HMDA + CRA
- End of the Federal Era of Housing
- Decentralized Housing and Tenant Advocacy in NYC
- NYC Renters

Lawsuits against HUD



Lawsuits against HUD



“Forced Integration” – heading to moratorium

- Despite HUD having policies making them abide by the 1968 Fair Housing Act – they were not enforced, as we see with the many segregation lawsuits brought against them.
  - Essentially, HUD was not “affirmatively furthering fair housing” as the 1968 FHA required them to do. This meant no only no discriminating, but also actively working to dismantle segregation and foster inclusive communities.
- Pres. Nixon fired HUD Secretary Romney on the grounds of “forced integration” and “social engineering” for Romney’s plans to house low-income folks in white suburbs (e.g., case of Warren outside of Detroit).
- Nixon denied any racism by shifting the narrative to one of economics, arguing that racial segregation is about “free choice” and bringing low-income folks into suburbs would hurt property values and that the Federal Gov’t couldn’t force integration with the threat of cutting off funding.

Colorblind ideology....

Cleveland Mayor Carl Stokes on Nixon’s colorblind framing:

...suburban America “no longer talks about spics, wops, ni**ers but talks about density, overcrowding of schools to achieve the same purpose.”

Nixon’s Federal Housing Moratorium (Jan. 1973)

- President Nixon halted all new commitments on federally subsidized housing programs when he ordered a moratorium on January 5, 1973.
- The moratorium targeted Sections 235 (home ownership) and 236 (rental and cooperative housing) as well as rent supplements, low-rent public housing, and college housing.
  - Federal programs had problems, but didn’t deserve elimination according to the Joint Economic Committee (JEC).
  - Sen. Proxmire (D Wis.), chairman of the Joint Economic Subcommittee on Priorities and Economy in Government argued that Nixon’s Administration killed these programs “in an attempt to cover up their own mismanagement.”

Nixon’s Federal Housing Moratorium (Jan 1973)

- JEC’s report cited “gross inefficienc[ies]” that wasted billions in federal housing dollars, yet found the administration's “arrogant solution” to be wrong.
  - Re: the moratorium on housing subsidies:
    - The administration did not justify its decision with “a careful documentation of the nature of the difficulties we have experienced in housing subsidies.”
    - The administration did not consider the “disastrous effects” of the cut-off on national housing priorities, the families who need decent housing and the effect on the economy.
    - The moratorium constitutes “the most serious constitutional issue in many decades” in stopping congressionally authorized programs

Moratorium on Housing Subsidy Spells Hardship for Thousands

By AGIS SALPUKAS

ment.

Thousands of poor urban householders like the Nicolsons are the unintended victims of successive Federal attempts to deal with the nation's housing crisis. The Government's first efforts to improve their neighborhoods led to greater desolation: now the Government's efforts to reform its first efforts are again aggravating their problems.

Last January and in the following two months, citing widespread waste and corruption, H.U.D suspended all subsidized housing programs and issued strict new guidelines for urban renewal. The effect was to slow programs in many cities.

Last January and in the following two months, citing widespread waste and corruption, H.U.D suspended all subsidized housing programs and

Baltimore and Los Angeles said that there was an immediate ...

... explained. "If the Administration comes through with an alternate housing proposal in a timely manner, then there should be no real setback."

The main concerns of local ...

various factors slowed down the programs.

Congress and the Administration often cut severely into the money requests. High interest rates limited the amount of mortgage money that was available. Court decisions and guidelines by H.U.D. required that new housing not be concentrated in black inner city areas but be dispersed into suburbs as well, delaying many projects.

Stricter H.U.D. Guidelines

Scandals in some of the programs, particularly the Federal Housing Administration program under which the urban poor could purchase houses with low down payments and interest rates, led to stricter guidelines from H.U.D.

The agency issued regulations, for example, stating that it would not insure housing in neighborhoods for any more than the property values prevailing in each neighborhood. This led to a decline in construction in the inner cities because of the bigger risks to developers.

"Actually, the moratorium on housing has been going on for over a year," a local housing official said in Philadelphia.

So when the programs were suspended last January, there had already been a general slowing down of construction nationally.

In Chicago, Judge Richard B. Austin of the Federal District ...

The New York Times/Gary Settle

James Nicolson and his wife, Katie, on the porch of their home in Detroit. Across the street are homes wrecked by vandals and damaged by fires.

He lives at 114 East 112th Street, where the hall is strewn with plaster and a burner from the stove provides heat for a ...

Neighborhood Development Program have been affected by the guidelines set down Jan. 11 by H.U.D. The guidelines held that cities must now put up the ...

in relocating people and challenges in the courts by absentee landlords.

Sam Smith, administrator of the Citizens District Council ...

has 4,500 dwelling units, 296 F.H.A.-subsidized homes have reverted back to H.U.D. Many of these were vandalized so quickly that H.U.D. had to bull...

The freeze, for example, has cut off a program under which home owners could apply for grants and loans to repair their homes, a key program for a ...

President Nixon's January 1973 Moratorium on Housing

Hedging His Bets

Why Nixon Killed HUD's Desegregation Efforts

Drawing on primary sources from the Nixon Presidential Materials and the Department of Housing and Urban Development (HUD), this article examines HUD's attempts during the Nixon era to implement "pro-integrative" policies and the White House response to these efforts. Specifically, this article provides an explanation for why President Richard Nixon elected to dismantle residential integration initiatives while allowing similar policies in employment and education to proceed with some force. In contrast to existing work arguing that Nixon's civil rights positions were designed to maximize political payoffs, I contend that Nixon's strategies are more accurately characterized as blame avoidance. Whenever possible, Nixon attempted to shift the onus of political responsibility for controversial civil rights decisions onto other political actors. This argument is clarified by a second primary theoretical point, which argues that institutional vulnerability increases the likelihood of presidential attacks. In the case examined here, HUD's distinctive institutional weakness—shaped by its conflicting missions and unwieldy structure, and laid bare by scandals in the Federal Housing

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actors. This argument is clarified by a second primary theoretical point, which argues that institutional vulnerability increases the likelihood of presidential attacks. In the case examined here, HUD's distinctive institutional weakness—shaped by its conflicting missions and unwieldy structure, and laid bare by scandals in the Federal Housing Administration—gave the president a relatively low-risk political opportunity to dismantle civil rights efforts, a chance he did not have in the areas of education and employment.

Social Science History 28:1 (spring 2004), 19–52

Post Nixon Moratorium: New Federalism

- The Housing and Community Development Act of 1974 consolidated categorical grant programs into Community Development Block Grants (CDBGs).
  - The Community Development Block Grant (CDBG) Program provides annual grants on a formula basis to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. (more here)
  - Under New Federalism, local officials had the authority to decide how to spend any federal aid money they received.
  - Ideally, this could mean greater enforcement of the FHA, giving HUD a single choke point (the block grant) to cut off funds form communities not abiding my the Civil Rights Act.
  - However, "the Nixon administration required localities accepting block grants to comply with the Civil Rights Act of 1964, which banned racial discrimination by entities receiving federal dollars. The draft made no mention of the 1968 fair housing act or its mandate for the government to "affirmatively further" fair housing.

1974 Section 8 (Housing Voucher Choice Program)

- In 1974, Nixon introduced Section 8 housing vouchers as the last major form of federal subsidy
  - Section 8 tenant-based certificates increase low-income tenants' choice of rental housing through the private sector.
  - However, in decades since, those using Section 8 often face landlord discrimination and limited rental choices.

1974 Section 8 (HVCP)

- Section 8 vouchers have become the dominant form of federally subsidized housing - 2/3 having derived from public housing (Section 9).
  - The Federal Gov't subsidizes rent beyond 30% of the voucher-holder's income and the market rate for the unit.
- Section 8 must meet three conditions:
  - Voucher holders must find an apartment on the lower-end of the price-spectrum as calculated by the Fair Market Rent (FMR) of the surrounding area;
  - The rental unit must comply with standards for physical adequacy;
  - The owner of the unit must agree to participate in the program, incentivized by the federal subsidy which ensures reliable payment.

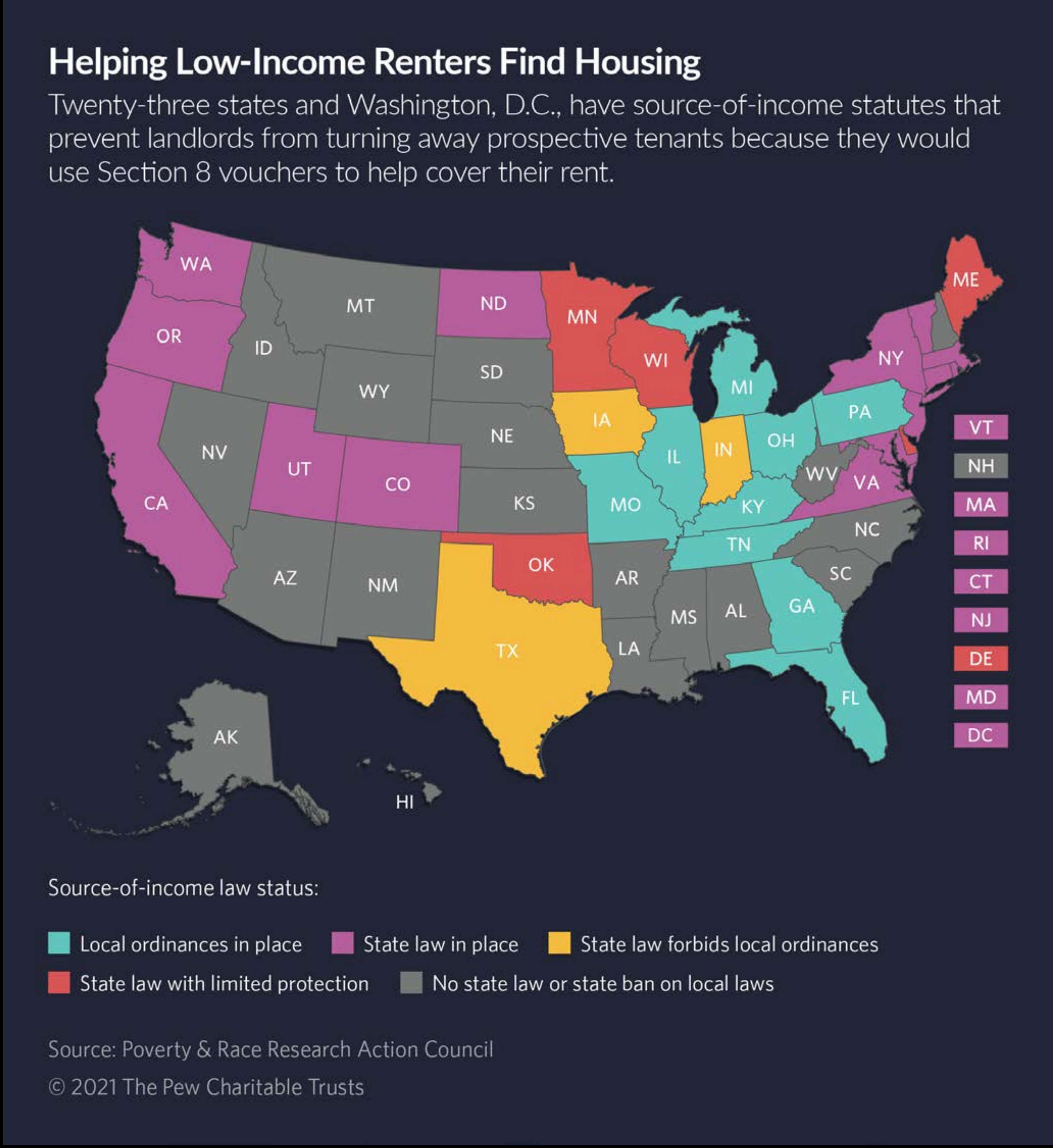
1974 Section 8 (HVCP)

- In theory, Section 8 is meant to provide more “choice” for low-income folks to find housing in the private market, however it faces some problems such as:
  - Landlord’s unwillingness to take Section 8 (i.e., arduous unit inspection processes and inefficient bureaucratic processes)
    - Between 2010 and 2016, ~10,000 property owners left the Housing Choice Vouchers program*
  - Landlord discrimination against source-of-income (especially in whiter, more affluent areas).
  - Concentrating poverty and continuing to limit mobility.

* https://www.bloomberg.com/news/articles/2021-05-20/landlord-bonuses-aim-to-reform-section-8-housing

Section 8 Source of Income Discrimination

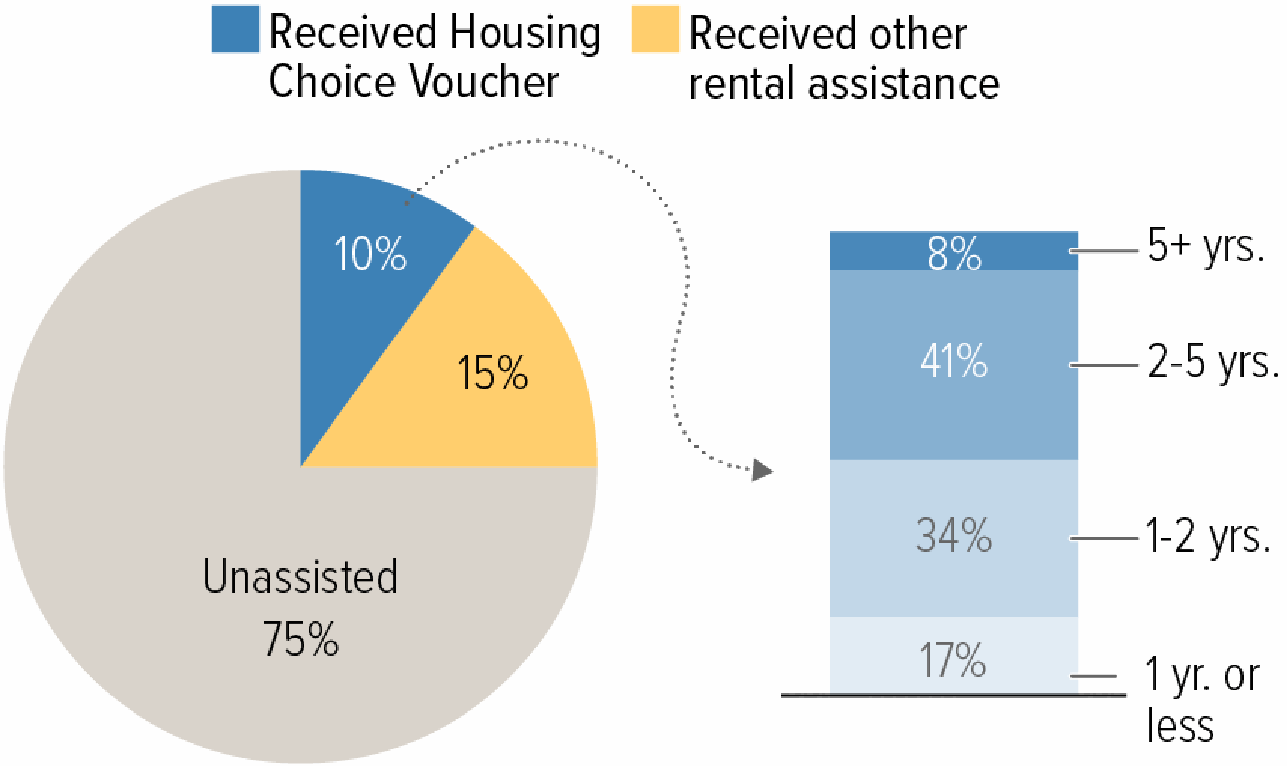
- Oregon example: In 2013, House Bill 2639 was passed and changed the “source of income” language that explicitly excluded federal rent assistance, which primarily refers to the Section 8 Housing Choice Voucher program. This meant landlords could discriminate against Section 8 renters.
  - Now, with HB 2639, source of income includes Section 8 in Oregon.



- Only 1 in 4 eligible households receive rental assistance due to funding limitations.
- "Housing vouchers, when available, are highly effective at reducing homelessness, housing instability, and overcrowding and at improving other outcomes for families and children, rigorous research shows".

Small Share of Eligible Households Receive Vouchers and Typically After Long Wait

Share of eligible households receiving rental assistance and agency's average wait time for voucher recipients



Source: HUD custom tabulations of the 2019 American Housing Survey; 2018 HUD administrative data; FY2020 McKinney-Vento Permanent Supportive Housing bed counts; 2019-2020 Housing Opportunities for Persons with AIDS grantee performance profiles; and the USDA FY2020 Multi-Family Fair Housing Occupancy Report; HUD 2020 Picture of Subsidized Households

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1975 Home Mortgage Disclosure Act (HMDA)

- In addition to the Community Reinvestment Act (CRA) that came two years later, the HMDA was enacted by Congress in 1975 to help address the decades-long problems of home loan racial discrimination.
- The HMDA was implemented by the Federal Reserve Board's Regulation C. This regulation provides the public loan data that can be used to:
  - determine whether financial institutions are serving the housing needs of their communities
  - assist public officials in distributing public-sector investments so as to attract private investment to areas where it is needed
  - identify possible discriminatory lending patterns
- This regulation applies to certain financial institutions, including banks, savings associations, credit unions, and other mortgage lending institutions. (https://www.ffiec.gov/hmda/history.htm)

1977 Community Reinvestment Act (CRA)

- Under the CRA, federally insured depository institutions (bank branches) must respond affirmatively to the credit needs of service areas to which they draw deposits, including minority and low-income communities.
- In NYS, in the post-federal era, public-private partnerships have been able to leverage private dollars to develop in low-income areas—the same areas in which private property owners and financial institutions disinvested in and neglected during the 1960s and 70s.
    - Three factors contributed to the proactive role that banks and private investors were starting to take:
        1. Enactment of federal CRA and mortgage disclosure act
        2. Incentives to reduce risk and provide market rate returns for investors
        3. Resurgence of homeownership activity in urban centers (gentrification)

1977 Community Reinvestment Act (CRA)

- From the *Reveal* podcast: "61 cities across the country where people of color are more likely to be denied home loans"
  - Exploiting loopholes: the case of Chase Bank....
    - J.P. Morgan Chase helped 745 people buy homes in Philadelphia over five years but just 15 of those borrowers were African Americans.
    - At the time they had one branch on Philadelphia, but they acted as though it was not a branch to skirt CRA requirements.
  - Fighting disclosure of credit scores: despite the Dodd Frank Bank Reform Act (intended to thwart bad lending that precipitated the 2008 global crisis) requiring banks and mortgage brokers to disclose credit scores of lendees – banks are refusing to do so. They argue that racial disparities would be eliminated with this data, which suggests POC have low credit scores!
  - Tom Curry, top bank regulator during Obama Admin. – rated 99% of banks as satisfactory or outstanding PRIOR to 2008 financial meltdown!

1977 Community Reinvestment Act (CRA)

- From the *Reveal* podcast:

  "So this landmark Civil Rights law from 40 years ago that was supposed to deal with the historic legacy of redlining is useless for a lot of people it was supposed to help. In fact, a cruel twist of the law is driving the ferocious pace of gentrification in cities around the country".

End of the Federal Era in Housing

- The Federal Era came to a close largely amidst the following:
    1. Dramatic budget cuts to federal programs (e.g., Reagan presidency)
    2. Economic restructuring of urban areas and ensuing economic polarization
    3. Mobilization of community-based housing to try and fill the void left by federal dollars
- Under the Reagan Administration of the 1980s, the federal government rescinded its role as the primary lead in housing policy
    - Between 1979 and 1988 Federal budget authorization for low-income housing fell by 80%
    - There was an overall reduction in commitment to low-income housing, shallow subsidies, and limited support for affordable housing
    - Housing programs were cut more than any other domestic program as the peace-time defense budget grew.

Reagan's federalism had three main objectives on the domestic front that reshaped and continue to shape social welfare

1. Retrenchment of social programs and public spending
2. Devolution of responsibility to local (mainly state) governments
3. Restriction of eligibility for social programs to the "truly needy"

NYT February 20, 1981 ⇨

The Truly Needy

Repeal the New Deal: that used to be an article of conservative faith, a familiar starting point for Republican programs. Not any more. Ronald Reagan, apple of the conservative eye, now says the social welfare programs erected in the 1930's are matters of national conscience, part of the permanent social safety net to protect the truly needy. No, his Administration does not seek to repeal the New Deal. Its aim is to repeal much of the Great Society. Mr. Reagan's budget-cutting proposals threaten to tear holes in the social safety net, jeopardizing hundreds of thousands of people who are, by any reasonable definition, truly needy.

Students of the food stamp program estimate that the proposed Reagan changes could force a million people off the rolls. Are they truly needy?

Imagine a hypothetical elderly couple whose only income is an average Social Security payment of about \$570 a month. If this couple live in Arkansas, say, in their own house, \$570 might bring them comfort, but what if that couple lives in Brooklyn, in an apartment? Anyone who knows New York City rents knows that such a couple truly need the extra pittance they now receive in food stamp benefits. But under the Reagan plan, they would no longer be eligible. Some safety net.

Students of welfare estimate that the Reagan proposals would affect half a million poor families with children. New eligibility rules would reduce their benefits or cut them off altogether. Are these families the poorest of the poor? No, but consider who they are.

Typically they consist of a mother, about 30, and one or two young children whom she is trying to raise by herself. She has found some work, but her wages, though very low, push her over the proposed new eligibility threshold. Nonetheless she remains truly needy. And if the Reagan proposal discourages her from trying to work at all, she will become more so — forced, perversely, to seek even more welfare.

•

Hypothetical cases like these do not show the Reagan proposals to be callous; only glib.

There is powerful reason for Mr. Reagan boldly to seek dramatic cuts in total Federal spending. They are essential if he is to have any chance of jolting the nation out of its present psychology of inflation, inflation, inflation.

The Administration is also wholly justified in seeking to reform various social welfare programs. In the food stamp program, for instance, new recipients now receive a full first month's allotment of stamps no matter how late in the month they sign up. It would be only sensible to issue them a prorated amount instead. In addition, projected improvements in the program could reasonably be dropped. Taken together, such changes could easily yield savings of \$600 million or more.

But now the Administration would cut *three times* that much. It is hard to see how cuts of that magnitude in the food stamp and other anti-poverty programs can be squared with the idea of a safety net. It is hard to see how the suffering such cuts would cause can be squared with protecting the truly needy. With his budget proposals, Mr. Reagan warmly deserves to be called bold. He does not yet deserve to be called humane.

End of the Federal Era in Housing

- Economic Constraint Model characterizes urban policy in the 1980s. It consists of:
  - An increasingly globalized economy
  - Greater mobility of capital via business and investments
  - A perceived dependence of local economies on decisions made by economic and political actors who are <u>not local</u> and beyond the control and influence of local authorities
- The logics of this model promote unbridled <u>growth</u> and the political hegemony of land-owners, property interests, and business and public officials.
  - Encourages privatistic policies that grant incentives and subsidies to private actors

End of the Federal Era in Housing

- Counter to the aims of housing advocates, the logic of the economic-constraints model finds redistributive policies <u>not</u> to be in the city's best interest suggesting such policies place burdens on "productive" members of society for the benefit of the "unproductive".
- The argument against redistributive policies:
    1. Local resources spent on redistributive purposes means less for maintaining the economic vitality of the city
    2. Potentially makes the city a "welfare magnet" for the poor
    3. Discourages private capital investment

End of the Federal Era in Housing

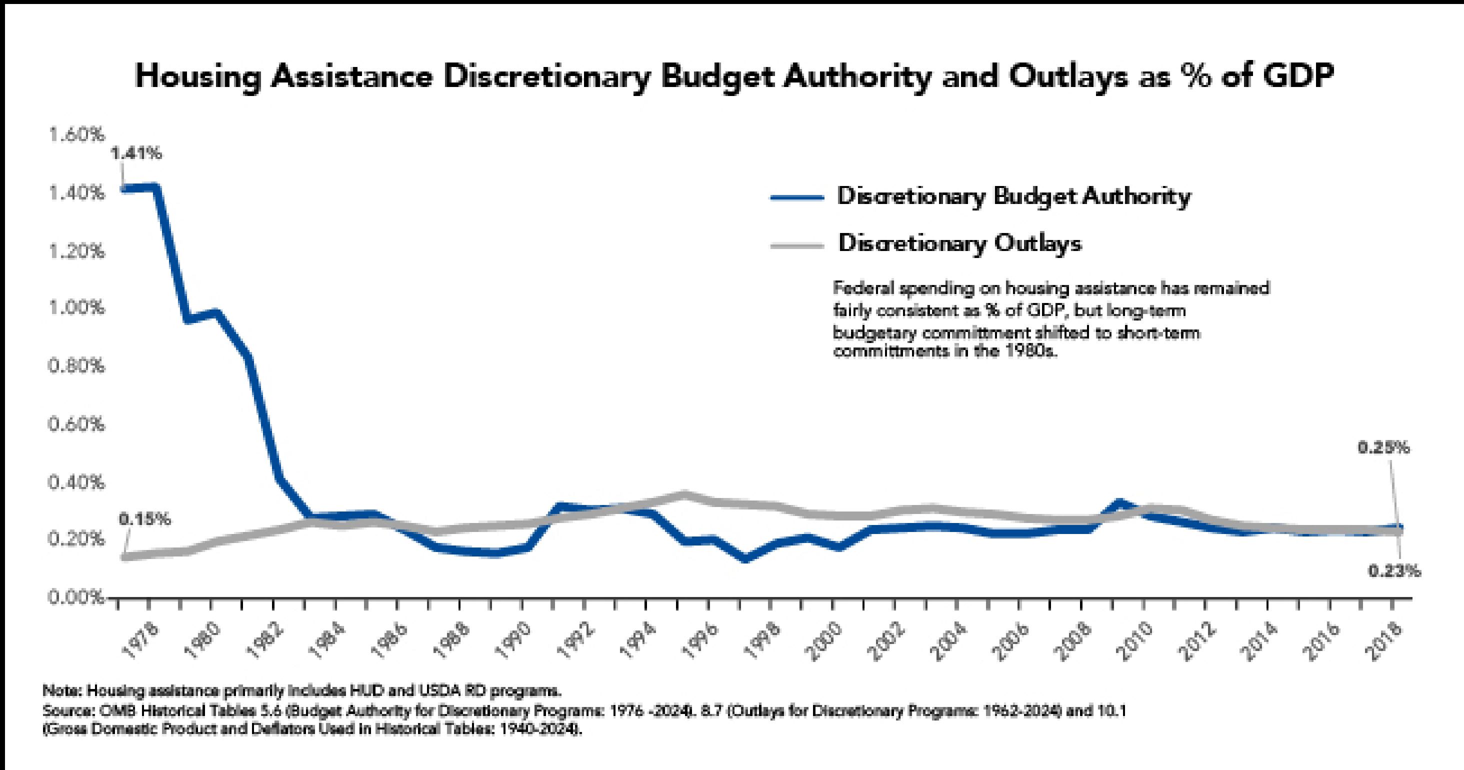
- Devolution of housing policy
  - Community-based housing exploded in the 1980 and 1990s as states, cities, and local communities were now responsible for finding ways to fund low- and moderate-income housing with exceedingly limited budgets.
    - Non-profits housing groups emerged and became critical in delivering services
    - Housing advocates at state and local levels struggle for redistributive policies and form broad coalitions with other community-based groups
  - Cities and local governments are spending own money to make themselves more attractive to investors in efforts to boost their economies by attracting capital (i.e., entrepreneurial cities)
  - State and local budget responses can't cover what was lost due to federal cutbacks
    - Between 1980 and 1987 funding for HUD (Dept. of Housing and Urban Development) fell by $19.2B.
    - Increases is state expenditures between 1980 and 1990 was $2.2B—a 350% increase but not near the amount that was provided by the federal gov't.

End of the Federal Era in Housing

- This also marks the neoliberal turn and the [deregulation of finance]
  - For example: 1996 – Federal Reserve reinterprets the Glass-Steagall Act several times, eventually allowing bank holding companies to earn up to 25 percent of their revenues in investment banking.
    - This means banks are allowed to speculate and invest when they were restricted from doing so before...[Think back to Week 2 when we talked about financialization and the role of banks in lending out on subprime mortgages]
- Alternative policy paradigm for housing: a refiguring of public and private responsibilities and obligations for low-income housing
  - The Federal Era focused on public subsidies for the private production of housing
  - Post-federal Era carefully regulates private development while promoting the non-profit sector through community development corporations (CDCs) now increasingly responsible for developing ownership and low-cost housing.

- This alternative policy paradigm for housing includes the following objective/techniques:
    1. Reliance on non-market relationships for the production, management and ownership of land and housing—shift to non-profit sector
    2. Greater regulation of the private sector in ways that promote the production and preservation of low-income housing—shift to local land-use regulatory powers (e.g., moratoria on demolition or market-conversion of affordable housing, 1:1 replacement programs, rent control)
    3. Taxing the private development process to provide financial resources for low-income housing (e.g., real estate transfer fees, escrow fees)
    4. A reversal or mitigation of the impacts of downtown development and the subsequent reuse of inner-city land for low-income housing—means to preserve low-cost housing like single-room occupancy (SRO) hotels.
    5. Community-based planning and housing issues

- City efforts to provide low-income housing assistance are characterized by:
    1. Increased use of local (non-federal) dollars
    2. Increased use of CDBG dollars
    3. Greater leveraging of private capital
    4. Increased reliance on non-profits developers like CDCs
    5. Use of off-budget items and regulatory strategies (e.g., land-use regulation)
    6. A shift from new construction to rehabilitation



NYC: Urban Crisis of the 1970s

- 1975 Fiscal Crisis was the result of several factors including middle-class tax exodus and gross fiscal mismanagement by the city.
- NYC was a robust welfare city with strong unions and social programs...but it was also going into debt. Other contributing factors were:
  - Plummeting property values
  - Loss of tens of thousands of apartments due to abandonment, arson, and demolition
  - Generous tax abatements for below- market and, as a construction stimulus, market- rate housing
  - Loss of manufacturing and employment as new immigrants moved in looking for work that had either gone to the suburbs or abroad

NYC Decentralized Housing

- Decentralized (below market-rate) Housing evolved in the context of weakening commitments to subsidized housing, increasing stigmatization of public housing during the 1970-80s in NYC, and the rise of deindustrialization and population loss in urban centers.
- By 1971, NYC suburbs had half of the metro’s population and half of its manufacturing, retail and restaurants.
  - Between 1969 and 1976 NYC lost 600,000 jobs, primarily in manufacturing
  - Between 1970 and 1980 NYC lost a 1,000,000 residents
  - Remaining in the city were a small elite in gold coast sections of Manhattan and Brownstone Brooklyn, a dwindling number of white middle- class enclaves elsewhere, and a growing working class, mainly of color, with declining occupational prospects.

At the turn of the 20th century in New York,

“Even with a burgeoning tenants’ movement, laissez- faire ideology dominated, and most leaders believed the housing question would be solved privately, through the process of decentralization that was already gradually unfolding, or in model tenements built by philanthropists”. **(Bloom & Lasner eds., 2016, p. 3)**

0.2: Rev. Bertram G. Bennett, Jr., left, and Tony Aguilar with model of Nehemiah Houses, Bronx, by Edward Keating, 1991

“The idea that below-market subsidized housing could stabilize neighborhoods, however, gained a new cogency amid widespread urban disinvestment. Many in New York and other cities worked creatively to cultivate new tools, programs, and agents to fill the voids left by abandonment, arson, and the disappearance of federal, city, and state programs and long- trusted partners like the United Housing Foundation. The result was that from the ashes of the welfare state arose what one expert has characterized as a new “decentralized housing network.” At its core were community development corporations, city and state agencies responsible for housing and housing finance, foundations offering technical assistance, and an evolving range of small- scale grants, tax credits, and other inducements offered by the city, state, and federal governments that could be harnessed toward housing. New York, as in earlier eras of housing reform, was a leader” (Bloom & Lasner, 2016, p. 245).

- The number of abandoned and dilapidated building increased dramatically in NYC in the 1970s, coupled with dwindling federal spending spurred a rise in tenant activism.
- Tenants organized themselves to save their buildings thus giving shape to NYC's decentralized housing network.
    - Homesteaders were among the first tenant-activist to undertake this kind of work and were aided by the Urban Homesteading Assistance Board (U- HAB), established in 1973 by former city employees.
    - Tenants converting owner-abandoned buildings into tenant-led limited-equity co- ops.
    - U- HAB trained groups to do cost estimates, hired professionals, wrote grant applications, and worked with the city to obtain permissions and loans. Additionally, they trained groups to do much of the renovation work themselves.

6.4: Tenant at Community Management Program building (for *in rem* properties), operated by Adopt-a-Building, 73–75 Ave. C, Manhattan, by Chester Higgins, Jr., 1978

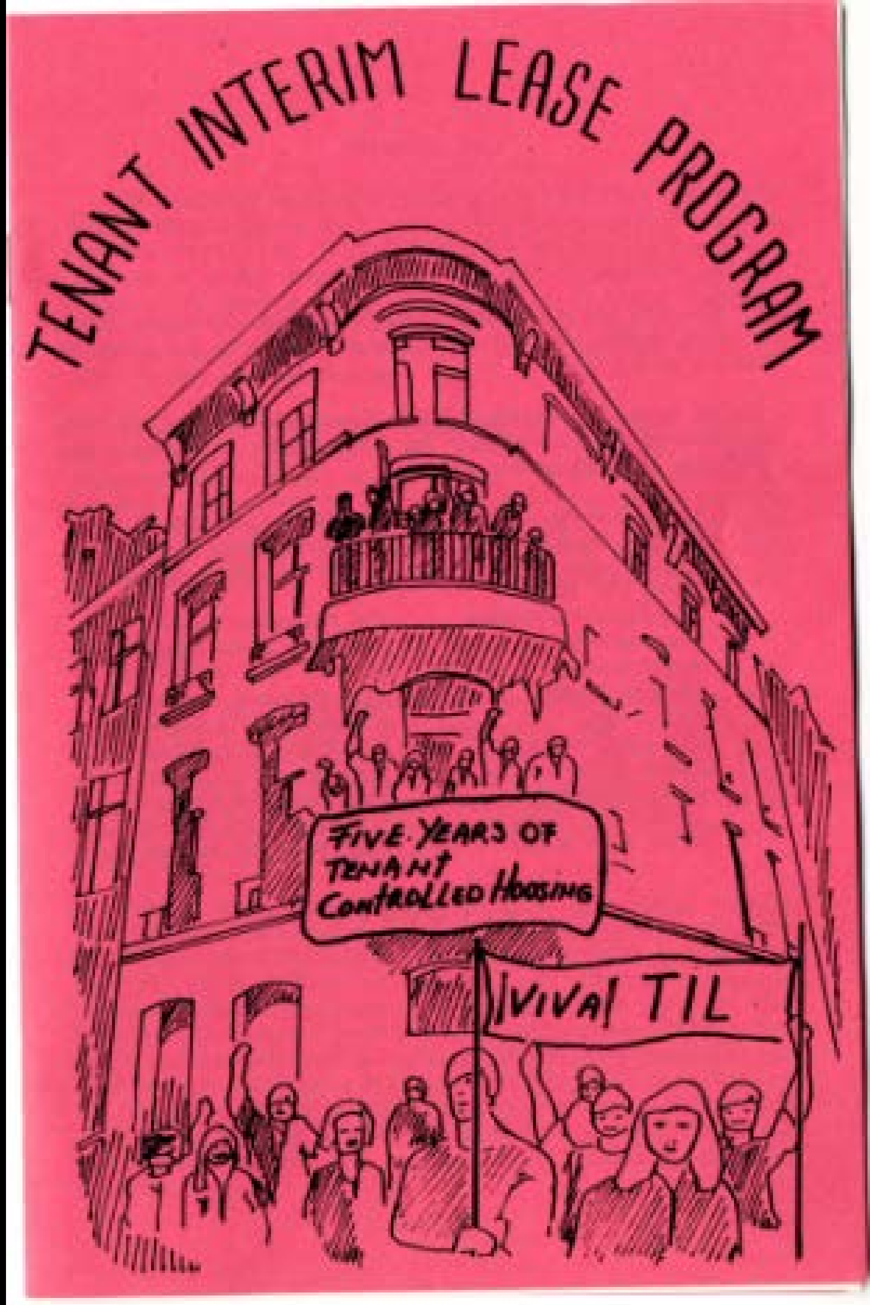
Homesteaders in a squat on the Lower East Side

NYC Decentralized Housing

- Self-Help Housing: As tenant-activist were working to fix their homes aided by U-HAB, the city started foreclosing on buildings that were in deep tax arrears with extensive housing code violations and/or had already been forced to make emergency repairs.
  - These *in-rem* (Latin for “against a thing”) buildings were then sold to the tenants or to other nonprofit operators.
  - This activity made NYC stand out compared to other cities that often let tax- delinquent properties fall apart beyond repair.

Homesteaders at work, late 1970s

According to the NYU Furman Center:
"The TIL program funded the renovation of buildings while they were still in city ownership. Tenants were required to participate in building management education programs, and after several years, the properties were transferred to tenants as cooperatives for a modest price."



Pamphlet, 5 Years of TIL, 1980

NYC Decentralized Housing

- NYC-based CDCs complemented the efforts of tenant-activists and U-HAB by putting city funds and the *in rem* program to work on a larger scale.
- One of the first NYC CDCs to focus on housing after the moratorium were the Mid-Bronx Desperadoes, established in 1974 by Genevieve S. Brooks and other “desperate” citizens, and the South East Bronx Community Organization .
- Early Bronx-based CDCs active in housing included:
  - Banana Kelly
  - BUILD (Bronx United in Leveraging Dollars)
  - Fordham Bedford Housing Corporation
  - South Bronx Churches (affiliated with Nehemiah Houses)
  - Nos Quedamos

A growing number of CDCs in NYC began undertaking larger scale rehabilitation of tax-delinquent properties in the 1970s

- Other early CDC’s were:
  - Fifth Avenue Committee in Brooklyn
  - Harlem Congregations for Community Improvement in Manhattan.

6.5: Mid- Bronx Desperadoes at site of new row houses,
Longfellow Ave., Bronx, by Ted Thai, 1996

NYC Decentralized Housing

Provided:

- A range of rental tiers
  - Income ranges could accommodate residents earning between 30% to 175% of average city income (what HUD refers to as area mean income, or AMI).
- Broadened political support for below-market subsidized housing through a mix of incomes
- Diverse neighborhoods.

NYC Rent Stabilization

- In 1969 NYS Legislature enacts the Rent Stabilization Law
  - All units in buildings with 6+ apartment built between 1947 and 1969 would be subject to stabilization (less strict than rent control)...later this was extended to those built through 1974.
  - Landlords are entitled to periodic rent increase as determined by the NY Rent Guidelines Board. Generally these have been between 1.5% and 2% increase upon lease renewal.
    - After the COVID moratorium, rent could be increased by 3.25% and 5%.
  - In 1996, rent stabilized units constituted over half of all rentals in NYC at 1,052,300
  - Rent regulation also covers Section 8 subsidized rentals

NYC Renters in the 1990s

- Rent Regulation "Reform" Act of 1993 (link) ⇨⇨⇨
  - Luxury decontrol creates more market rate units
- In 1996 (after changes to rent regulation) an estimated 147,507 households (5.3% of total households in NYS) had one or more severe housing quality problems (e.g., insufficient heat, infestation, cracks, holes, plumbing problems)

Section 1. This act shall be known and may be cited as the "rent regulation reform act of 1993".

Sec. 2. Subdivision 2 of section 2 of chapter 274 of the laws of 1946, constituting the emergency housing rent control law, is amended by adding two new paragraphs (m) and (n) to read as follows:

(M) UPON THE ISSUANCE OF AN ORDER OF DECONTROL BY THE DIVISION, HOUSING ACCOMMODATIONS WHICH: (1) ARE OCCUPIED BY PERSONS WHO HAVE A TOTAL ANNUAL INCOME IN EXCESS OF TWO HUNDRED FIFTY THOUSAND DOLLARS IN EACH OF THE TWO PRECEDING CALENDAR YEARS, AS DEFINED IN AND SUBJECT TO THE LIMITATIONS AND PROCESS SET FORTH IN SECTION TWO-A OF THIS LAW; AND (2) HAVE A MAXIMUM RENT OF TWO THOUSAND DOLLARS OR MORE PER MONTH AS OF OCTOBER FIRST, NINETEEN HUNDRED NINETY-THREE.

(N) ANY HOUSING ACCOMMODATION WITH A MAXIMUM RENT OF TWO THOUSAND DOLLARS OR MORE PER MONTH AT ANY TIME BETWEEN THE EFFECTIVE DATE OF THIS PARAGRAPH AND OCTOBER FIRST, NINETEEN HUNDRED NINETY-THREE WHICH IS OR BECOMES VACANT ON OR AFTER THE EFFECTIVE DATE OF THIS PARAGRAPH. THIS EXCLUSION SHALL NOT APPLY HOWEVER, TO OR BECOME EFFECTIVE WITH RESPECT TO HOUSING ACCOMMODATIONS WHICH THE COMMISSIONER DETERMINES OR FINDS THAT THE LANDLORD OR ANY PERSON ACTING ON HIS OR HER BEHALF, WITH INTENT TO CAUSE THE TENANT TO VACATE, HAS ENGAGED IN ANY COURSE OF CONDUCT (INCLUDING, BUT NOT LIMITED TO, INTERRUPTION OR DISCONTINUANCE OF REQUIRED SERVICES) WHICH INTERFERED WITH OR DISTURBED OR WAS INTENDED TO INTERFERE WITH OR DISTURB THE COMFORT, REPOSE, PEACE OR QUIET OF THE TENANT IN HIS OR HER USE OR OCCUPANCY OF THE HOUSING ACCOMMODATIONS AND IN CONNECTION WITH SUCH COURSE OF CONDUCT, ANY OTHER GENERAL ENFORCEMENT PROVISION OF THIS LAW SHALL ALSO APPLY.

NYC Renters in the 1990s

AFFORDABLE HOUSING, REAL ESTATE TRENDS

Since 1993, NYC has lost 152,000 regulated units after landlords increased rent, report says

POSTED ON MON, MAY 21, 2018 BY DEVIN GANNON

"And another 130,000 more apartments have been lost due to expiring tax breaks and co-op and condo conversions".

TABLE 1.11

Severe Housing Problems in New York City: Boroughs and Subtenures

	Unit Has Five or More Maintenance Deficiencies	Unit Is in Dilapidated Building	Renter Pays More Than 50% of Income for Rent	Owner Pays More Than 60% of Income for Housing	Occupant Has Affordability or Housing Quality Problem
Number of Households	123,773 4.5%	30,164 1.1%	525,736 18.9%	67,916 2.4%	735,819 26.5%
Borough					
Bronx	32,633 7.9%	6,148 1.5%	109,281 26.5%	5,179 1.3%	141,531 34.4%
Brooklyn	35,895 4.4%	7,937 1.0%	180,403 22.2%	25,644 3.2%	245,975 30.2%
Manhattan	43,506 6.2%	11,191 1.6%	136,818 19.4%	7,675 1.1%	186,939 26.6%
Queens	11,826 1.7%	3,341 0.5%	88,955 12.5%	26,002 3.6%	137,976 19.3%
Staten Island	1,131 0.8%	1,538 1.1%	10,287 7.5%	3,958 2.9%	18,898 13.8%
Tenure/Subtenure					
Rent Controlled	4,264 6.0%	747 1.1%	17,527 24.8%	NA	20,582 29.2%
Rent Stabilized	76,714 7.5%	14,338 1.4%	290,026 28.6%	NA	346,132 34.1%
Other Rent Regulation	5,048 4.0%	563 0.4%	47,188 37.2%	NA	49,281 38.8%
Unregulated Rental	16,721 3.1%	6,172 1.1%	134,200 24.6%	NA	140,874 25.8%
Public Housing	11,496 6.9%	187 0.1%	28,685 17.3%	NA	38,410 23.2%
In Rem Housing	6,048 26.3%	3,786 16.5%	8,113 35.3%	NA	13,527 58.6%
Conventional Owner	1,836 0.3%	3,407 0.6%	NA	64,963 12.0%	70,787 13.0%
Co-ops/Condos	1,266 0.5%	829 0.3%	NA	21,199 8.8%	22,189 9.2%
Mitchell-Lama Housing	379 0.7%	141 0.3%	NA	6,351 12.5%	6,504 12.8%
Rental Buildings with More Than 100 Units	3.8%	0.2%	24.7%	NA	26.1%
Frequency in Units Where Rent < $500	8.5%	2.1%	25.5%	NA	33.0%

Source: 1996 Housing and Vacancy Survey Data Files.

https://www.youtube.com/watch?v=9vD1RU0Lt5g&ab_channel=lagarchivist

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Other sources as indicated with links.

WEEK 8: Public Housing in the U.S. & NYC

October 16, 2023 | Adjunct Lecturer: Erin Lilli |
URBST 222: Introduction to Urban Housing /
URBST 723: Dynamics of Housing & Homelessness

It is hereby declared to be the policy of the United States ... to assist the several states ... to remedy the unsafe and insanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income, in rural or urban communities.

— US Housing Act, 1937

Todays’ Public Housing Topics

- Quick Stats
- Overview + Historical Background
- NYCHA
- “Dismantling” of Public Housing + Hope VI
- NYCHA + Privatization
- Save Section 9!

Quick Stats on U.S. Public Housing (PH)

- **First PH built:** Techwood Homes 1935, Atlanta, Georgia (PWA under New Deal) – all PH in Atlanta was torn down by 2011.
  - Displaced hundreds of Black families to built 604 whites-only units
  - The first PH built for African Americans was in Austin, TX in 1939 – Rosewood Courts
- **Total PH built:** Between 1949 and 1994 PH units went from ~170,000 to ~1.4 million
- **Total PH lost:** Roughly 10,000 PH units are lost each year to deterioration
- **Total current PH:** 1.1M units for 2.2M residents (1.5M on waitlist)
  - NYCHA = 360,970 residents in 177,569 units across 335 Section 9 and PACT developments (more on PACT and RAD later privatization later).
- **Decline in funding:** Per Human Rights Watch, from 2000-2021 federal funding for major repairs decline 35%. By end of term, Reagan has cut federal funding to local gov'ts by 60%!
  - NYCHA needs over $78B to fully repair and renovate its housing stock

Public Housing and Private Sector Affordable Housing Programs

Funding in Billions of 2018 US Dollars (1980-2018)

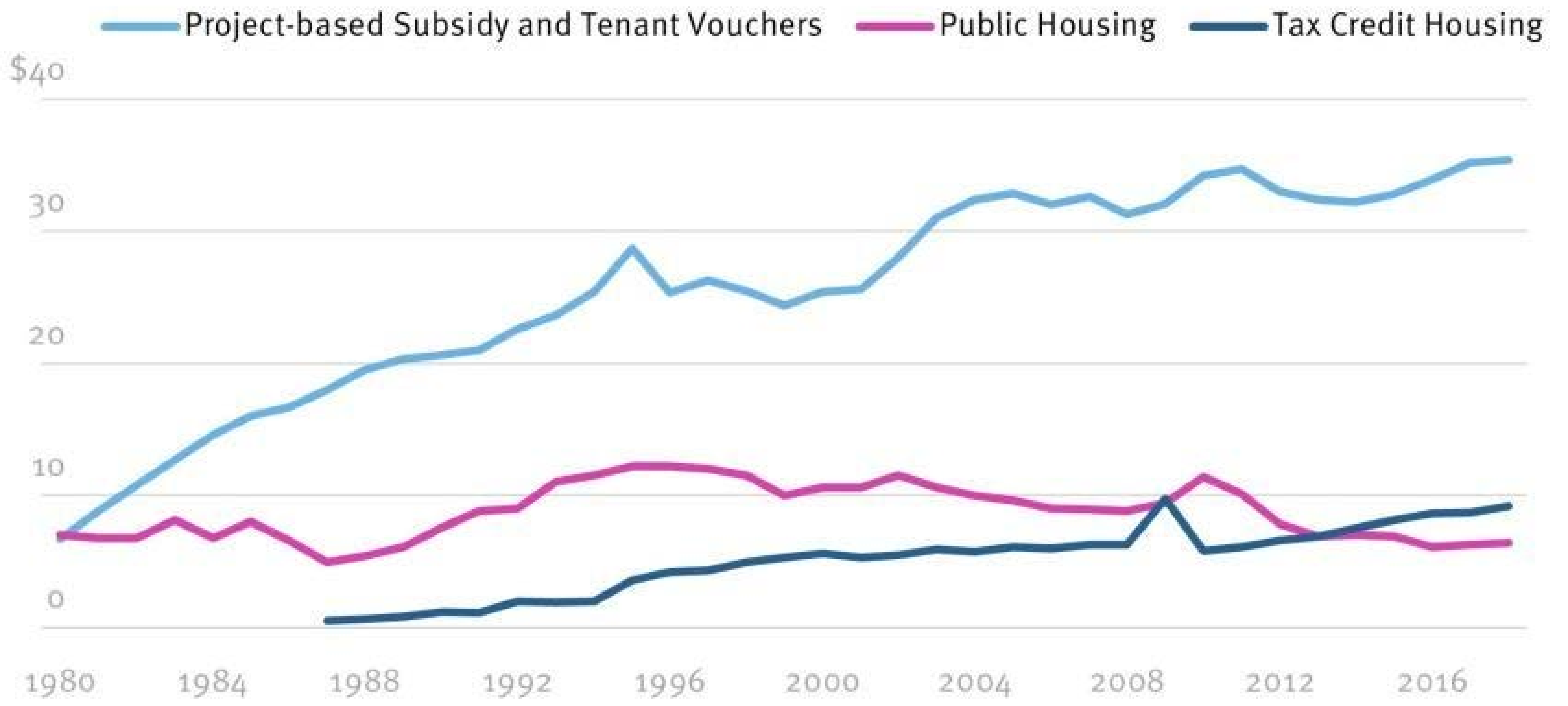
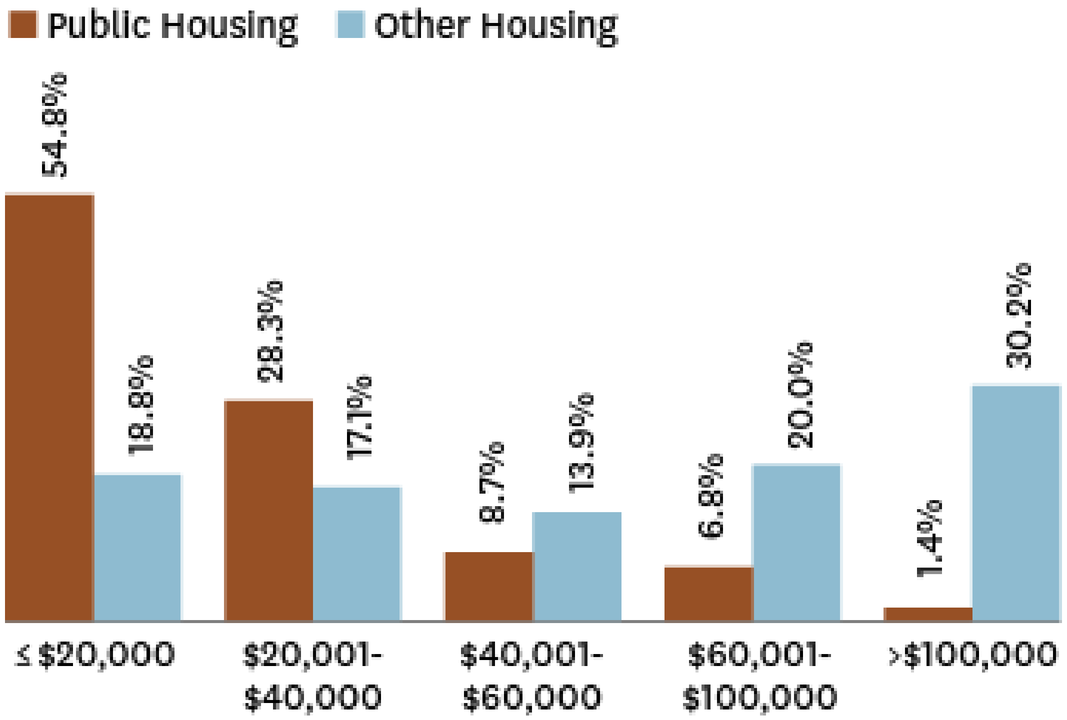
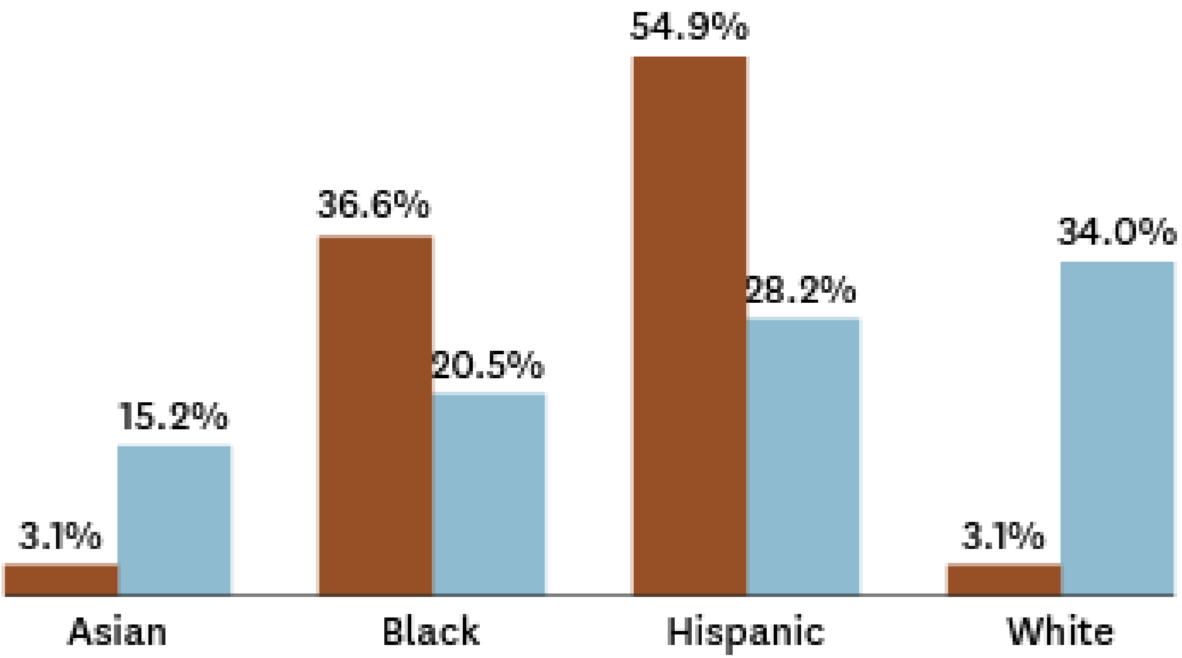


Figure 1. Household Income Distribution in New York City by Housing Type, 2017



Sources: New York City Housing and Vacancy Survey (Household Records), NYU Furman Center

Figure 2. Shares of Racial/Ethnic Groups in New York City by Housing Type, 2017



Sources: New York City Housing and Vacancy Survey (Person Records), NYU Furman Center

Overview: Three Eras of Public Housing (NYCHA)

- NYCHA moved through three ideological phases
  1. Model housing as a municipal service (during Federal Era)
  2. Welfare-state housing (1968-1990s)
  3. Affordable housing (2000 on)
     - Privatized housing?!?!
- Historically, NYCHA fared better than PHAs in other U.S. cities in part because it had better management and a larger number of skilled staffers in additional to well-constructed buildings.

Progressivism & Public Housing in the U.S.

"The seeds of change lay in crisis" (Bloom and Lasner, eds., 2016, p. 37).

- The end of World War I lead to rising inflation (NOTE: this is prior to the Great Depression of the early 1930s)
- NYC was one of several urban centers that was used for production in the war effort. After the war, prices rose due to the combination of the influx of people and scarcity of labor and materials.
- This created an unprecedented pressure on the housing market. Vacancies dropped to 1% and rent went up.
- Encouraged by progressives and leftists, tenants began to organize, accusing their landlords of profiteering.
- To deal with the burgeoning crisis NYC followed Washington DC and in 1920 implemented **rent control** (inspired by Western European models) from 1920-29 and again during WWII.

"Reformer Edith Elmer Wood, however, had been arguing for years for the need for state subsidies like those in Europe to house the urban poor, concluding that on its own the private market was fundamentally incapable of housing workers in decent conditions" (Bloom and Lasner, eds., 2016, p. 37).

Progressivism & Public Housing in the U.S.

- **Are we in still a war crisis?** In 1923, architect Clarence S. Stein headed the new Commission of Housing and Regional Planning, under progressive (pro women's rights and labor protections) NY Governor Alfred E. Smith, to determine if the "emergency" conditions that had prompted the state's rent- control program still existed.

"Although Stein acknowledged continuing rental shortages and rent control was extended, he took pains to explain that the housing situation was no longer, in fact, the result of the wartime crisis. Rather, he argued like Wood **that substandard tenements were fundamental to the centralized, laissez-faire city.** And he stressed that **the only way to remedy the condition was for government to promote decentralization and reconstruction of existing slums.** The tool to achieve both was low-interest loans to limited-dividend groups for construction of high-quality below-market housing... **The city most famous for capitalist excess was simultaneously one of the most progressive on urban regulation and public infrastructure".**

(Bloom and Lasner, eds., 2016, p. 39)

Progressivism & Public Housing in the U.S.

- May 10, 1926, New York State Governor Alfred E. Smith signed into law the **Limited Dividend Housing Companies Act (LDHCA)**. The act revolutionized the traditional relationship between government and urban housing in the United States through:
  - 20 years of tax exemptions for housing projects
  - Use of eminent domain municipalities for site assembly
  - Developers' agreement to limit their profits to a maximum of 6% annually

Progressivism & Public Housing in the U.S.

- Prior to the LDHCA, the public sector had avoided subsidizing— let alone financing, building, or owning—housing, but regulated housing for health and safety.
- However, these regulations did nothing help house the city's predominantly low-wage residents nor address the high cost of building and maintaining quality housing.
  - By the 1920s, many Western European nations were already offering subsidized (below- market interest rate) loans to low- profit (limited- dividend) developers for worker housing.
  - These European practices were not taken up in the U.S., which relied mostly on philanthropic largesse for worker housing...until NY's 1926 LDHCA.
  - The worker housing projects built under the Act were limited-equity cooperatives, a model borrowed from the U.K., and seen as a socialist alternative employed in a capitalist system.

Progressivism & Public Housing in the U.S.

- The 1926 LDHCA produced roughly as much housing as philanthropic endeavors had.
- This hardened the resolve of housing reformers that long-term, low- interest loans covering most of the cost of construction, were critical to building quality, low –income housing (i.e., no just relying on tax exemptions and eminent domain)
- The efficacy of these low-interest loans had been proven all over Europe and became key elements of U.S. public housing legislation as it developed in the 1930s and 1940s.

Slum Clearance and Locating Early PH Sites

New York, New York. Demolition for slum clearance. Blocks of slum area are torn down for housing project (1941)

Slum Clearance and Locating Early PH Sites

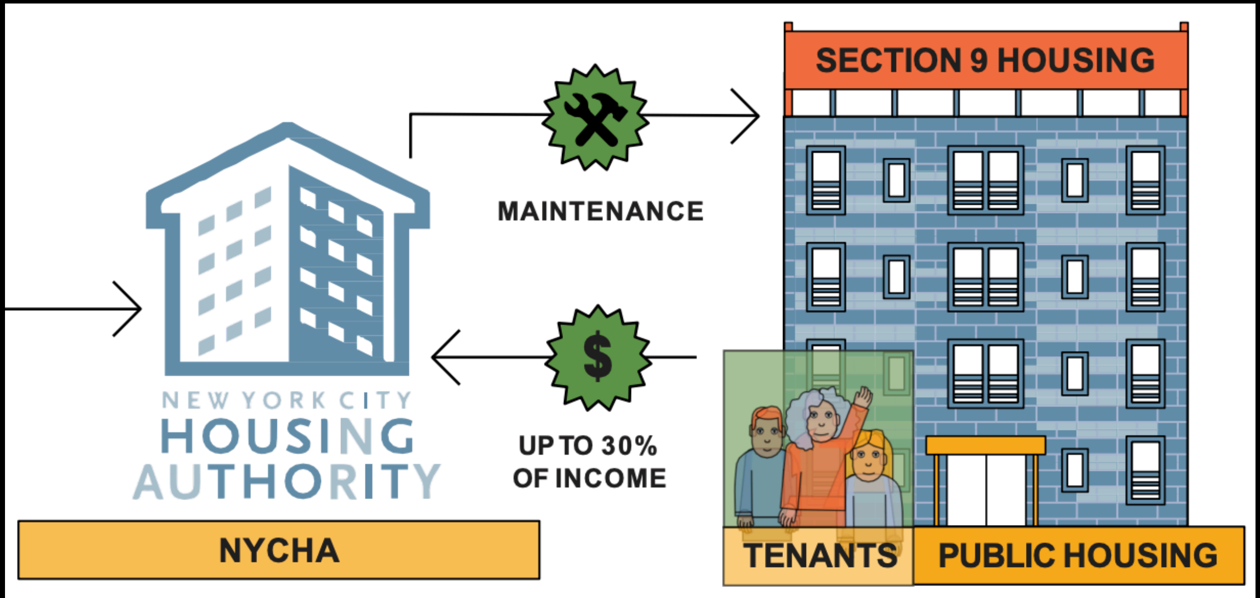
- Site selection has a troubled history in public housing (PH) dating back to its New Deal beginnings.
- Postwar WWI slum clearance coupled with building high-density public housing was an intentional strategy by white city officials to restrict the growth of Black neighborhoods and funnel poor Black residents into Black neighborhoods.
- Urban renewal was a tactic that benefited wealthier, white individuals; however, it only worked to increase their values if those dispossessed Black residents were kept out of all-white neighborhoods.
- The concept of decentralization (later supported by the Hope VI Program in the 1990s) was seen as the best way to deal with housing the urban poor – in other words to disperse PH to the periphery of cities.

Slum Clearance and Locating Early PH Sites

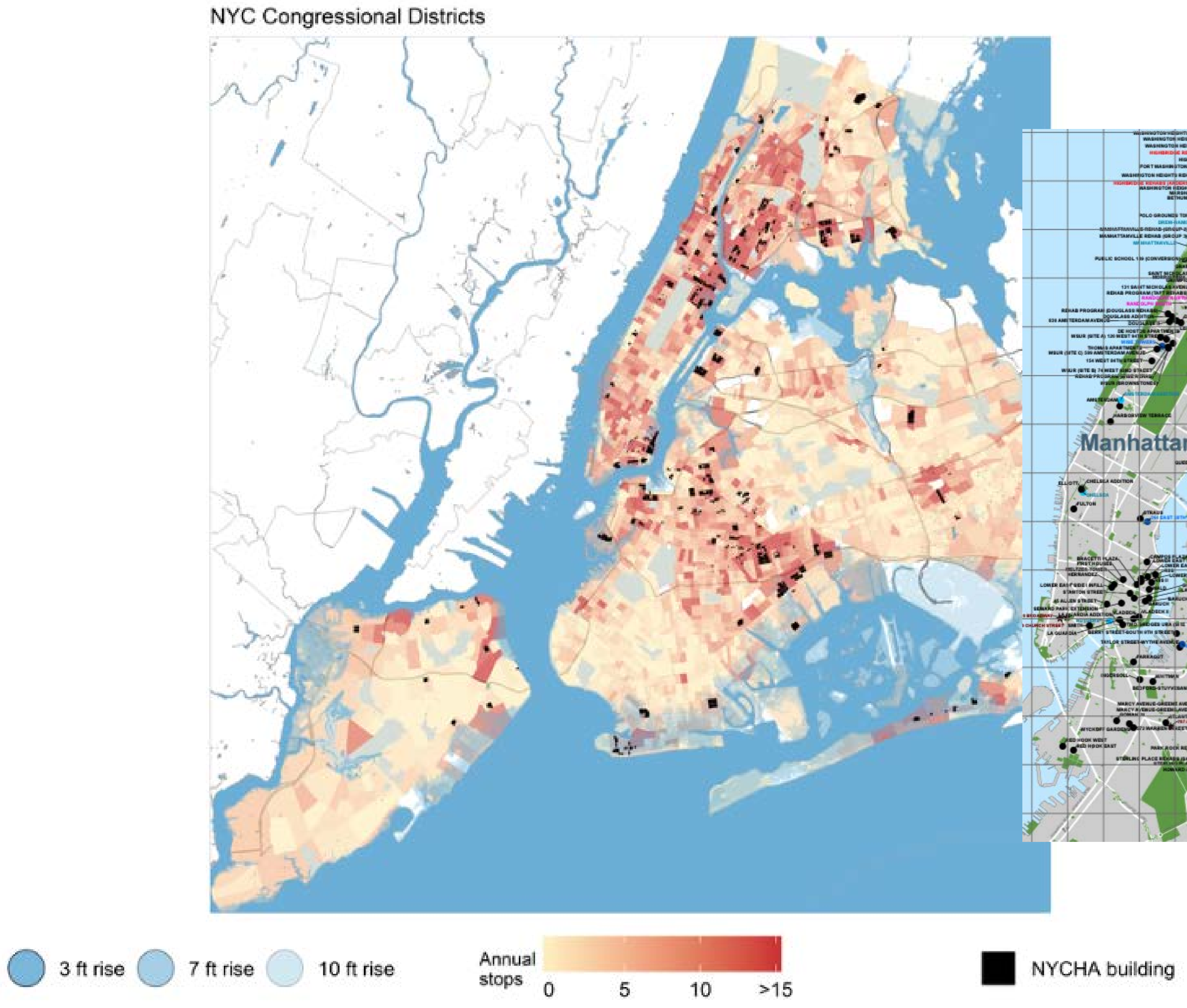
- Public Housing as a tool of racial segregation was compelling for cities like Chicago and New York pre- and post-WWII "but the second element of the tale, that decentralized public housing would have been much better in the long term, is more an article of faith than anything else" (Bloom, 2009, p. 68).
- Debates ensued among U.S. Public Housing Authorities regrading where to site their PH projects, either:
  1. On inner city slum clearance sites
  2. Dispersed low-rise, low-density PH at the margins of the city

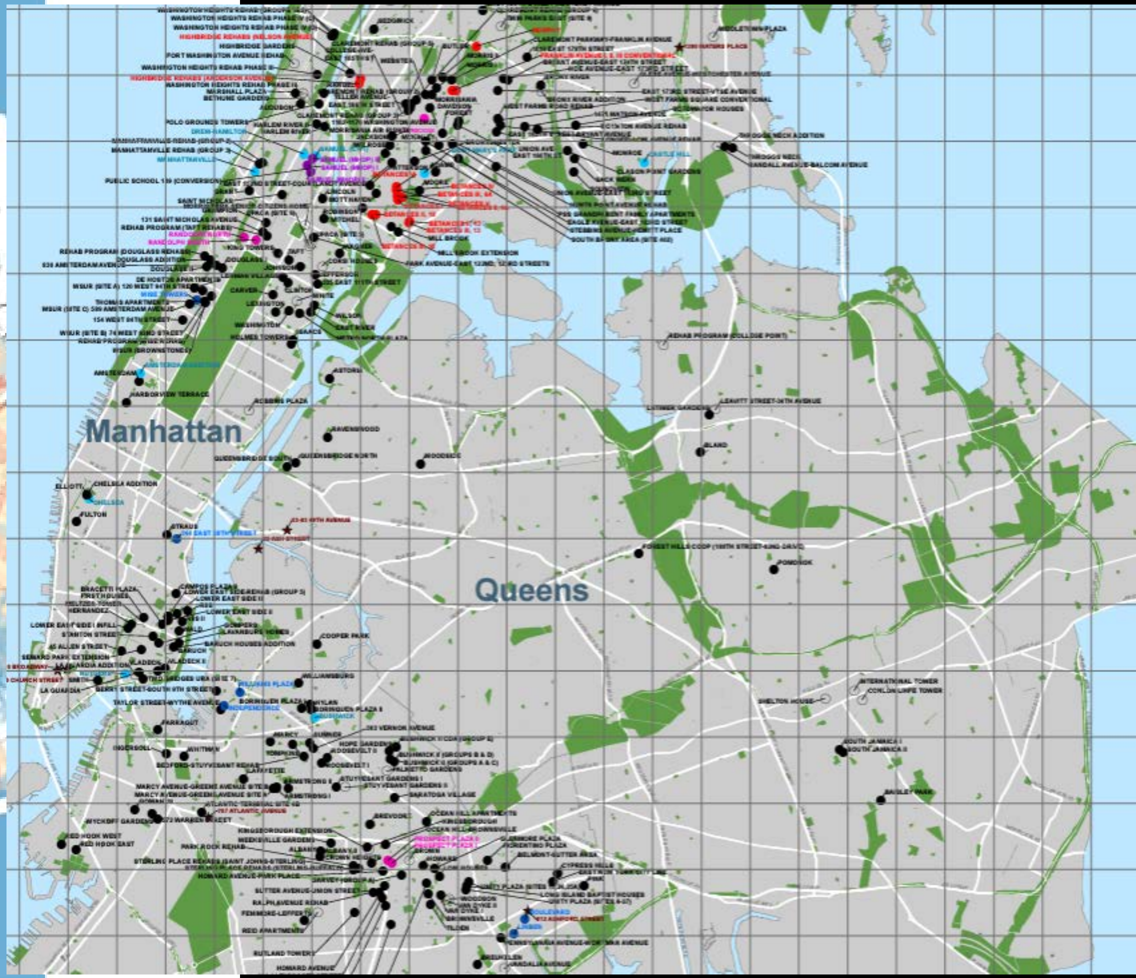
NYC Housing Authority (NYCHA)

- NYCHA was started in February 1934 with Landon Post as the first Chairperson of the program.
- Post supported the use of public housing on the periphery to reduce land costs that were much higher in the urban center stating NYCHA, “intends to carry on some of its building on the periphery of the city with the definite purpose in mind of breaking fictitious metropolitan land values” (Bloom, 2009, p. 70).
- NYCHA would be adding low-cost housing in competition with existing slum housing.



Mapping NYCHA (hyperlinked)





NYC Housing Authority (NYCHA)

- NYCHA's Chairperson Post envisioned a different political economy for NYC, one that would house hundreds of thousands of people thus indicating the long-term impact public housing might have on urban land values.
- However, by 1938 NYCHA faced criticism because it hadn't built enough PH to rehouse the 250,000 people displaced by tenement slum clearance...therefore NYCHA started to focus on slum clearance sites for PH.
- Opposition to slum clearance argues that federal money should not be used as it would help to inflate market values for private land-owners and speculators.
  - **What do you think about this?**

NYC Housing Authority (NYCHA) + Slum Sites

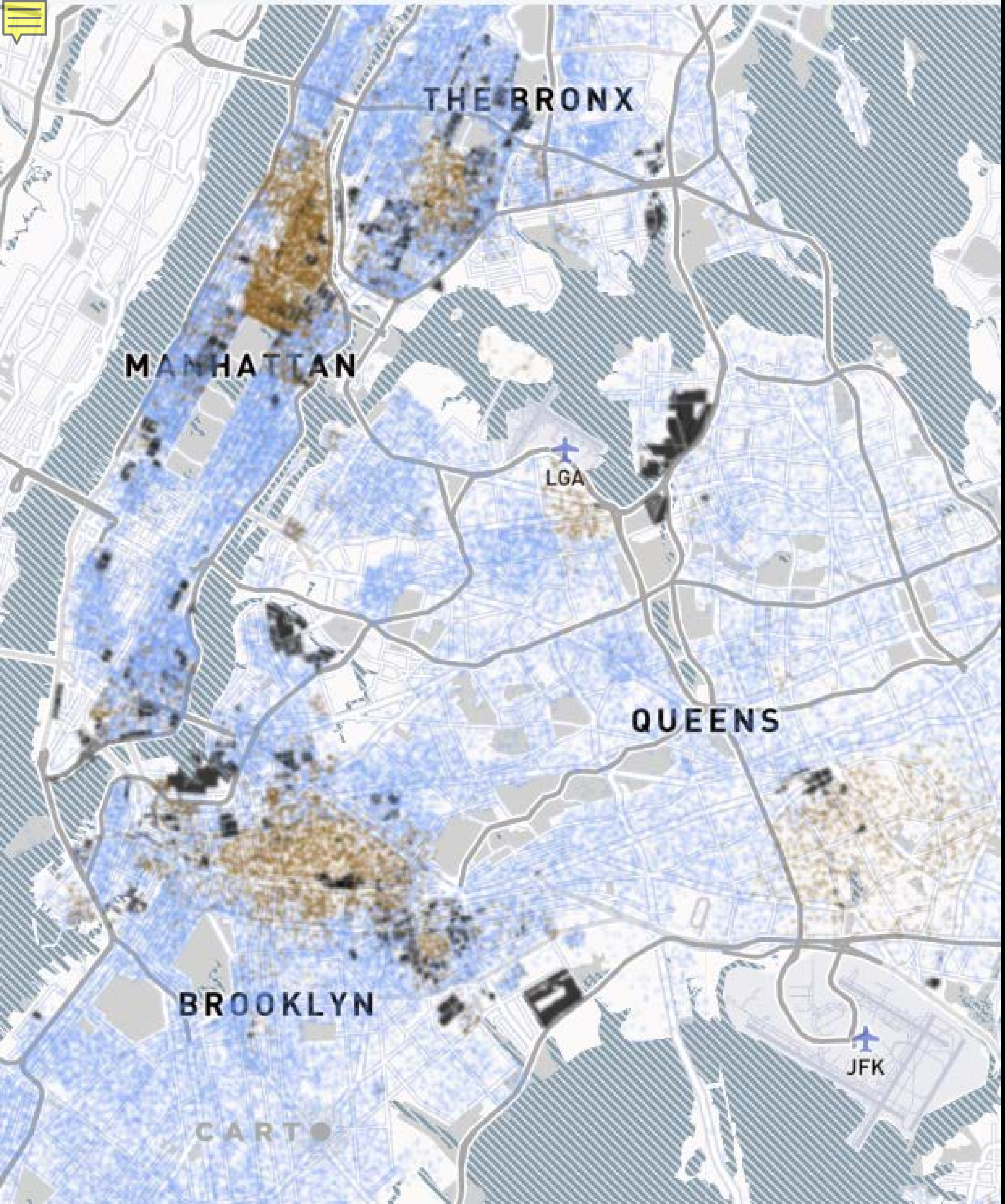
- Alfred Rheinstein became NYCHA's Chairperson in 1937 and favored clearing slums, but only if it could be accomplished economically.
- Rheinstein believed that vacant land projects at the periphery invited high public costs due to infrastructure needs without solving the problem of festering inner city slum land.
- A more centralized public housing approach would also provide future tenants with better commutes and services.

New York, New York. Demolition for slum clearance. Whole blocks of a slum area are torn down to make room for a housing project

NYC Housing Authority (NYCHA) + Slum Sites

"In a revealing memo to the chairman of the State Housing Board, Rheinstein articulated a sensible alternative to the requirement of low land acquisition costs for New York City, arguing without ideological rancor that the 'cost of land per room is far more important than cost per square foot and total cost per dwelling unit is a far more accurate gauge of economy than either of the others'" (Bloom, 2009, p. 72).

- What does Rheinstein mean by this?



Urban Renewal Plans and NYCHA Developments (+ Race + HOLC)

Twisting the PH Narrative

"Although the discourse of disaster dominates discussions of public policy, the reality is that in most places it worked—and still does work. Even the congressional commission formed in the late 1980s to investigate what was called "severely distressed public housing", noted in it's 1992 report that, "approximately 94% of the units are not in such a state; thus, the public housing program continues to provide an important rental housing resources for many low-income families and others".

(Goetz, 2013, p. 2)

Southside Chicago. Photo by Patricia Evans. Source: https://southsideweekly.com/chicago-unfulfilled-promise-rebuild-public-housing/

The "Dismantling" of Public Housing

- Professor of Urban and Regional Planning, Ed Goetz, describes two narratives regarding public housing (PH) in the U.S.:
    1. PH's quiet success, and
    2. PH's catastrophic and unjust demise driven by demolition and dispossession by HUD, Public Housing Authorities (PHAs), and for the purposes of Hope VI, started in 1992 (later carried out as the Choice Neighborhoods Initiative [CNI] started in 2010).
- PH was dismantled, and its numbers drastically reduced, in two ways in the U.S. (outside NYC):
    1. Demolition – the most common form and often not with replacement units being built
    2. Disposition, a term used by HUD referring to PH that had been sold off or converted for other uses conversion

"...the transformation taking place in cities across the country represents a new, neo-liberal, post-New Deal policy strategy aimed at ending the welfare state approach to housing assistance embodied by public housing". (p. Goetz, 2013, p. 5)

The “Dismantling” of Public Housing

The arguments for viewing PH’s fate as a “dismantling” is supported by:

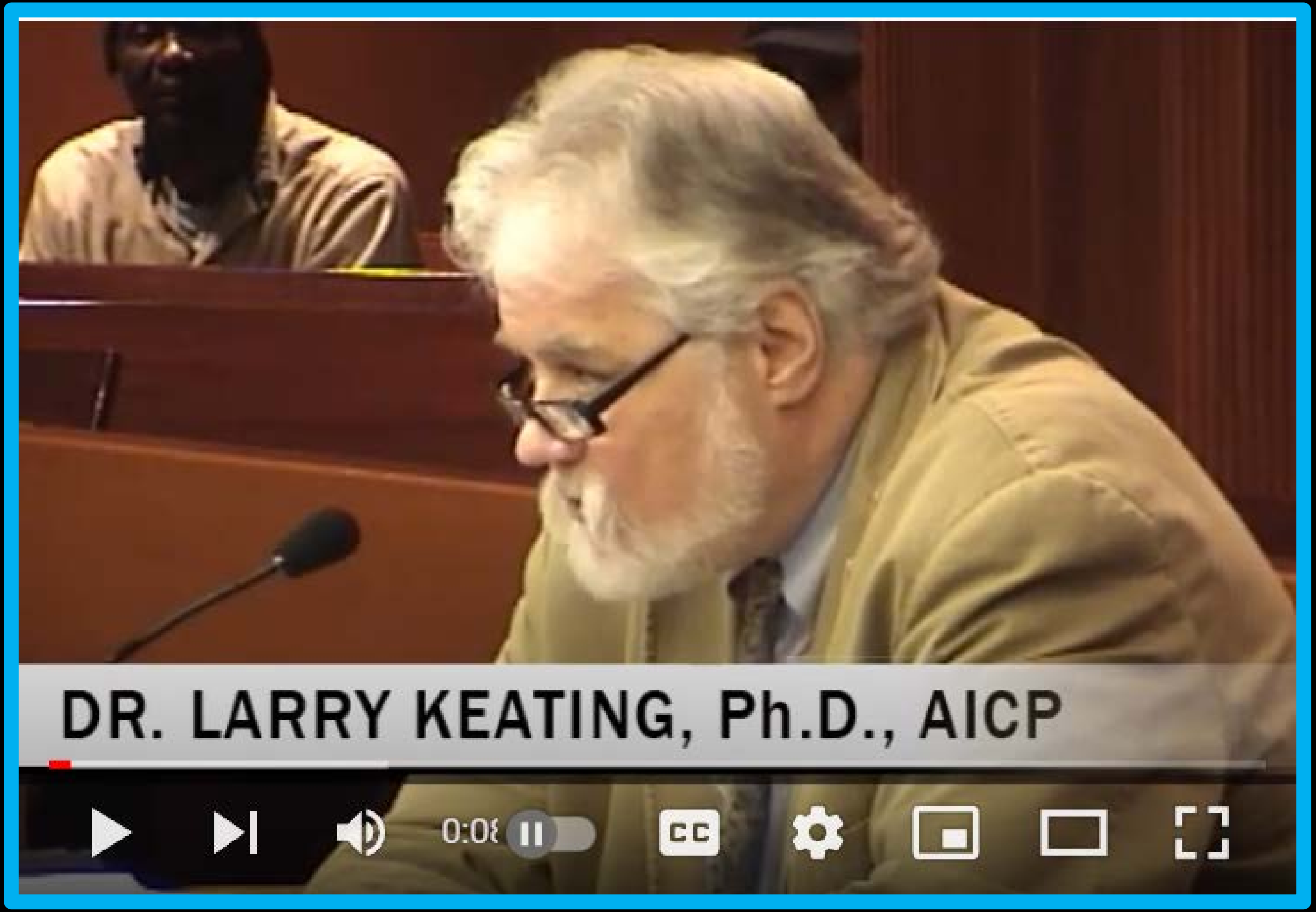
1. The huge reduction in the number if PH units has <u>not been</u> replaced via redevelopment policies. The new model of mixed-income redevelopment (i.e. Hope VI and CNI) have largely worked to reduce the PH program and shrink the number of subsidized, very-low income units. Furthermore, Hope VI and CNI have done a poor job of adhering to one-for-one replacement demolished PH.
   - HUD and local PHA’s demolished more PH units than Hope VI did. By August of 2012, HUD reported over 285,000 units set for demolition (including those to be replaced by Hope VI) and another 250,000+ already demolished. This is equivalent to destroying 20% of the nation’s total PH stock!
   - Atlanta, GA became the first city to eliminate all its PH (and was the first to have a competed PH project in 1935!), other cities like Memphis and Las Vegas were eager to follow.

The “Dismantling” of Public Housing

The argument for viewing PH’s fate as a “dismantling” is supported by:

1. Shifting of housing assistance to vouchers (tenant-based forms of subsidy) and other shallow subsidies like Low-Income Housing Tax Credits (LIHTC)
    - This eliminates two fundamental and consequential elements of PH: it’s long-term/permanent commitment to affordability.
    - Now we have short term contracts for affordability (which eventually expire) and subsidies that target higher income, leaving the poor with even fewer options
        - **More on this and LIHTCs when we learn more about Affordable Housing in Week 9**

Dr. Larry Keating speaks about the effects of Atlanta’s Hope VI Program on traditional public housing residents in Atlanta, GA.



https://www.youtube.com/watch?v=2VlLdcF0Z6E&ab_channel=Peachtree%2BPineWorks

The “Dismantling” of Public Housing

HUD and local PHA’s began disinvestment in PH in 1980s

- In 1969, 1:1 replacement was added as amendment to the 1937 Housing Act to replace slum clearance with the production of PH, but Regan removed this in 1983 for vouchers instead (but it was reinstated in 1987!).
- In the 1980s, PHAs pressed HUD to approve demolitions of PH in lieu of rehab.
    - National Housing Law Project (NHLP) deemed race a major factor in determining demolitions
- Urban Revitalization Demonstration, later Hope VI repealed 1:1 replacement in 1995 then permanently removed it in 1998(!)
    - Hope VI purported spillover effects (i.e., claims to also improve adjacent areas) and began leveraging private capital financing.
    - Hope VI was less about housing the poor and tracked with gentrification and real estate wealth accumulation.
    - A 2000 analysis showed that the greater the disparity in racial profile between those is PH and the rest of the city - the greater the PH demolition effort (Goetz, 2011).

In the background, the last of four buildings of the Arthur Blumeyer PH community in St. Louis with Hope VI Renaissance revitalization project in the foreground.

Hope VI

- Since the 1990s the abandonment and neglect (de facto demolition) of PH by PHAs gave birth to the Clinton-era Hope VI revitalization efforts and thus, the complete replacement of old communities with new and mixed-use communities.
- However, not all PH residents could return to their since-demolished communities and take advantage of Hope VI projects; nor were 1:1 replacements always built as promised.
- These strategies ignored the recommended incremental response and focus on rehab proposed by the National Commission of Severely Distressed Public Housing (NCSDPH).
- This is all occurring during Clinton's hyper criminalization and incarceration of Black men, his tough on crime rhetoric, and law-and-order policing that destroyed communities of color.

Hope VI: 1993-2010

Per the NYU Furman Center:

- HOPE VI provided PHAs with grants for planning and implementation aimed at the comprehensive revitalization of severely distressed public housing developments.
- Hope VI activities included: funding of major reconstruction, rehabilitation and other physical improvements, provision of new housing, planning and technical assistance, implementation of community service programs and supportive activities, and planning for any of the previous activities.
- Housing Authorities that received grants were required to provide supportive services for both original and new residents to obtain self-sufficiency.

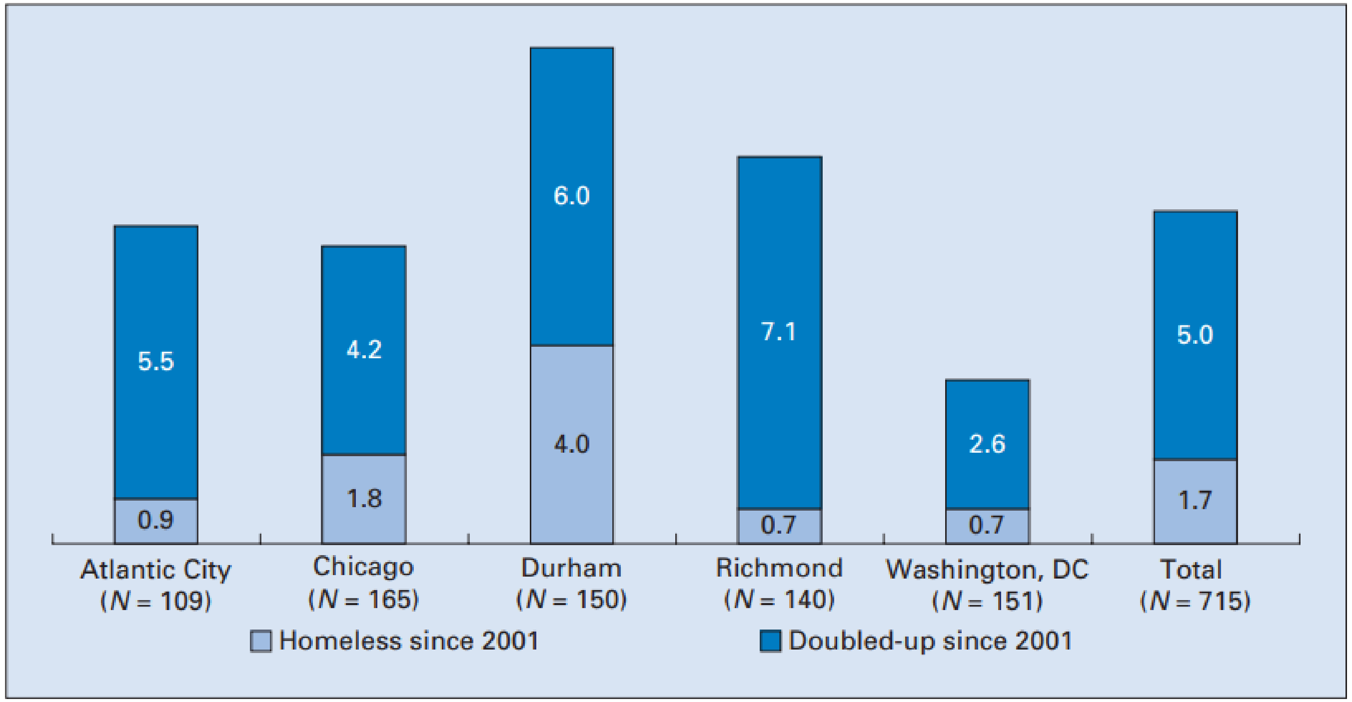
Brief No. 7, June 2007

Are HOPE VI Families at Greater Risk for Homelessness?

Debi McInnis, Larry Buron, and Susan J. Popkin

http://hartfordinfo.org/Issues/wsd/Housing/gblock/HOPEVI_Homeless.pdf

FIGURE 1. Original Residents Who Experienced Homelessness or Were Doubled-Up since Baseline (percent)



Sources: 2001, 2003, and 2005 HOPE VI Panel Surveys.

Hope VI: 1993-2010

The National Housing Law Project and contributors found the following problems with Hope VI.

Increasingly, it appears that the HOPE VI program is not addressing the problems identified by the National Commission on Severely Distressed Public Housing in 1992 or the goals set forth in the HOPE VI statutes.

1. The Loose Definition of "Severely Distressed Public Housing".
2. HOPE VI Worsens Acute Affordable Housing Needs
3. Few Meaningful Opportunities for Resident Participation in HOPE VI
4. The Exclusion of Public Housing Families from HOPE VI Opportunities
5. The Lack of Data on HOPE VI Outcomes

False HOPE

A Critical Assessment of the HOPE VI Public Housing Redevelopment Program

https://www.nhlp.org/files/FalseHOPE.pdf; June 2002

- Anti-PH policies, like Hope VI, were misrepresentational, suggesting the elimination of PH to be an improvement to the lives of PH residents by giving them a housing choice.
    - Instead, it has often been a matter of state sanctioned eviction and forced homelessness. The dismantling of PH has been more driven by race, the proliferation of neoliberal governance strategies, and economic revitalization.
- This marks the general shift from the New Deal notion of politically supporting the ‘deserving poor’ to the racialized rhetoric around pathologizing marginalized people, single parents, and those on welfare (i.e., Reagan era reductions housing subsidy programs by 80%, deregulation and increasingly liberal market).
    - The stigmatization of African American communities and civil unrest surrounding racism, housing segregation, and consequentially the concentration of poverty, contributed to a false narrative that PH was a complete disaster. Whereas in fact, it was positively serving many low-income residents who had no other housing options.
    - This uncritical and ill-informed narrative resulted in the consistent underfunding and systemic disinvestment in the obligation to provide safe, decent, affordable housing through public ownership.

- The “solution” pointed to the dispersal of poverty and radical physical redevelopment, yet without reference to race or segregation that plagued U.S. cities.
- Since 2000, PH demolition has been pursued in cities where PH residents are disproportionally African American.
  - Gentrification and real estate speculation became major drivers for PH demolition in the 1990s (less so in the ‘80s)
- Low-income African American families also disproportionately bear the brunt of demolition-induced displacement as buildings across the U.S. with higher Black occupancy have been targeted for demolition.
  - This echoes the forced removal of Black residents from their homes during urban renewal of the 1950s-60s.

NYCHA...Underfunded & Facing Privatization!

“The housing authority may also sell its unused air rights and/or accelerate a plan to allow developers to build market-rate apartments on underused land owned by the authority. According to Politico, the plan calls for a 70-30 split of market-rate to rent-regulated housing in private developments on public land. In total, the agency needs $32 billion over five years for necessary repairs”.

AFFORDABLE HOUSING, POLICY

NYCHA will turn over 62,000 apartments to private developers for repair work

POSTED ON TUE, NOVEMBER 20, 2018 BY DEVIN GANNON

https://www.6sqft.com/nycha-will-turn-over-62000-apartments-to-private-developers-for-repair-work/

NYCHA...Underfunded & Facing Privatization!

The New York Times

New York Lawmakers Embrace New Funding Plan to Rescue Public Housing

The city's public housing system, the largest in the nation, has become an emblem of disinvestment and deterioration. But a new deal could lead to needed repairs in 25,000 apartments.

"The plan would move some housing developments from the traditional public housing program, funded by the federal government, to another program that would attach federal subsidies under the Section 8 program to specific apartments. The corporation could then borrow money against that revenue stream to pay for repairs".

Private companies profit off PH rent with federal subsidies

Permanent Affordability Commitment Together (PACT)

- According to NYCHA, PACT will provide comprehensive renovations, enhanced property management, and expanded on-site social services.
- Developments will be included in the 2012 federal Rental Assistance Demonstration (RAD) and convert to a more stable, federally-funded program called Project-Based Section 8.
- Intends to unlock funding to complete comprehensive repairs, while also ensuring homes remain permanently affordable and residents have the same basic rights as they possess in the public housing program.
  - Per HUD, RAD allows public housing authorities to "convert" public housing subsidy into a Section 8 subsidy that is tied to the property.

NYCHA...Underfunded & Facing Privatization!

Critiques of (PACT)

- Uses public subsidy for private profit
- According to HRW, NYCHA agreed to a settlement that instituted a federal monitor to oversee the authority's compliance with federal law(e.g., compliance requirements regarding mold remediation, lead paint abatement, elevator and heat outages, and pest infestations). <u>PACT properties are largely exempt from the obligations of this monitor agreement.</u>
- According to HRW, NYCHA is be prohibited from starting an eviction proceeding either while a resident's request that NYCHA adjust its rent calculation due to a loss in income is pending or while a resident has an open grievance concerning NYCHA's rent calculation. <u>This non-eviction settlement does not apply to PACT properties</u>.
- HRW found, two of the six PACT conversions saw <u>substantial increases in evictions after conversion.</u>

THE RESIDENTS

DON'T TRUST "THE TRUST"!

NYCHA'S NEW "PUBLIC HOUSING PRESERVATION TRUST" IS A DEBT-FINANCING SCHEME!

The Trust promises the ability to raise funds for repairs, but only by accumulating up to **$10 billion dollars of debt**, making NYCHA communities **vulnerable to foreclosure**.

THE TRUST WILL END PUBLIC HOUSING AS WE KNOW IT!

Transferring NYCHA housing out of Section 9 and into Section 8 will **remove federal guarantees for resident management, organizing, and legal mandates for lead, mold removal**.

THE TRUST WILL NOT BE ACCOUNTABLE TO PUBLIC HOUSING RESIDENTS!

The new board governing the Trust will **only feature 4 resident seats out of 9** ensuring residents never have true decision making power.

SAVE SECTION NINE

Have you heard of NYCHA's Blueprint for Change Proposal?

In July 2020, NYCHA Chairman Greg Russ introduced the Blueprint proposal which modifies the protections included in your lease.

Let's look at how these changes may affect YOU!

NYCHA Today

Recognizes the importance of resident involvement in creating a positive living environment and in actively participating in the overall mission of public housing.

Your rent under Section 9 Public Housing is capped at 30% of your income.

You Should Know:
Section 9 Public Housing was established by congress to:

- Get rid of slums and support upward mobility
- Promote resident participation in all aspects of NYCHA's mission and operation
- Give tenants the right to organize and elect a resident council to represent their interests.
- Ensure taxpayer money issued for resident participation, engagement, and social support needs is spent with resident input

NYCHA Funding

- Funded by tax dollars, distributed by Congress
- HUD writes the checks
- NY Governor and NYC Mayor share financial and management responsibility

Blueprint for Change Proposal

The Public Housing Preservation Trust will use the expectation of taxpayer-funded Section 8 Tenant Protection Vouchers (TPVs) to take on billions in debt in order to stabilize our units.

Your rent under the Blueprint Proposal has not been finalized so:

- Might not be capped at 30%
- Market rate rents can be introduced that exceed your income.

You Should Know:

- Tenant Protection Vouchers (TPVs):
  - require obsolescence (apartments and buildings being in extreme disrepair)
  - are not transferable
  - are attached to the unit
- Our horrible living conditions help NYCHA push this proposal!
- Tenant protections are not guaranteed!
- Transparency and accountability built into Section 9 may be lost
- The Trust members will make decisions about NYCHA's future

Blueprint Funding

- NYCHA and our New York State Senators and Representatives create a "trust" via new legislation
- The Trust includes private investors and developers
- NYCH uses the expectation of TPB vouchers to borrow money.
- NYCHA remains the property manager

What we know for sure:

- Resident evictions have risen under other plans (RAD/PACT) that claim to want to fix NYCHA
- Our neighbors on SSI, Social Security, Pensions, or fixed income will face housing insecurity.
- Since President Reagan, funding for section 9 has shrunk.

Learn more and get involved at: **www.facebook.com/groups/savesection9**

Sources

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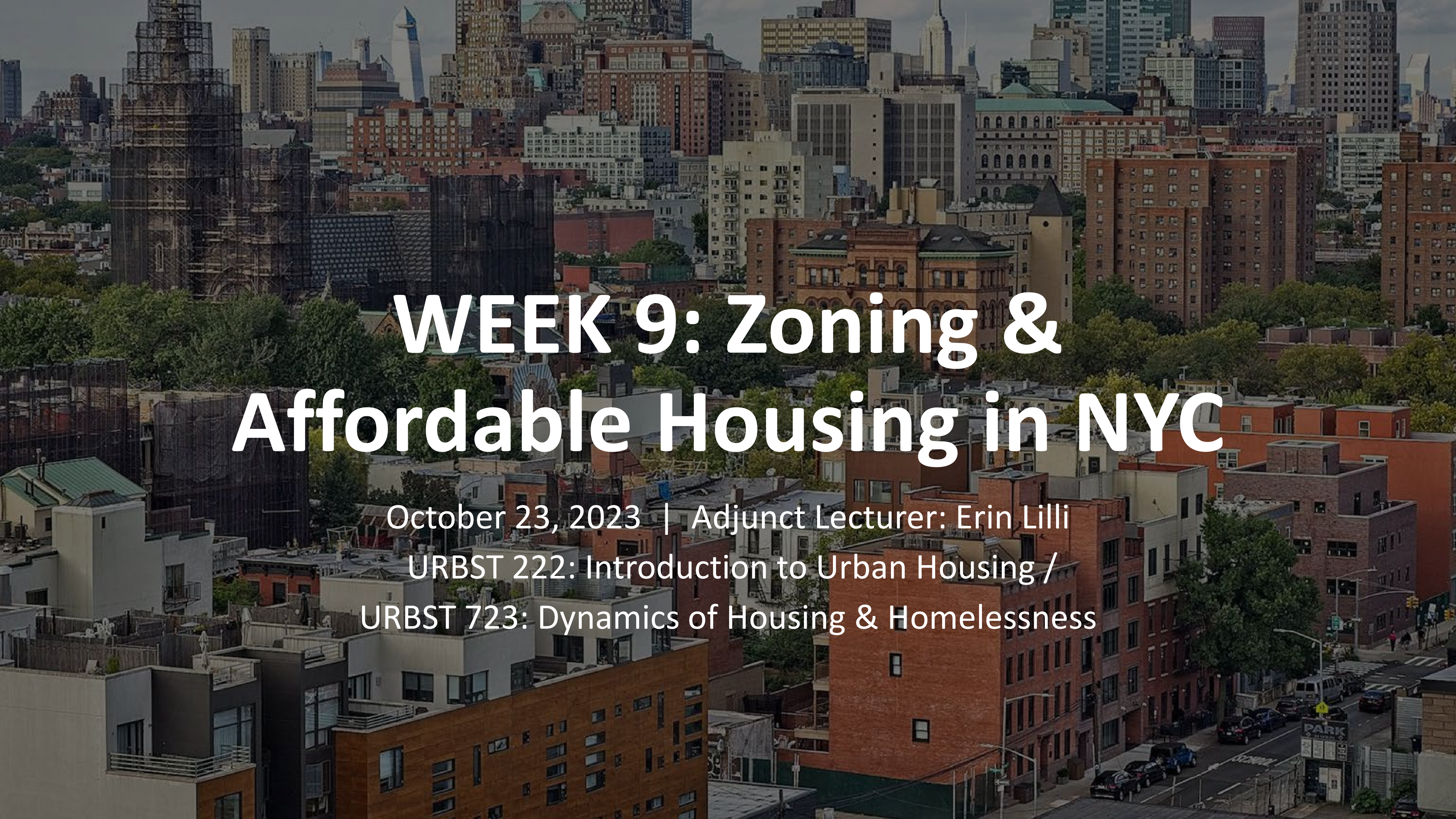


WEEK 9: Zoning & Affordable Housing in NYC

October 23, 2023 | Adjunct Lecturer: Erin Lilli

URBST 222: Introduction to Urban Housing /

URBST 723: Dynamics of Housing & Homelessness

Topics

- Recap: Creeping Privatization of Public Housing
- Homelessness under Mayor Bloomberg (2002-2013)
- ReZoning NYC to create “affordable” housing
- Mayor DeBlasio’s “Affordable” Housing Plan + Mandatory Inclusionary Zoning
- Public Funds to Private Investors
  - 421-a Tax Exemptions for Developers
  - Low-Income Housing Tax Credits (LIHTC)
- Housing Stability and Tenant Protection Act (HSTPA)

Recap: Creeping Privatization of Public Housing

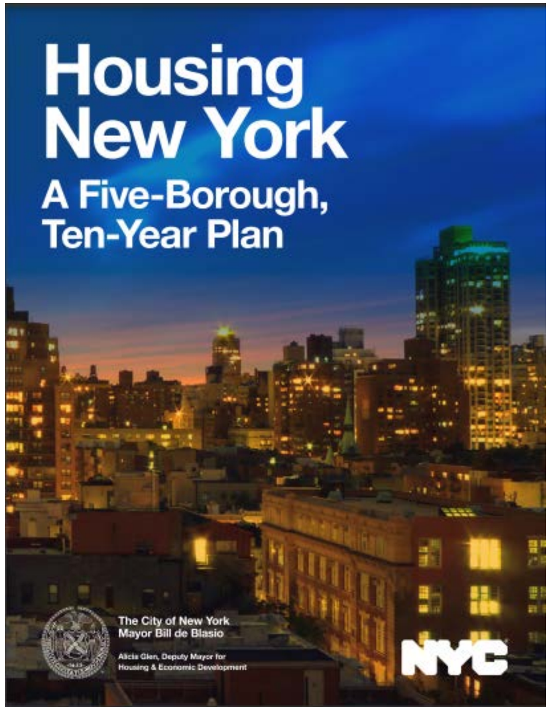
- To make a dent in the $78B in maintenance and restoration needed for our public housing, NYCHA is using the Federal Government's (HUD's) RAD funds in a program called PACT.
  - RAD (Rental Assistance Demonstration) is a federal program started in 2012 that coverts Section 9 housing (i.e., public housing) to Section 8 (subsidy vouchers attached to the unit, not the individual renter)
    - With RAD, NYCHA still owns the building and land, but leases (99-year) it to a private (for- or non-profit) management company (chosen with resident input).
    - Private management companies collect rents, set rules for common space, and use private capital to make repairs (may use LIHTC).
  - PACT (Permanent Affordability Commitment Together) is NYCHA's program that taps RAD funds to make repairs on specific projects through the conversion to project-based Section 8.
    - Tenants and public housing advocates have concerns over potential loss of residents' rights and lack of oversight on management company.

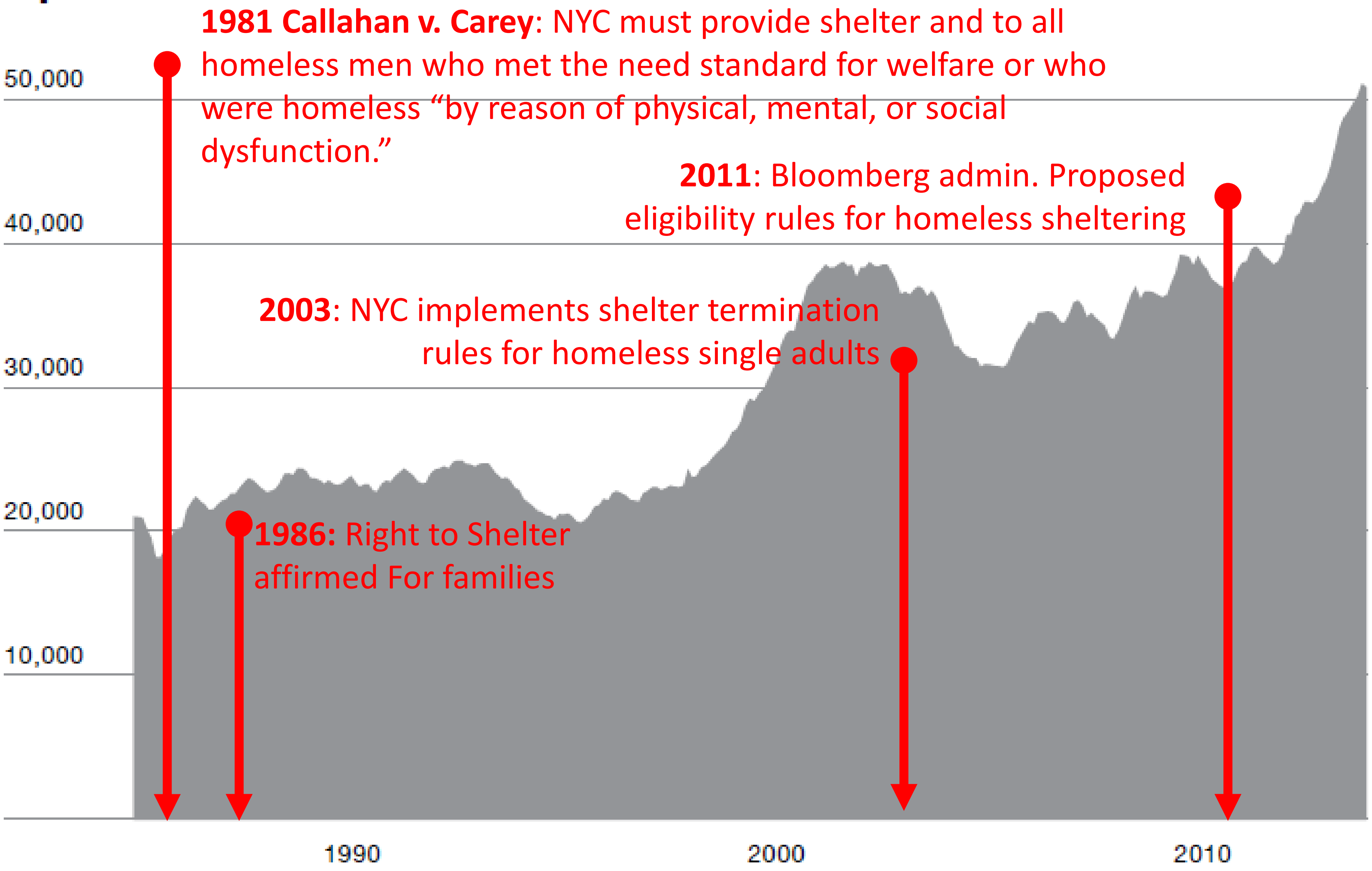
Recap: Creeping Privatization of Public Housing

- There are 72 active PACT projects in NYC
  - 36 NYCHA developments
  - 19,000 homes have received repairs or are in progress
  - $4.6B in capital repairs/improvements completed or in progress
  - The work in done with residents in-place (i.e., no displacement)
- There is a "public option" to the private option of RAD/PACT – the NYC Public Housing Preservation Trust.
  - Residents have the opportunity to vote for the Trust or RAD/PACT – both rely on conversions to project-based Section 8.
  - The Trust allows NYCHA to sell bonds and borrow money
  - Public Housing advocates are concerned the TRUST could create huge public debts forcing the use of voucher subsidy to pay off loans.
- Why the conversion to Section 8 anyway?! Because it is relatively better funded by the Federal Gov't than Section 9, allowing Public Housing Authorities to leverage those funds for loans, tax credits, and grants.

Homelessness under Mayor Bloomberg (2002-2013)

New York City Shelter Population



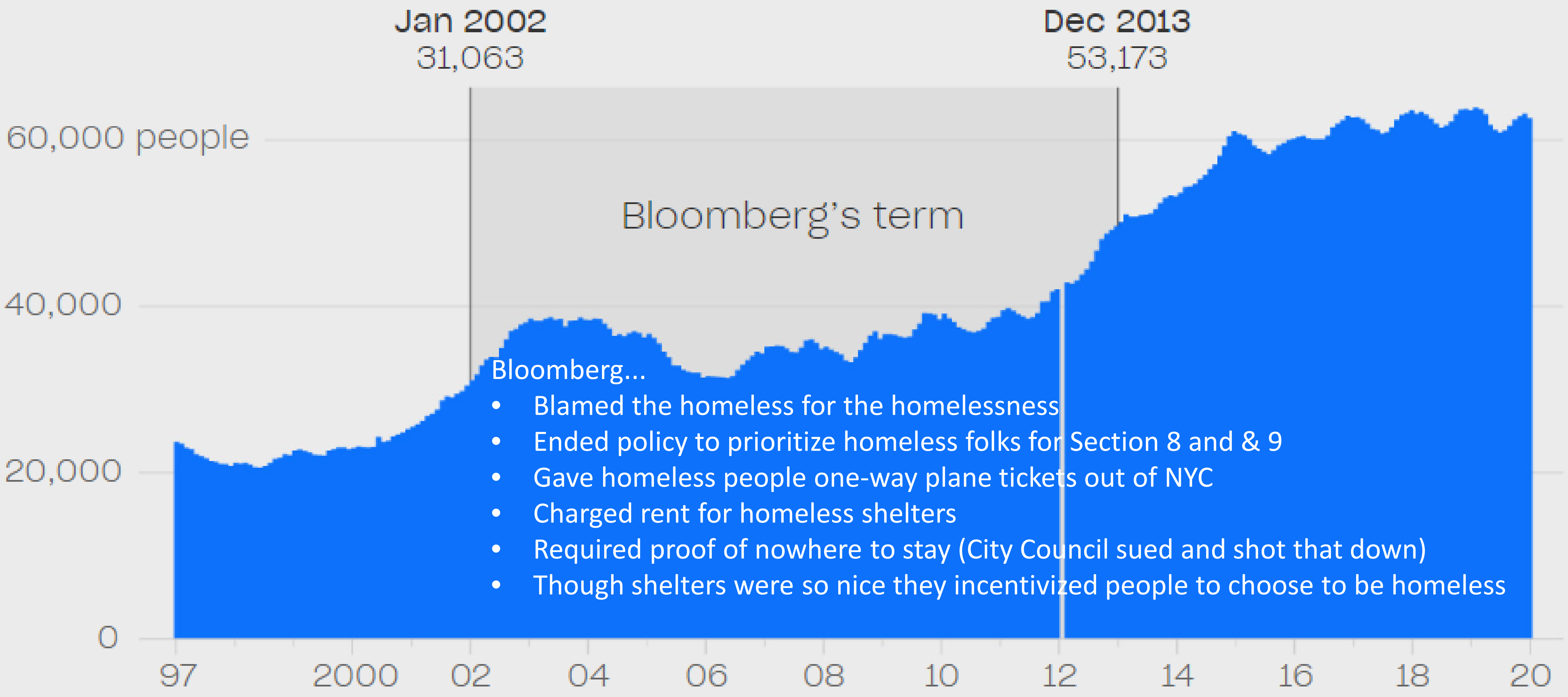


Data Source: Coalition for the Homeless Report on New York City Homeless Municipal Shelter Population, 1983-present (available online at www.coalitionforthehomeless.org)

The number of people—children and adults—residing in municipal shelters has risen over the past 30 years.

New York City's homeless shelter population grew 71% under Bloomberg

Number of people in New York City homeless shelters from 1997 to 2020.



Source: Coalition for the Homeless

Note: Total through September 2011 reflects end-of-month data and daily average thereafter. Data unavailable for January 2012.

WILL WELCH / THE CITY

Homelessness under Mayor Bloomberg (2002-2013)

- In 2011 the NY City Council sued the Bloomberg Administration over stricter requirements imposed on who could qualify for city homeless shelters.

coalition for the homeless

POLICY BRIEF

Closing the Shelter Door:
The Bloomberg Administration's Misguided Plan to Deny Shelter to Homeless Families and Children

Mayor Bloomberg and administration officials have announced one of the most dramatic changes in New York City homeless policy in more than two decades: New rules, to be implemented in the coming months, to deny shelter to homeless children and their families who have been deemed "ineligible" for shelter by City bureaucrats. Under the proposed new rules, for the first time in more than eight years homeless children and families could be turned away from the shelter door by City bureaucrats and left out in the cold. The Bloomberg Administration's plan represents one of the most fundamental attacks on the right to shelter for homeless New Yorkers since the inception of modern homelessness, and threatens to make New York like other American cities where homeless children and families are frequently left to sleep rough on the streets. Mayor Bloomberg and City officials should immediately abandon any effort to implement rules to deny shelter to homeless families.

The Proposed New Rules: No Shelter for Many Homeless Families

Under the proposed new policy, which was outlined on November 16th at the opening of a new Bronx intake center for homeless families and detailed in subsequent news reports, homeless children and families whom the City's Department of Homeless Services (DHS) claims are "ineligible" for shelter would be denied shelter applications when they re-apply for shelter, as is the current practice.[1]
According to Bloomberg Administration officials, the ban on shelter placements would be permanent

"In a time of prosperity, he [Mayor Bloomberg] took aggressive steps from a policy perspective to hurt the homeless...I never understood that."

Christine Quinn, City Council speaker at the time of lawsuit, currently president of Women in Need, largest provider of shelter and homeless services for women and children in the city.

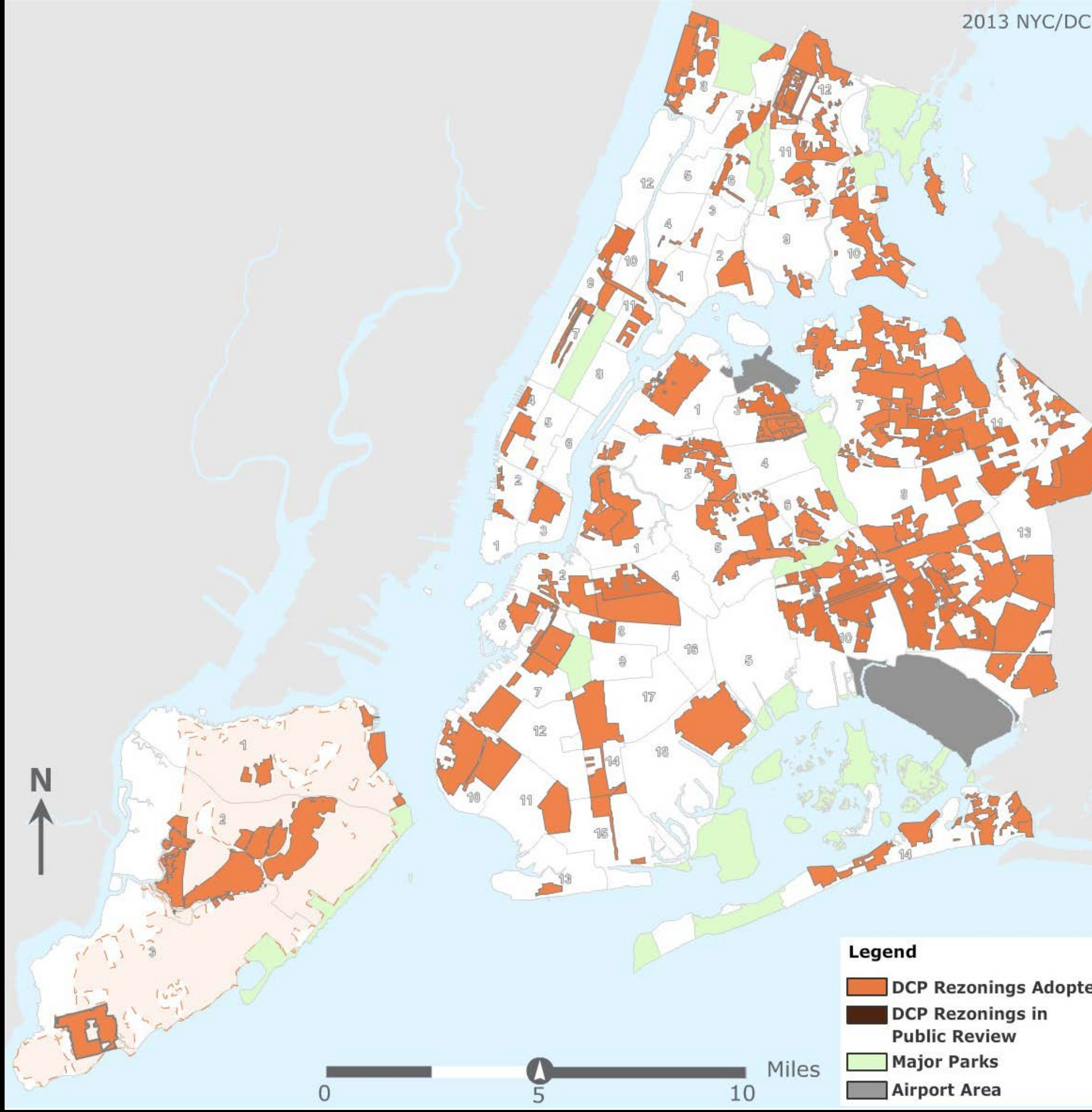
(re)Zoning of NYC

- In the early 2000s, in the aftermath of 9/11 and amidst increasingly expensive housing, the Bloomberg Administration (2002-2013) pursued an ambitious plan:
  - To preserve and build 165,000 units of affordable housing in the city
  - Undertake the most extensive rezoning in the city's modern history
- While some viewed Bloomberg's plan in a positive light, his administration ultimately had many negative consequences:
  - Increasingly unaffordable housing
  - Steep median rent hikes as real median income declined
  - Near doubling of residents in homeless shelters
  - Decline in public housing maintenance and no checking of lead paint

(re)Zoning of NYC

- Bloomberg Administration rezoned about 40% of NYC or 302.6 spare miles meant to create patterns of land use with:
  - Restrict development in low density areas (e.g., outer boroughs)
  - Encourage development along major transit corridors including allowing for large-scale residential development in formerly non-residential areas (e.g., West Side of Manhattan, Downtown Brooklyn, Williamsburg /Greenpoint Brooklyn, and Long Island City in Queens)
    - We'll read about the impacts of this rezoning for after the mid-term
- According to the NYU Furman Center, Bloomberg's rezonings added only a slight increase in residential capacity city-wide
- Black and Hispanic neighborhoods were <u>disproportionately upzoned</u>
- White neighborhoods were <u>disproportionately downzoned</u>

- Since 2010 new housing development has been mostly concentrated in those formerly non-residential areas that were rezoned under Bloomberg.
- Since 2010 there has been nearly zero new development in lower density neighborhoods.
- Between 2010 and 2018 NYC added 5 new job for every new unit of housing.
  - NYC has added substantially less housing per capita than its peer cities (Seattle, Washington DC & Boston)



Areas of the City rezoned by the Bloomberg administration from 2002 to 2013 | Map via New York City Department of City Planning

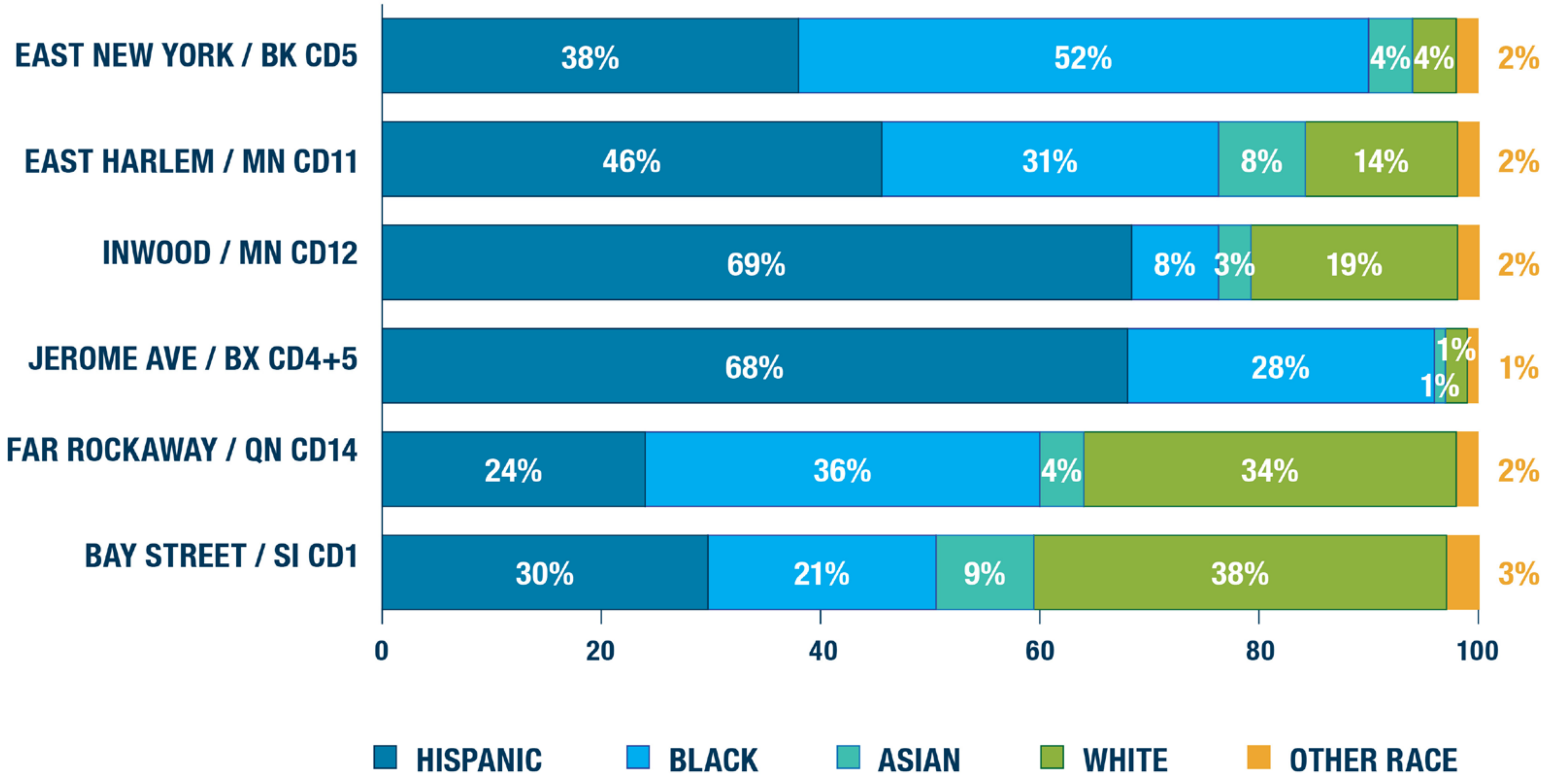
(re)Zoning of NYC

- De Blasio's Administration (2014-2021) rezoned much less but added the Zoning for Quality and Affordability (ZQA) (link)
- ZQA
  - **Easier for developers to** produce needed affordable senior housing and care facilities, to enable mixed-income housing, and to reduce the costs of building affordable housing near public transportation.
  - **Change rules to** allow for more various and lively pedestrian spaces, encourage higher ground-levels to accommodate for retail spaces and residential units, and ensuring that rules are relevant to their zoning districts.
    - Allow for taller buildings and no parking requirements if located near mass transit

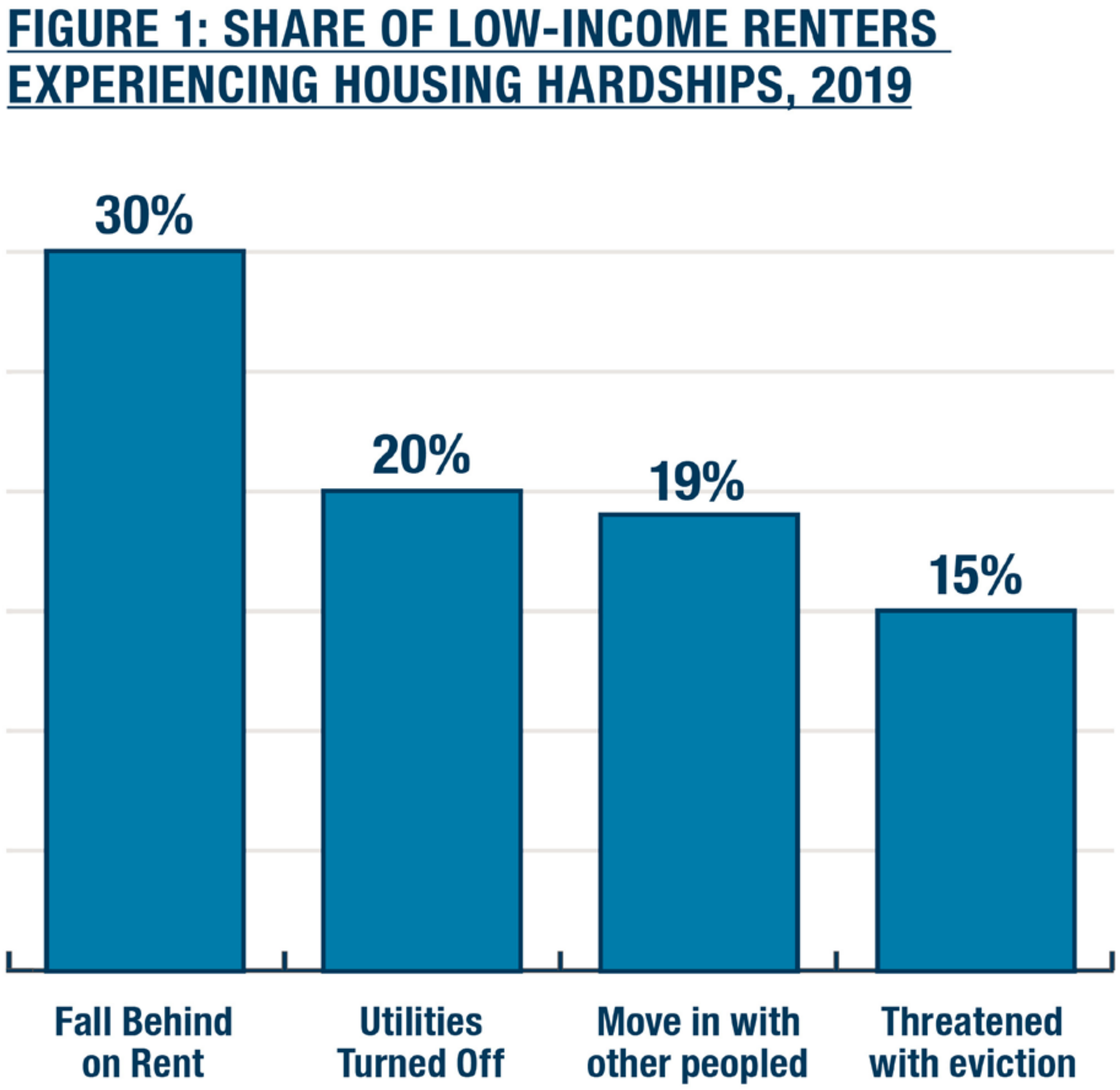
De Blasio’s Affordable Housing Plan

- De Blasio planned to preserve and produce 200,000 affordable housing units by the end of his term and 300,000 by 2026.
  - De Blasio reached its goal on budget and two years in advance (link)
    - For example, 46% of affordable houses produced (90,200+ units) serve New Yorkers earning less than $42,000 (or 50% AMI).
  - De Blasio’s Housing Plan fell short in some areas (see following slides)
- Part of De Blasio’s Housing Plan included a 15-neighborhood rezoning applying **Mandatory Inclusionary Housing (MIH)**.
  - Of the 15, eight were approved, six of which were concentrated in low-income neighborhoods of color: East New York (Brooklyn), Downtown Far Rockaway, East Harlem, Jerome Avenue (Bronx), Bay Street Corridor (Staten Island), Inwood (Manhattan), Gowanus (BK), and SoHo/NoHo (Manhattan).

FIGURE 7 - RACIAL DEMOGRAPHICS OF MIH NEIGHBORHOOD REZONINGS

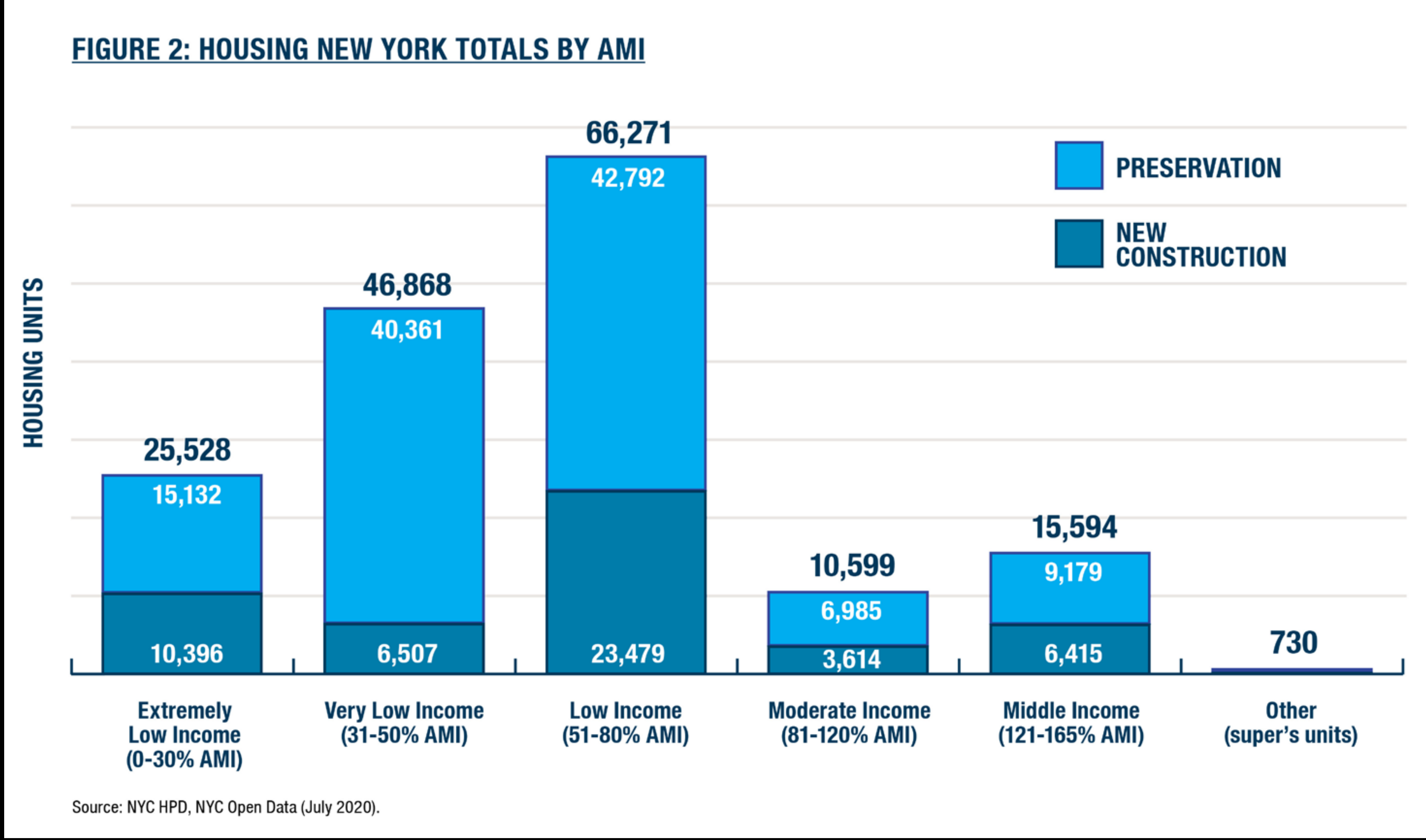


Source: American Community Survey 2018, 5-year estimates, as reported in De la Uz, Michelle, Brad Lander and Barika Williams. "How the Gowanus Rezoning Could Push NYC Forward on Racial Equity." City Limits, September 21, 2020.

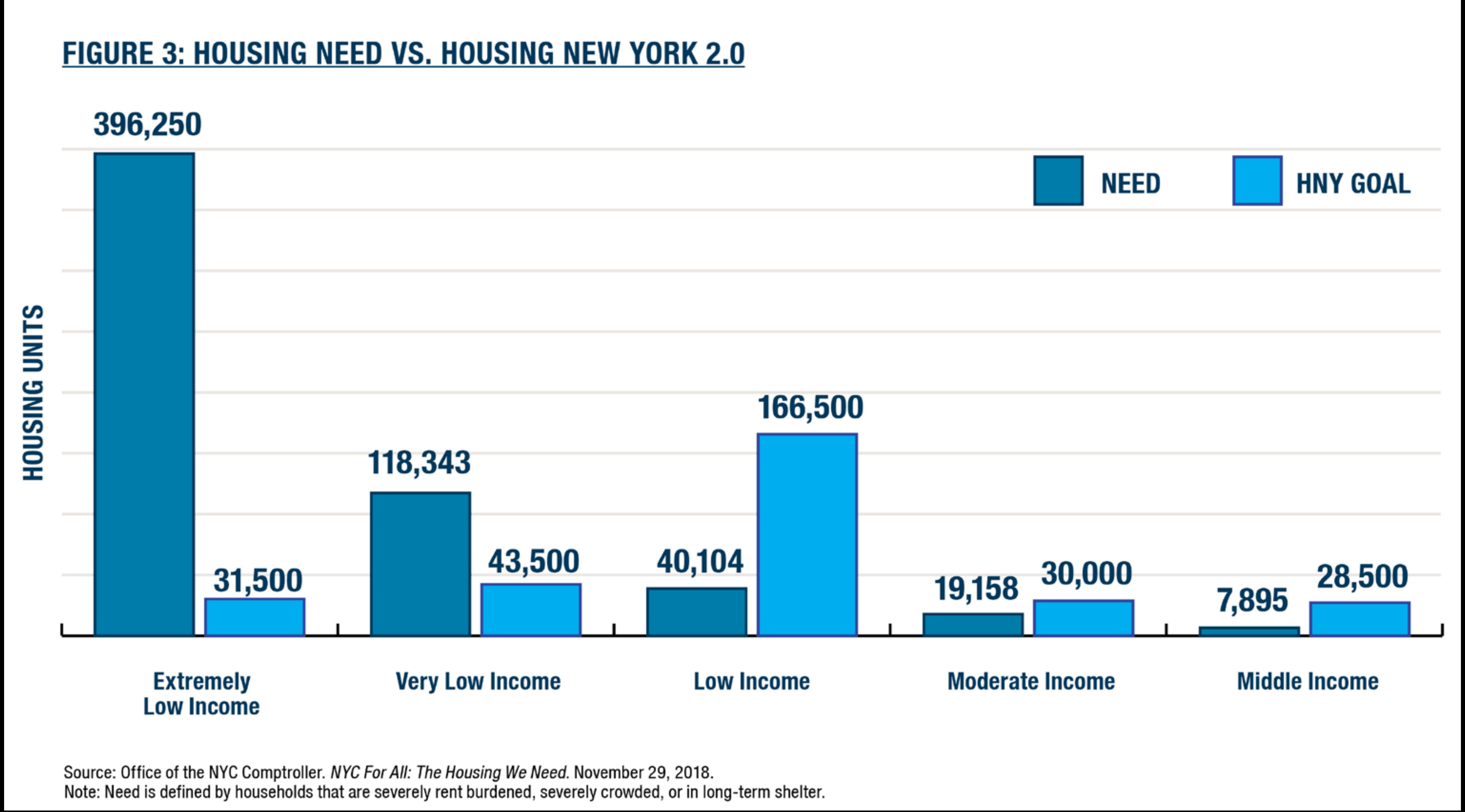


Source: 2019 CSS Unheard Third survey, as reported in Mironova, Oksana and Thomas J. Waters. *A Sudden Shock to an Overburdened System: NYC Housing & COVID-19*. Community Service Society, April 6th, 2020.

Five years into De Blasio's Housing Plan and before COVID 40% of low-income New Yorkers were homeless or severely rent-burdened

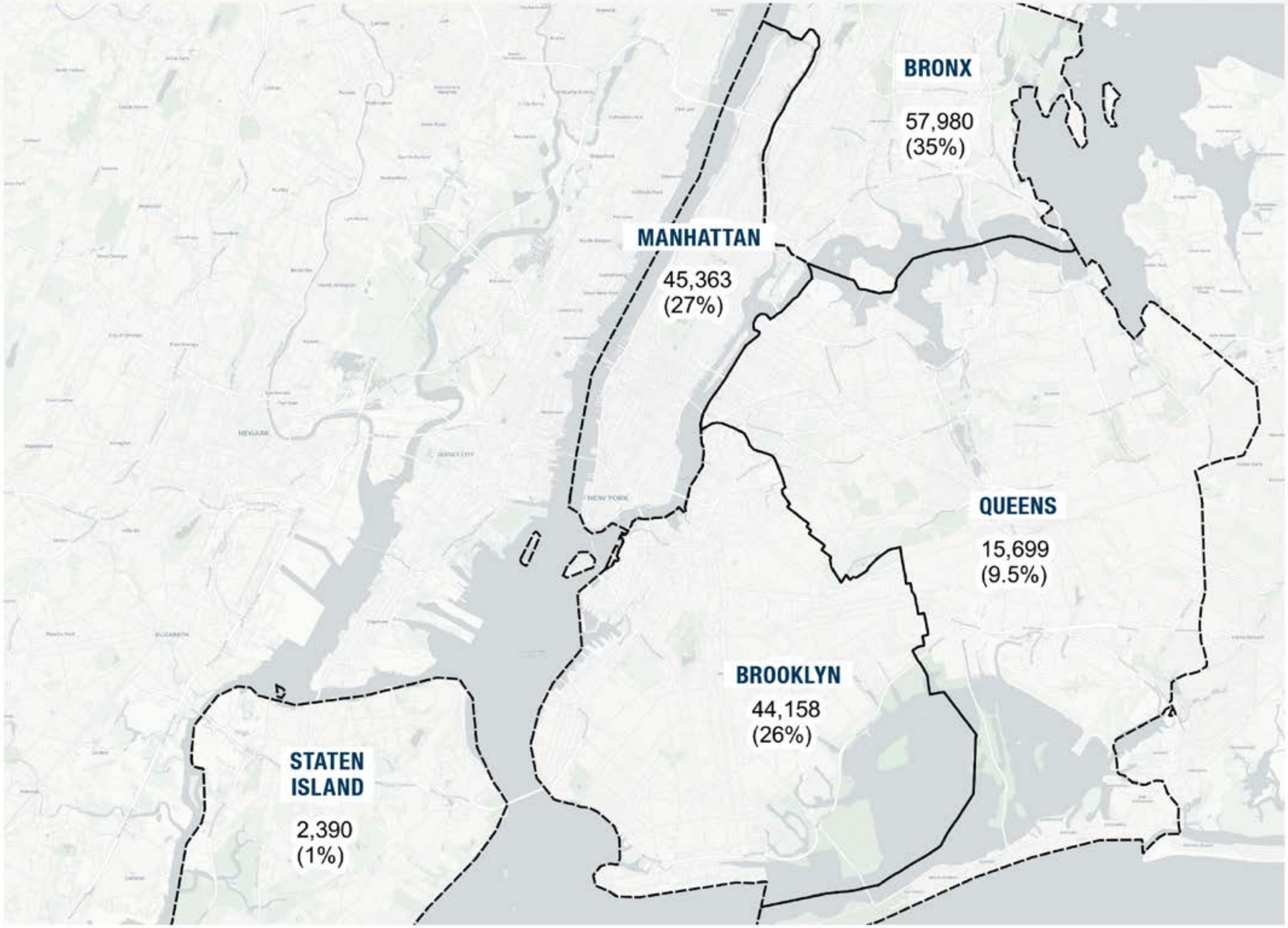


De Blasio Admin. did achieve record levels of affordable housing, although about 50% was through preservation and therefore already occupied



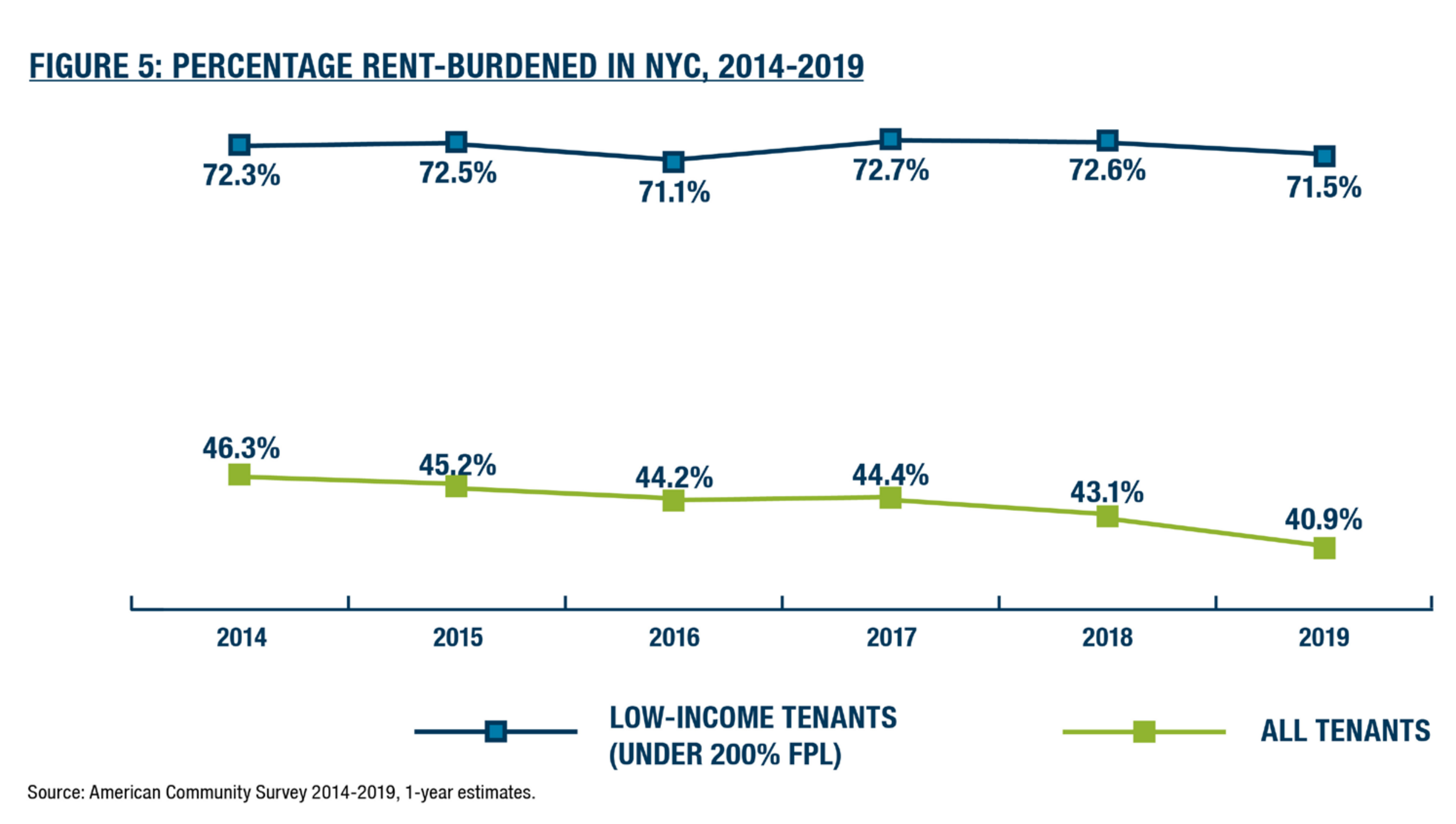
De Blasio Admin. did achieve record levels of affordable housing, although it was not designed to meet the needs of those with severe rent burdens.

FIGURE 4: HOUSING NEW YORK TOTALS BY BOROUGH



Source: NYC HPD, NYC Open Data (July 2020).

De Blasio Admin. did achieve record levels of affordable housing, however it did not challenge racial segregation, concentrations of affluence, and political inequality. It also ignored areas with the least subsidized and regulated housing. Too often high-income housing was built in low-income areas.

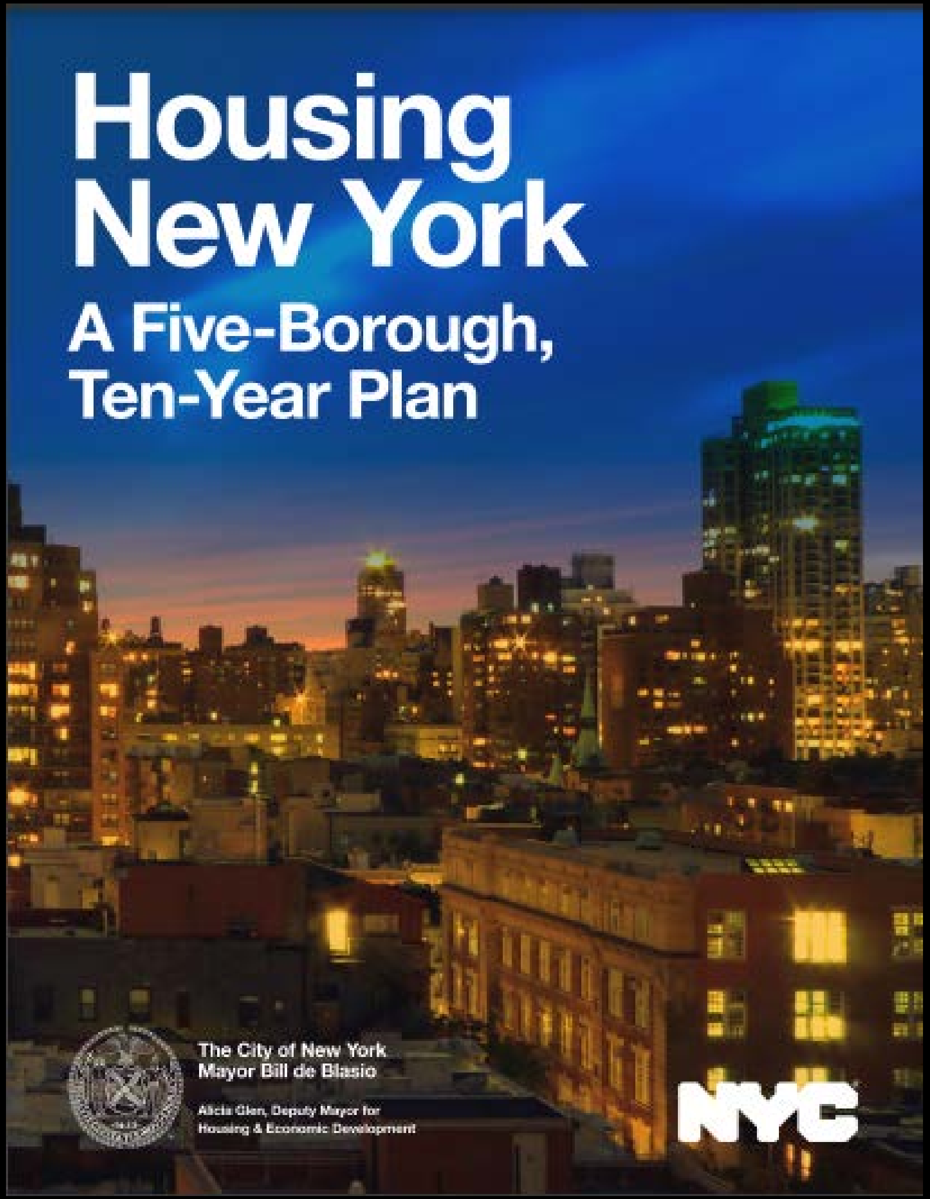


De Blasio Admin. did achieve record levels of affordable housing, however low-income New Yorkers remained rent burdened.

De Blasio’s Affordable Housing Plan

- De Blasios’ 2014 Housing Plan had 4 main strategies:
  1. Continue subsidizing non-profit development
  2. Leverage city power to preserve 120k extant units of affordable housing
  3. Tweak zoning to allow slightly higher density in some low-density areas
  4. (most controversial), Build 80,000 income-targeted units through MIH

Mandatory Inclusionary Housing (MIH) :: the construction of affordable housing in areas where the city allows new and larger developments to be built at market rate. Under MIH, a specific portion of units must be made affordable to those earning certain % AMIs.



[Mandatory] Inclusionary Housing in NYC

- MIH is a variation of inclusionary zoning (IZ)
  - IZ began in 1987 under Mayor Ed Koch as density bonus for developers, but it failed to create much affordable housing
  - IZ was kept through Mayorships of Dinkins and Giuliani then Bloomberg expanded (rezoning 40% of NYC)
- Two shortcoming to IZ under Bloomberg Admin.
  1. Being voluntary for developers, it produced very little affordable housing
  2. Units at 80% area median income (AMI) were not affordable to most New Yorkers
  - DeBlasio’s MIH approach touched on both of these concerns
- MIH is *mandatory*, not voluntary, for new construction in neighborhoods where the city increases zoning capacity

[Mandatory] Inclusionary Housing in NYC

- MIH addresses affordability issues by providing options the Dept. of City Planning (DCP) can apply as they see fit
  - DCP option examples:
    - 20% of building units reserved for those earning 40% AMI
    - 25% of units reserved for those earning 60% AMI [another 10% must be at 40% AMI]
    - 30% of units reserved for those earning 80% AMI
    - 30% of units reserved for those earning 115% AMI

Mandatory Inclusionary Zoning in NYC

- MIH is an expansion of affordable housing but not an overhaul of the system:
    1. MIH only takes effect when neighborhoods are rezoned
    2. AMIs stretch lower but also go much higher than before
    3. AMI levels still don’t match the city’s needs (greatest need is for 1/3 of residents who make 30% AMI or less)
- Deeper issue of IZ
    - New affordable housing is always linked to luxury development which raises the value of rezoned land and encourages land speculation in hopes it will be upzoned (i.e., it spurs gentrification)
    - With this speculation comes rising rent as new landlords need to cover debt and old landlords capitalize on new hype, some small, low-rent owners might sell to speculative investor.

Benefits of Upzoning in Low-Income Areas

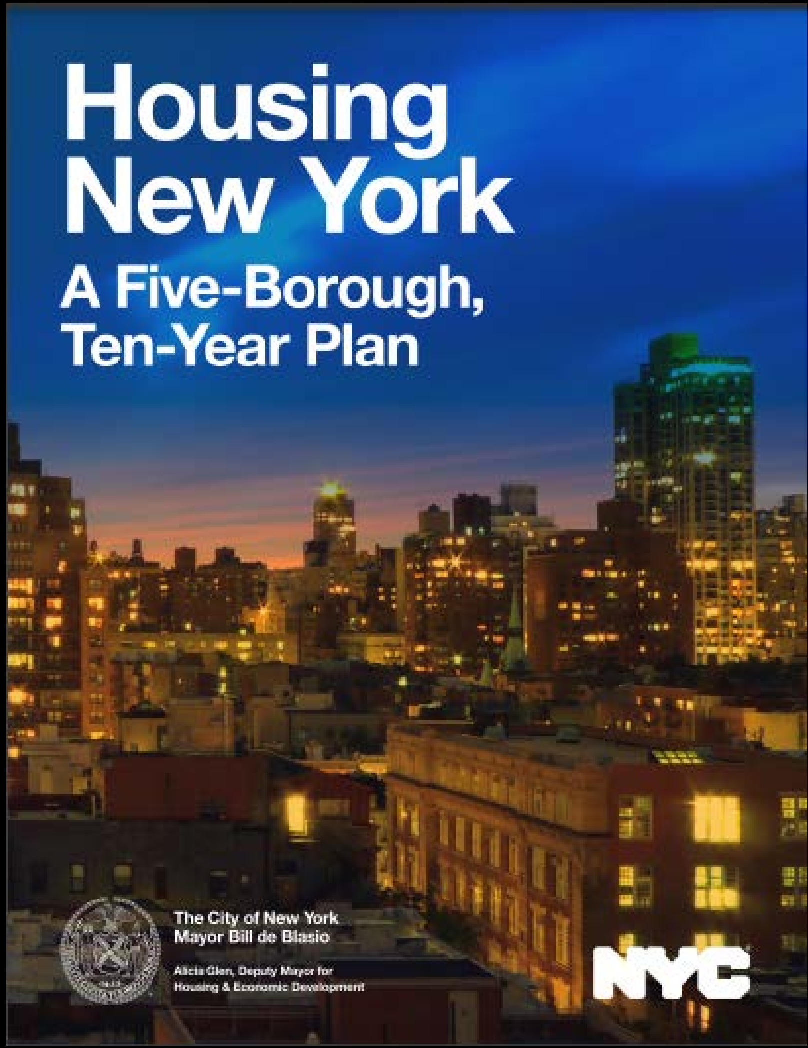
- Bring amenities and investment in infrastructure
- Spur development of below-market rate housing
- Allows more housing to be built on a site – adding value and reducing overall costs
  - Lower costs and higher revenues allow for cross-subsidizing of affordable units (e.g., Mandatory Inclusionary Zoning [MIH])
- Improve housing quality in disinvested areas

Benefits of Upzoning in High-Income Areas

- Usually already access to more and better resources (e.g., transit, jobs, parks, better schools)
- Could promote greater racial integration and fair housing assuming housing is made affordable for a diverse range of incomes
  - What about gentrification?
- Makes MIH more effective via cross-subsidies

De Blasio's Housing Plan Goals...

- ...aimed to create or preserve 200,000 housing units over a 10-year period, in 2017, the administration upped that goal to 300,000 housing units—120,000 new and 180,000 preserved— by 2026.
- ...financed the construction of 50,656 new affordable homes and the preservation of 114,934 more, for a total of 165,590 units by July 2020 according to a report by the Community Service Society



De Blasio's Housing Plan Realities...

- ...produced 300% more housing for New Yorkers earning up to 30% AMI and 33% more aimed at households earning between 31%-50% AMI, compared to Bloomberg
- ...produced 50% less housing for higher income earners compared to Bloomberg
- ...AMI eligibility for affordable units did not meet the real needs in most neighborhoods
- ...the city's homeless shelter population is still high (even before asylum seekers arrived)
- ...NYCHA still underfunded and in crisis with lead paint issues and an estimated maintenance bill of $78B
- ...essentially ignored the interconnected issues of homelessness, public housing, and affordability
- ...furthered disparities facing vulnerable New Yorkers
    - 72% of households earning 200% of the Federal Poverty Line are rent burdened

Does Mandatory Inclusionary Zoning Work?

- MIH appears to be less of an AH plan than a strategy for capital accumulation that accelerates gentrification
- MIH is a neoliberal housing policy because:
    - it places responsibility with providing housing to private market and not the state
    - gives away public airspace for limited public benefit
    - value for developers is far greater than for the public

Per a report by the Community Service Center,

"Not a single one of the 9,902 apartments built in 21 MIH projects in neighborhoods with average incomes under 40 [percent] of AMI would be affordable to the typical local resident".

What can be done?!

Two proven methods that work for AH:

- public housing
- rent regulations (weakened since fiscal crisis and early 1990s, but strengthened with 2019 HSTPA)

Ways to improve MIH:

- Decouple IZ from increased zoning so its all over the city
- Put MIH in most expensive enclaves so there would be no displacement of the working classes

Other efforts mitigating unaffordability:

- Right to Counsel (providing free legal services in housing court)
- tenant protection programs (e.g., Certificate of No Harassment)
- rental assistance programs
- increased funding for community land trusts
- city’s commitment to building 15,000 supportive housing units
- city raising the percentage of mandated affordable units set aside for homeless New Yorkers from 10% to 15%
- Passing of the 2019 HSTPA!

421-a Developer Tax Exemptions

- 421-a gives a 10-25 year tax exemption to developers for designating 20%-30% of units as affordable in new development projects. In projects built after 2008, units must remain rent-stabilized (i.e., affordable) for at least 35 years after completion of construction (link).
- It's the most generous tax break the city has for developers (per Department of Finance records analyzed by the Community Service Society).
- Annually NYC loses over $1B in foregone property taxes through this program (link, link)
    - NYC lost $1.7 billion in revenue in 2022. That makes it the most expensive tax break in the city, a title it has held since 2007 (link).
    - The second-highest tax break, an abatement for coops and condos, cost $655 million in 2022. Without 421-a developers favor condo construction for its high returns.

421-a was used A LOT!

- 56%, of all the city's multifamily residential units created from 2014-2022 involved 421-a, according to Housing Preservation and Development data analyzed by the Real Estate Board of New York.
- 28%, of affordable units in the same time period were subsidized by 421-a, REBNY's analysis found.
- About 90% of all residential construction in the city in the last decade received either 421-a or other tax breaks, according to the NYU Furman Center.
- **421-a is rigorous, applicant (landlord) must promise to register as rent stabilized.** Upon completion of construction developers are issued a certificate of approval after verification from city
  - This certificate is then supposed to be filed with city finance to get the tax break **(it often is not!! – see link)**
  - Landlords save about $300M, collectively, a year in property tax without showing they even qualify
  - Most of the 4000 properties in question, filed before 2014, failed to register as rent stabilized meaning they can raise rents to market rate
  - Most of the landlords that ignore filing own 1-10 unit properties in gentrifying and peripheral areas

421-a expired in 2022

"421a is a broken, absurdly expensive Band-Aid placed on top of New York City's broken property-tax system...It's good that it is not being renewed."

2022 NYT, Brad Lander, the New York City comptroller

Hochul Shelved Undisclosed Plans for Housing Tax Break After Union Outcry

Kathy Hochul proposed an executive order to extend the controversial 421-a tax break. Labor unions shot it down.

SAM MELLINS · JULY 7, 2023

COVID-19

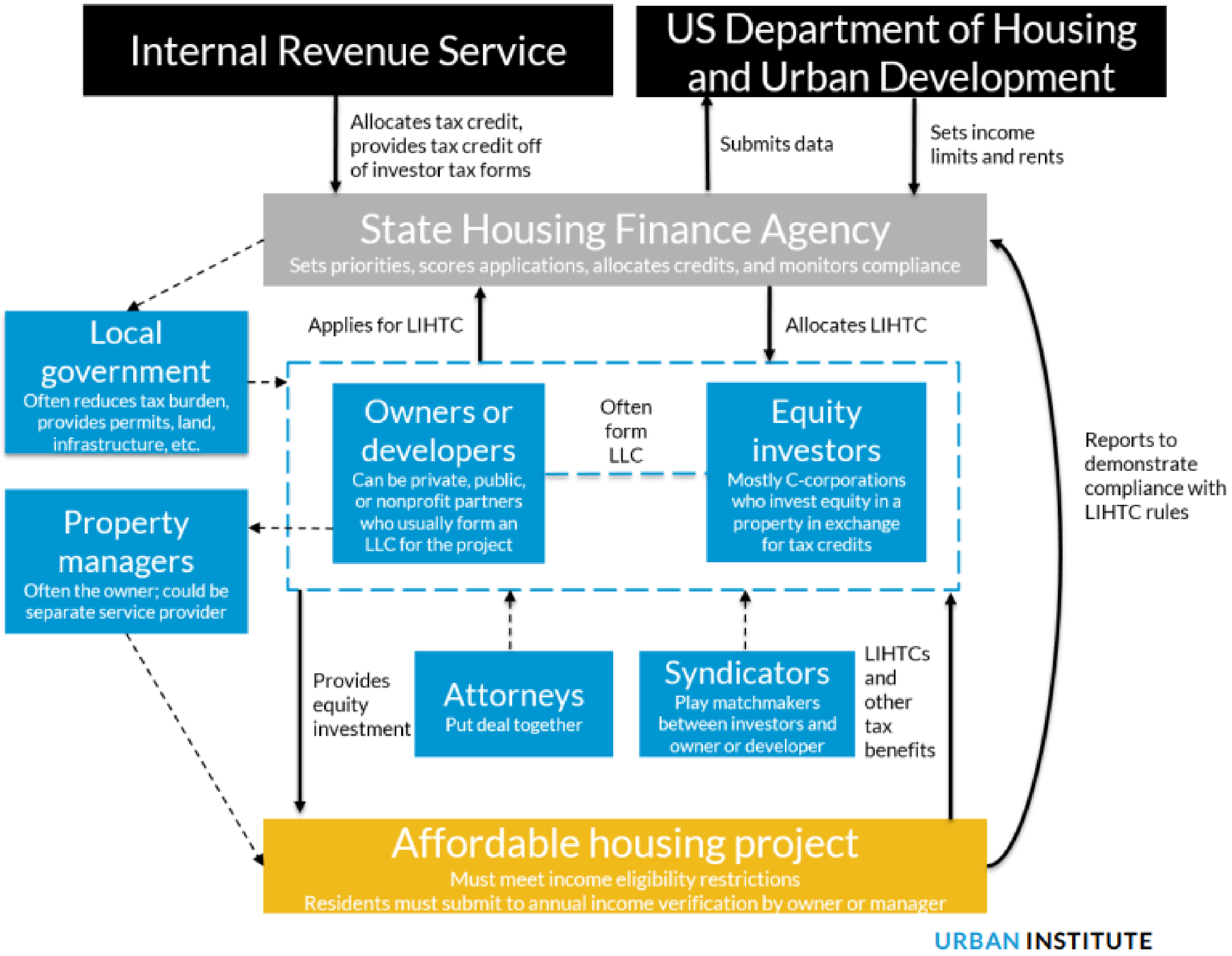
Governor Hochul Announces Executive Order to Extend 421a(16) to Boost Affordable Housing in Gowanus, Brooklyn

JUL 19, 2023

Low-Income Housing Tax Credits (LIHTC)

- According to the Urban Institute, LIHTC grant private investors a federal income tax credit as an incentive to make equity investments in affordable rental housing.
- Nationally, since 1986, LIHTC have created about 3 million affordable housing units.
- With LIHTC, units must be affordable (no more than 30% if income) for 30 years to low-income renters.
- In NYC:
  - HPD generally allocates $12-14M in credits/year to 20 or more projects creating approximately 1,000 low-income units.
  - HPD awards Tax Credits to new construction or substantial rehabilitation projects in New York City where at least 20% of apartments are reserved for low-income households.

Partners in a LIHTC Deal



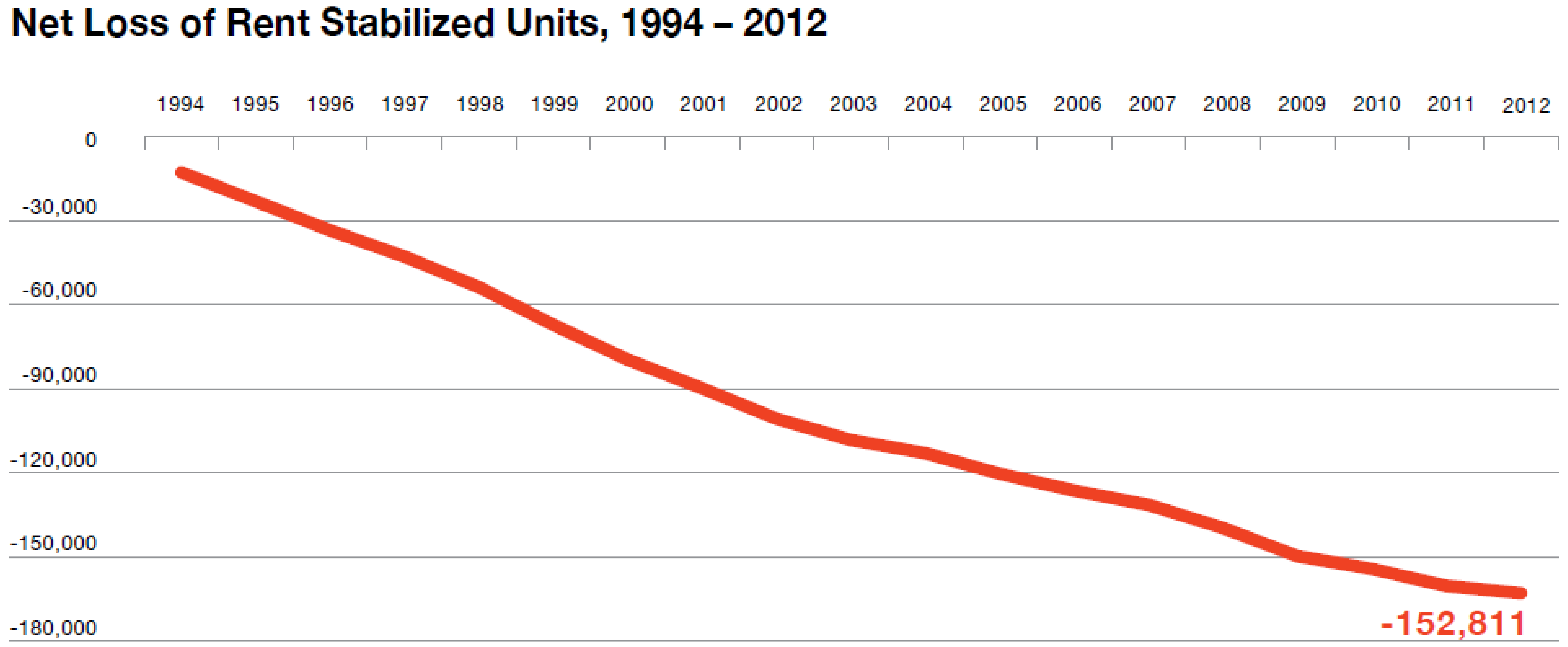
Note: Each color denotes one of the four layers of a LIHTC deal: the federal government (black), the states (gray), the project developers (blue), and the project itself (yellow). Solid lines indicate a component common to all LIHTC projects; dotted lines indicate more complex partnerships that may or may not exist depending on how the deal is structured.

Low-Income Housing Tax Credits (LIHTC)

Problems with LIHTC

- Does not meet needs of lowest-income households, they require other subsidies to make rent
- Permanent affordability <u>not</u> required (they expire)
- Once the tax benefit ends and the unit affordability expires, additional capital is needed when equity investors take their money and leave the project.
- LIHTC is economically inefficient because it drives up the transaction costs of affordable rental housing deals.
- Due to the program structure, allocation process and community opposition, LIHTC can promote the concentration of units in poorer areas and continued racial segregation.

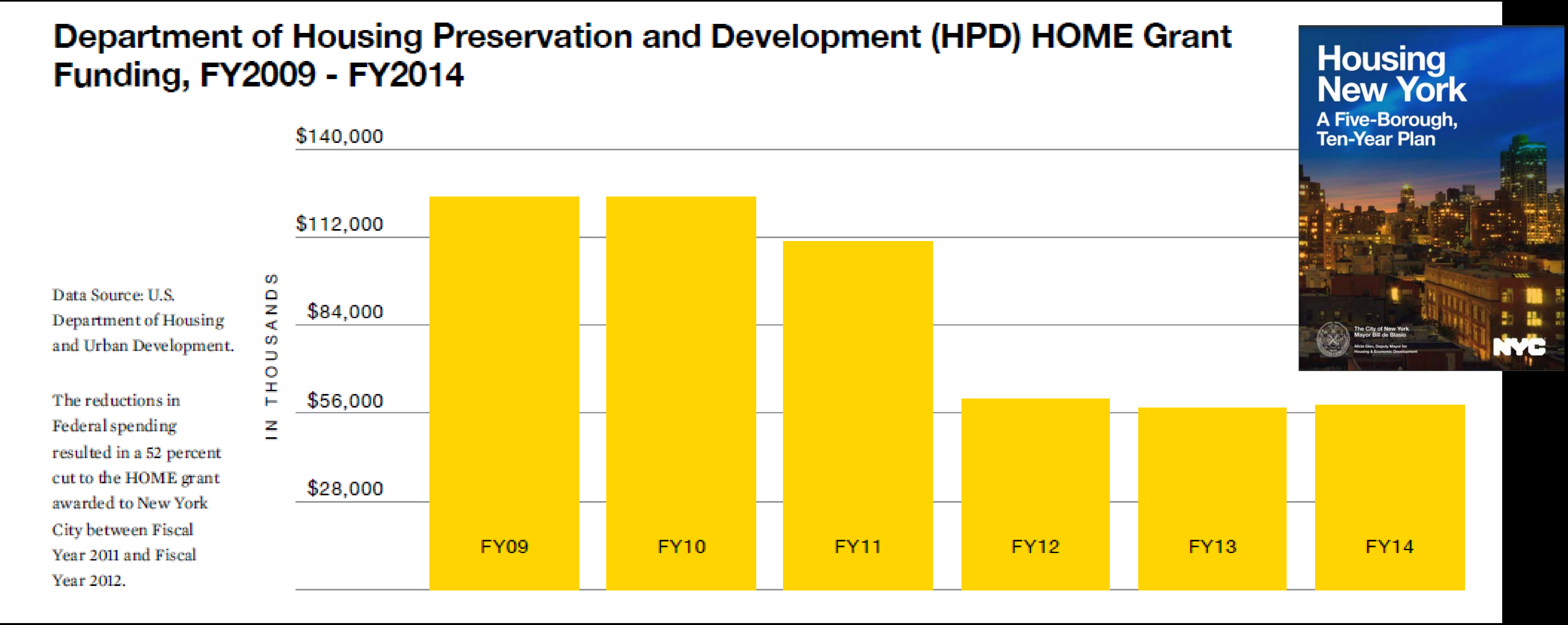
Housing Stability & Tenant Protection Act



The city has lost more rent regulated units than it has gained.

Data Source: Rent Guidelines Board Reports, Changes to the Rent Stabilized Housing Stock in NYC in 2012.

Housing Stability & Tenant Protection Act



Dwindling federal resources for the construction or preservation of affordable housing and for housing vouchers

What is the Housing Stability and Tenant Protection Act (HSTPA)?

On June 14th, 2019 Governor Cuomo signed the HSTPA which provided a series of historic reforms to the rent laws, including:

- Makes the laws permanent
- Establishes rent stabilization as an option for localities statewide
- Repeals high rent vacancy deregulation and high income deregulation
- Repeals vacancy decontrol and longevity increases
- Makes preferential rent the base rent for duration of the tenancy
- Limits MCI rent increases and IAI rent increases
- Reforms rent increase system for rent control tenants
- Establishes stronger tenant protections statewide with changes to security deposits and eviction guidelines
- Bans owners from refusing leases to tenants who have been involved in housing court cases
- Limits rent increases in manufactured home parks

2M people living in New York City's 1,006,000 rent stabilized apartments

NEW YORK STATE OF OPPORTUNITY. Homes and Community Renewal

High Rent / High Income Decontrol: Repealed

Pre-2019 Law

- Due to Rent Reform Act of 1997, landlords could permanently deregulate apartments not subject to tax benefits/regulation (e.g. 421-a/J-51) when the legal rent crossed the decontrol threshold
- Upon vacancy, when the legal rent of the outgoing tenant was above the decontrol threshold (currently $2,744/month in NYC, indexed to RGB increases), the unit was no longer rent stabilized
- Without a vacancy, if legal rent crosses the decontrol threshold AND combined income of tenants in an apartment is greater than $250,000 for two consecutive calendar years, the unit was no longer rent stabilized

HSTPA of 2019

Eliminates the decontrol threshold

- Landlords can no longer deregulate apartments due to high rent or high income

UPDATED FACT SHEET #26

Vacancy and Longevity Increase: Repealed

Pre-2019 Law

Landlords were entitled to the following upon vacancy:

- Vacancy Increase:
  - 20% increase upon vacancy
  - Available once per calendar year
- Longevity Increase:
  - Available if the apartment had been occupied for at least 8 years since a vacancy
  - If applicable, the legal rent could be increased by 0.6% per year that elapsed since the prior vacancy

HSTPA of 2019

Eliminates Vacancy Increase

- Landlords can only increase legal rents by RGB

Eliminates Longevity Increase

- Landlords can only increase legal rents by RGB regardless of how long a tenant is in occupancy

UPDATED FACT SHEET #26

Major Capital Improvements (MCIs): Retained but substantially modified to limit impacts on rent increases

Pre-2019 Law

- Landlords were entitled to a permanent legal rent increase for certain capital work performed for building-wide improvements with ORA approval
- The MCI rent increase was based on the actual and verified cost of the work, amortized over 8 or 9 years, depending on building size
- The MCI rent increase was capped at 6% per year to slow the impact on the tenant's rent
- Landlords could also temporarily collect a retroactive increase to cover the period between application date and approval date

HSTPA of 2019

MCI's are no longer permanent

Rent increase cap is reduced

- From 6% to 2% in NYC
- From 15% to 2% in ETPA counties

- The 2% cap applies prospectively to MCIs that became effective in the last seven years
- Buildings with 35 or fewer units are amortized over 12 years, buildings with more than 35 units are amortized over 12 ½ years
- Allowable costs will be based on a reasonable cost schedule created by HCR.

UPDATED FACT SHEETS #26, 33, 35

Individual Apartment Improvements (IAIs): Retained but substantially modified to limit impacts on rent increases

Pre-2019 Law

- Landlords were entitled to a permanent legal rent increase for IAIs
- IAIs permitted upon vacancy (when most are completed) with no caps on cost
- Under certain circumstances, IAIs permitted with consent for occupied apartments
- IAI rent increase was amortized over 3 or 5 years depending on building size
- IAIs are not filed with, reviewed, or approved by ORA

HSTPA of 2019

IAI spending is capped

- Maximum is $15,000 over a 15-year period;
- No more than three IAIs can be charged during this 15-year period

IAIs are no longer permanent;

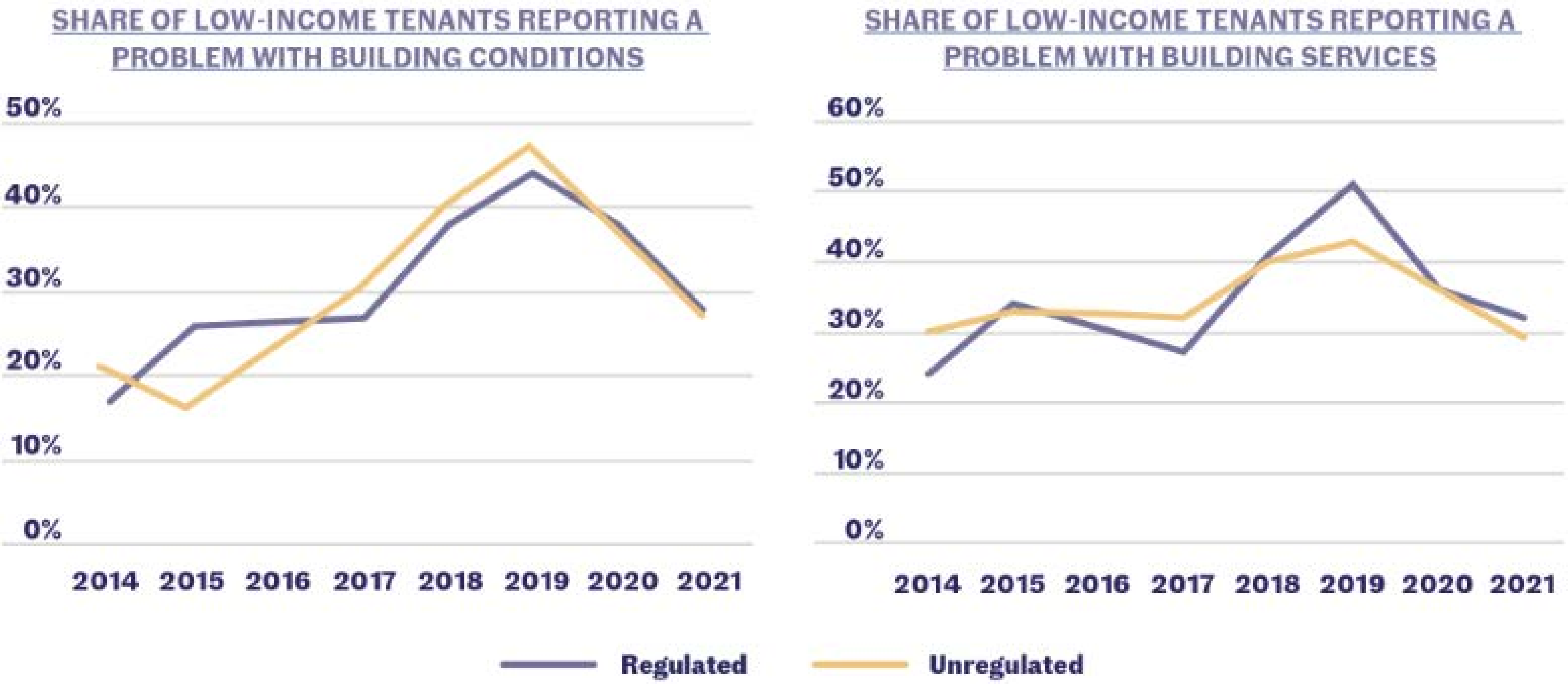
- Burn off after 30 years
- Increases not allowed where the apartment has outstanding hazardous or immediately hazardous violations
- HCR to create a centralized database

UPDATED FACT SHEET #35

“We did have a major emphasis on affordable housing, and a great deal of spending on it, during the de Blasio administration...And yet the problems have persisted”.

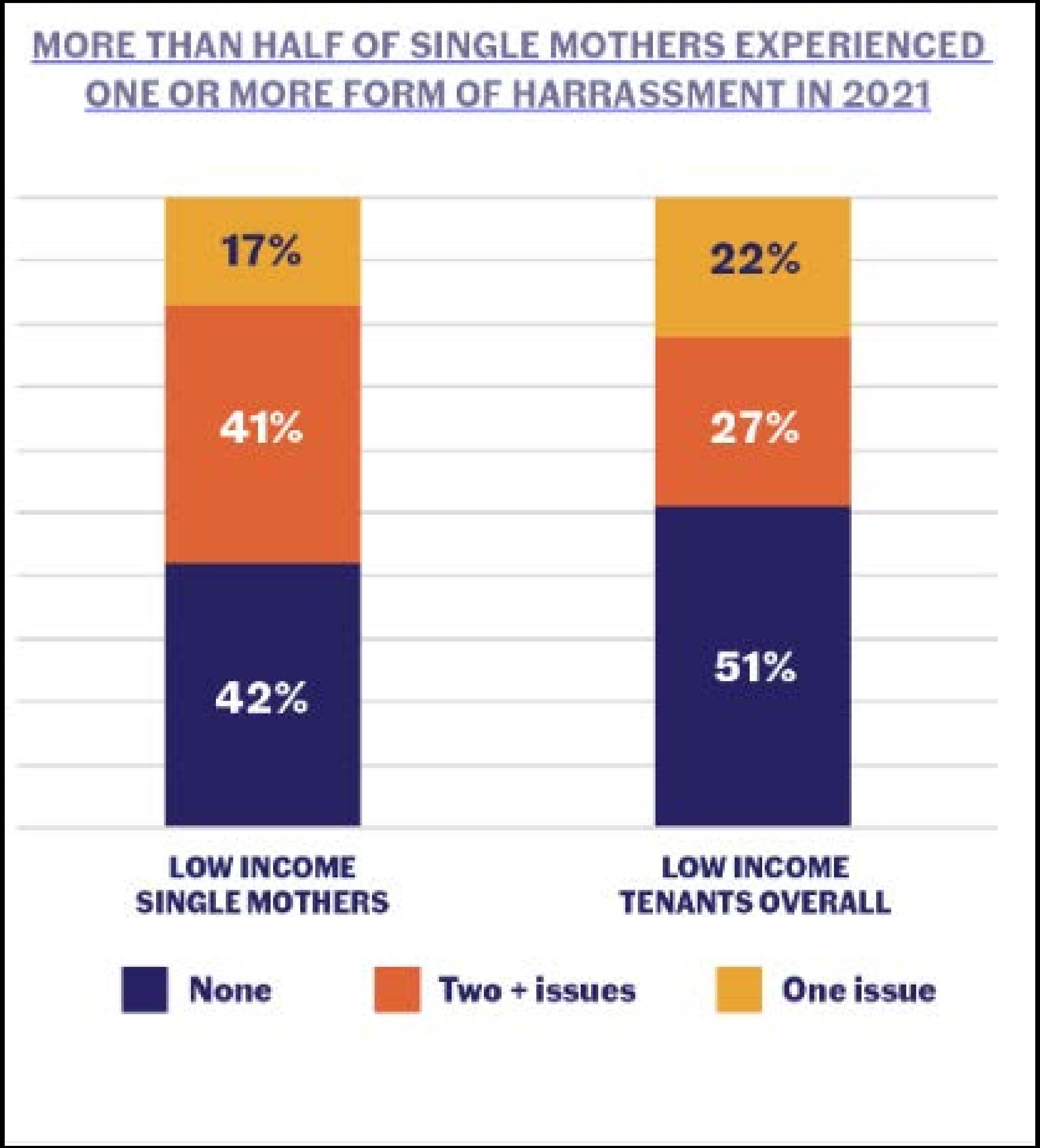
Sam Stein, Policy Analyst with CSS, https://citylimits.org/2021/02/05/de-blasio-housing-plan-created-more-affordable-units-but-left-out-citys-most-vulnerable-report/

- Despite claims from opponents, the HSTPA has <u>not</u> caused a decline in building maintenance in rent stabilized buildings
- The HSTPA has been highly effective at preventing apartment deregulation and keeping rents in regulated units lower than they would have been otherwise.
- However, harassment of rent stabilized tenants is ongoing



Decreases in reports of housing problems among low-income renters since passage of HSTPA

- **Low-income rent stabilized tenants were 10X more likely to access rental assistance compared** to low-income unregulated tenants, perhaps because stronger tenant rights provide a firmer basis for tenants to push their landlords to accept rental assistance.
- **HSTPA saved 15,670 apartments from deregulation.** In 37,040 apartments where new tenants moved in since 2019, HSTPA kept rents around the city's median of $1,500 – $300 lower than they would have been without the 2019 rent law reforms.
- **More than half (58 %) of low-income single mothers have experienced one form of harassment** from their landlords, with most experiencing more than one type.



Sources

- City Limits: https://citylimits.org/2021/02/05/de-blasio-housing-plan-created-more-affordable-units-but-left-out-citys-most-vulnerable-report/
- Furman Center: https://furmancenter.org/files/publications/302.6_Where_to_Build_-_Final.pdf
- ProPublica: https://projects.propublica.org/tables/nyc-421a-tax-benefits.html
- New York Times: https://www.nytimes.com/2019/11/09/upshot/bloomberg-new-york-prosperity-inequality.html
- Stein, S. (2017). Progress for whom, toward what? Progressive politics and New York City's Mandatory Inclusionary Housing. *Journal of Urban Affairs*, 1–12.

Other sources noted in slide notes or as "links"