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No Vacancy

Shortage of Housing In New York City Gets Worse With Every Day

Abandonments, Withdrawal Of Capital and an Old Law All Exacerbate City's Crisis

Keeping an Eye on the Obits

By RICHARD STONE
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—On a dark night six months ago, a shadowy figure stood before a dilapidated, abandoned apartment building on Manhattan's Upper West Side. Lifting a crowbar, he wrenched loose the sheet metal nailed over the door of the dingy building. Then he ushered his wife and their five children inside.

That's how Jose Rivera found a home.

Today the Riveras are still living in the building they seized from the city's Housing and Development Administration—a building the city had slated for destruction to clear the way for an urban renewal project. Though the city has taken no action yet—and, in fact, is supplying utilities—it seems almost certain that eventually the Riveras, along with over 150 other families who have become urban squatters in recent months, will be forced to vacate the building they seized with "the law of the crowbar."

That's one reason that few people here have resorted to Jose Rivera's tactic. But it may be the only reason. For it is becoming harder and harder to find a place to live, decent or otherwise, in the nation's largest city. New York is suffering its worst housing crisis in a generation. It is a crisis that affects every income group, with the possible exception of the very rich. It is also a crisis that, because of shifting tides of population, tangled webs of politics and an almost total lack of construction and mortgage money, seems certain to worsen.

The Flight of the Dollar

The dimensions of New York's housing shortage are vast. The rental vacancy rate is below 1%, not even one-fourth the national vacancy rate of 4.6%. Private building is at near-paralysis. In large areas of the city, banks have stopped giving new mortgages or renewing old ones. Increasing numbers of landlords simply give up, abandoning buildings they can neither afford to maintain nor sell at any price. Tenants, left with no heat, water or electricity, vacate such buildings in a matter of days. When that happens, blight swallows up whole neighborhoods, almost overnight.

For most residents remaining in such areas, there is no exit. It is not simply a matter of poverty. Even those who modestly improve their economic condition find there is no place to go. Better neighborhoods are already packed full, usually with lower-middle-income residents braced in defense against what they consider "invaders"—generally Negroes and Puerto Ricans.

At the same time, more affluent homeseekers try to squeeze into the ever fewer vacancies in desirable sections of Manhattan, pushing the monthly rents of ordinary, undistinguished four or five-room apartments to $500 or higher. Those who can't even find that do not so much "flee" to the suburbs as simply get pushed. Thus, New York suburban home prices, already the highest in the country, balloon even higher, and the homeseeker is forced to the exurbs, where he takes on an inflated mortgage and a long, grinding daily commute.

The solution to all that, of course, is money—money to build and money to rehabilitate. It's true that in recent months mortgage money has become more available at the same time that interest rates have at last stopped rising. But in New York, landlords and builders are still victims of the flight of capital. Just a few years ago, interest rates here on construction and mortgage loans were 6%. Today the rate for a two-year construction loan is 10% at best and more likely 12%. A would-be landlord looking for a standard 10-to-15-year first mortgage can find a 10.5% loan at best and may have to pay 15%. A second mortgage is out of the question.

A City of Empty Buildings

Even if a borrower in New York is willing to pay those rates, he will find that banks have simply cut off large areas of the city from any capital inflow—a loan to build or improve in a neighborhood that bankers deem blighted or even headed that way is simply not available.

All of which means that every day there are fewer housing units available in New York City than the day before. Last year, for example, 6,700 units were either built or rehabilitated, most of them financed with Government-backed loans. At the same time, though, landlords were abandoning buildings that contained 33,000 units—making for a net reduction in housing available to New Yorkers of about 26,000 units.

So far this year building has proceeded at a pace slightly above last year's—but abandonments have accelerated to nearly 1,000 living units per week. And city officials fear that landlords will walk away from properties en masse this coming winter when maintenance and operating costs will almost certainly rise. New York is thus in danger of becoming a city that is simultaneously full of thousands upon thousands of empty buildings and thousands upon thousands of people with no place to live. "Twenty years of slum clearance in New York City have not eliminated as many housing units as has three years of abandonment," says Frank S. Kristof, an economist for the state's urban renewal agency.

Villain or Victim?

So it's not too surprising that in a final act of desperation Jose Rivera forced his way into that dilapidated six-story building on the West Side. Mr. Rivera had in the past five years moved his family four times from one run-down, tiny apartment to another, and he was far down on the waiting list of 135,000 families who have applied for public housing. For the time being, perhaps to avoid protests, the city is footing the bill for heat, water and electricity in buildings seized by squatters. But it insists that next spring it will begin demolition of such buildings.

To millions of the poor or near-poor like the Riveras, the villain of New York's wretched housing crisis is, of course, the greedy landlord, the man who comes by once a month to

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collect the rent but who never comes by to patch up rotting walls or broken windows or leaking pipes. But landlords all across the city say they are in fact the victims, and the rate at which many of them are simply walking away from their buildings lends some credence to that claim.

In dozens of what were considered respectable working-class neighborhoods only a decade ago, a person can stand on virtually any street corner and see several structurally sound but abandoned buildings. In such areas, only drug addicts and rats thrive. Garbage piles up, crime skyrockets, and the working people trapped in the area stay home after dark. As abandonments multiply, real estate taxes climb on the buildings for which someone still claims ownership, driving more landlords away from their barely marginal investments.

Eli Cooper, a Bronx landlord who owns 12 buildings, points to one as typical of his predicament. A city-authorized rent hike will increase his revenue from the six-story, 24-unit building to $20,800 this year from $20,000 last year. Higher taxes will eat up every dollar of the increase. Meantime, a new city ordinance that forbids the burning of high sulfur fuel oil—it is a heavy pollutant—will force Mr. Cooper to burn 20% more fuel this winter and pay twice as much for it.

On top of that, Mr. Cooper's fire insurance has doubled and his maintenance costs are higher. (The halls of the building were recently painted dark green; already vandals have defaced them.) Mr. Cooper figures he'll take an $1,800 loss on the building this year. "That means I have to neglect the roof (which leaks). I have to neglect the sidewalks and the painting of the fire escapes."

As Mr. Cooper suspends maintenance, of course, the building will deteriorate further and become more expensive to run. At that point—he is familiar with the cycle—old reliable tenants will move out and be replaced by poorer occupants with larger families that, in turn, will mean even more wear and tear. Unless something stops that downward spiral—and Mr. Cooper sees nothing ahead that will—he may finally have to abandon the building.

Abandonment, of course, hits hardest at the poor. In years past, as immigrant groups rose to prosperity out of the slums, new vacancies constantly opened up for new arrivals. But in recent years that pattern has collapsed as abandonment has chewed up over 100,000 units, leaving ever fewer spaces available for the inflow of the newest poor—blacks and Puerto Ricans.

No One Moves

At the same time, New York's archaic rent-control law keeps the marginally poor whose fortune is improving from moving out of slum neighborhoods. Imposed during World War II, that law regulates rents in about 70% of the city's private rental-housing units. It was modified somewhat last summer, but it still acts as an artificial depressant on rents. New Yorkers living in a five-room apartment for $100 a month—and there are many who do so—are not going to move out so long as they're alive, says Nat Bloom, an economist for First National City Bank.

Thus, the typical source of better housing for those escaping poverty—the vacated housing of the middle class—is scarce. A 1968 survey here found that 60,000 families with incomes of more than $15,000 a year were paying no more than $150 a month—or 12% of income—for large apartments in good condition in sound neighborhoods. Meantime, 280,000 families with earnings of under $3,000 a year were paying rents of $75 a month—30% of income.

Advocates of the rent-control law, which is politically popular because, like a lottery, it holds out to everyone the possibility of winning, say that lifting controls would only hasten the exodus of the white middle-class, who live in the better of these apartments. In the 1960s, New York City lost 70,000 such persons to suburbia.

Those who stay go to great lengths to find a rent-controlled apartment. One married woman in her late 30s pursued her goal—a five-room place on Manhattan's fashionable Upper East Side for under $200 a month—seven days a week for 18 months, according to Selena Goudeau, a real estate agent. Finally, she found such an apartment.

Many don't. Sarah Stein, a young film editor, says each Wednesday morning she stands in line at a newsstand to buy a copy of the Village Voice, a weekly newspaper known for its classified ads of Greenwich village apartments. The line forms as early as 7 a.m. and sometimes swells to 300 before the newspapers are delivered at 10.

Replacing a Corpse

Others try to keep track of obituaries to divine what deaths are creating rent-control vacancies. A New York public relations man who lives in a rent-controlled apartment building recently learned of the death of a neighbor living in a bigger apartment. "I was on the phone to the landlord within two hours after that lady died," he says, "and I was too late. Someone else had already taken her place."

Another New Yorker recently happened to see two policemen wheeling a shrouded corpse from a rent-controlled apartment building. He hurried into the lobby to find the superintendent. "That's a shame to see someone die like that," he commiserated, barely concealing his eagerness.

"She was 92," snapped the super. "It was her time to go."

"Still, it's too bad," countered the man. "But I suppose that does leave a vacancy, doesn't it?"

"Nope," grinned the super. "She was my mother-in-law. I've got the apartment now."

Partly because of rent control, rents on private housing built since 1947—housing that doesn't come under the law—skyrocketed over the past decade, sometimes as much as 60% in one jump. After fierce public outcry, the city last summer passed a law holding annual increases to 5%. To no one's surprise, several major builders responded by withdrawing from the city. And those that have stayed say they can't pry money from the banks. "We have been forced out by the circumstances in New York," says Richard Ravitch, president of HRH Construction Corp., which has built a good deal of middle-income housing in Manhattan over the years.

A Matter of Money

Mr. Ravitch blames bankers, who, he says, are free with liberal rhetoric about saving the city but not so free with funds to do so. When Mr. Ravitch sought a loan to put up a 1,500-unit building that would have included 200 low-income units, the chief executive of a major bank evaded his request, he says, and finally cut short the session by saying: "Now if you'll excuse me I'm late for a board meeting of the Urban Coalition."

Mr. Ravitch says that even with Government-supplied construction money most builders no longer find it possible to construct rental housing that the middle-class can afford. State and city agencies here provide low-interest, 90% long-term mortgage loans, as well as partial tax exemptions, to developers putting up middle-income housing. In turn, the developers are limited to a 6% return on their investment—and few builders are satisfied with such a low return. Those that do build under the program say that 10 years ago they could put up units that rented at $30 per room. Today, rents per room on such buildings are coming in at a minimum of $75.

Based on the measure that one's rental payment should be equal to about 25% of income, that means a family must earn at least $21,600 to afford a "middle-income" six-room apartment. Median family income in this city is $8,300 and hardly one family in 10 earns $21,600.

Both builders and the city have turned to Washington for aid—and failed. New York requires about $48 million in Federal subsidies under the 1968 Housing Act just to cover projects now ready for construction. But Congressional appropriations for those purposes will at best total $20 million, according to the Citizens' Housing and Planning Council, a non-profit group.

If, somehow, a New York City builder finds construction money and comes up with a plan for a profitable building, he is likely to be strangled by miles of bureaucratic red tape or hobbled by city politics.

The experience of Duncan Elder, president of Phipps Houses, a housing construction foundation, is typical. He was vacationing in the mountains one summer when an urgent phone call from a city functionary came: Could he be in New York the next day to plan five blocks of rebuilding for a decaying neighborhood? He took the first train, "eager to start building the next day," he recalls.

Mr. Elder then ran into a den of city bureaucrats. After haggling with innumerable government agencies, Phipps Houses now has completed one-third of the project. It began in 1959.

The Phipps project was a victim of politics for five years. Democratic city officials, fearful that renewal would sweep away their old-line constituencies, simply stalled Mr. Elder. When the Lindsay administration took office, things got under way. Like a turtle. It took three years to resettle the several hundred persons living in the area slated for demolition and rebuilding. Mr. Elder's current cost estimate of the project is $100 million; 11 years ago, at its outset, the estimate was $30 million.

Builders run into similar tangles time and again in New York. City politicians are sensitive to the issue of "community control," whereby neighborhood groups demand a voice in planning any new project destined for their area. That leads to deadlocks that last years. And no housing gets built.

That's unfortunate, says Albert Walsh, city administrator of urban renewal, but it's also unavoidable. Any mayor, he points out, has a vested interest in encouraging neighborhood control. If he does not, "the community is going to rise up and vote the bastards out of office."

CAMBRIDGE PROPERTY OWNERS ASSOCIATION INC.

2A TROWBRIDGE STREET, CAMBRIDGE, MASSACHUSETTS 02138

Telephone: 354-2626

December 5,1970

TO: THE HONORABLE MEMBERS OF THE CAMBRIDGE CITY COUNCIL

RE: ADVERSE EFFECTS OF RENT CONTROLS

Enclosed, you will please find a reprint of an article in the December 2, 1970 issue of the Wall Street Journal. It should make very interesting and valuable reading in view of the current situation on rent controls.

This article might as readily be entitled "READ IT AND WEEP -- FOR IT CAN HAPPEN HERE".

There is nothing to indicate that the tenants, property owners, or City Council of the City of Cambridge are any better or worse than their equals in New York City. Therefore, there is little likelihood that the job would be any more easily accomplished here than there.

It is my belief that the members of the City Council are an outstanding group of men and women, far above average in intelligence, conscience,and ability. It is inconceivable that such people would deliberately blind themselves to FACTS, for any reason, whatsoever.

All of the arguments which I have presented to the City Council, on previous occasions, are repeated here, on a most current basis. These include the following:

1. Abandonment of housing units at a rapidly increasing pace.
2. Withdrawal of capital and failure to provide new capital for housing for private industry by banks.
3. The adverse effects upon tenants and owners.
4. Debilitating effect upon entire City by downgrading all real estate.
5. Problems with a new bureaucracy .
6. Confirmation of the practice of the worst gougers--relatively high-income tenants occupying low-income housing.
7. The creation of an almost impossible situation that sees no foreseeable way to be overcome because of the blindness of politicians who "pass the buck" after they have destroyed the world's largest and wealthiest City.

I am sure that, with all of the facts before you, and in the light of the development of parallel circumstances in Cambridge now, as the result of rent congrol efforts for the past two years, you may give very serious consideration to finding some other solution to the housing problem and to avoid destroying the City in an attempt to try to improve the housing supply.

As an example, you already have the following comparable situations that have developed in the City of Cambridge:

1. A reduction in real estate values of 19%-30% particularly during the past 60 days.

2. Almost no building by private industry (a net increase of only 12 apartments during the first 8 months of 1970).

3. No long-term financing mortgage money available from banks-- (call them, and check this yourself!)

4. I call upon you, as serious and conscientious-minded rep= resentatives of this City, to give serious thought to stopping this fiasco.

PLEASE DO NOT DESTROY THE CITY OF CAMBRIDGE..

Sincerely,

Carl F. Barron, President

b/b
enc.

Communication from Carl F. Barron, Pres., Cambridge Property Owners Asso. Inc. transmitting reprint of an article in the December 2, 1970 issue of the Wall Street Journal relative to the adverse effects of rent controls

December 7, 1970

JOHN J. CRAPO
31 CONCORD AVENUE
CAMBRIDGE, MASSACHUSETTS 02138

December 31, 1970

Honorable Paul E. Healey
City Clerk
City of Cambridge
City Hall
795 Massachusetts Avenue
Cambridge, Massachusetts 02139

Dear Mr. Healey:

As recommended by you in our telephonic conference of this morning, I am writing to you this letter.

This is to formally request the opportunity as a citizen of Cambridge to speak before the City Council when it meets Monday night, January 4, 1971. I would like to speak as close to after 7:30 P. M. as possible.

Very truly yours,

John J. Crapo

John J. Crapo

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Communication from John J. Crapo, 31 Concord Ave., Cambridge requesting an opportunity to speak before the City Council on January 4, 1971 as close to 7:30 P.M.as possible

January 4, 1971

1/4/71 - Placed on File

Hearing for Jan 11 at 8 P.M.

Hearing for Jan. 25th

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