

CAMBRIDGE PROPERTY OWNERS ASSOCIATION INC.

614 MASSACHUSETTS AVENUE, CAMBRIDGE, MASSACHUSETTS 02139

Telephone: 354-2626

Officers

President: CARL F. BARRON
Vice President: ROBERT A. JONES
Treasurer: PAUL WATKINS
Secretary: BARBARA R. DEMARNEFFE

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TO: The Honorable Members of the Cambridge City Council

RE: Order Favoring Rent Control

The present fiscal crisis in New York City is well known, both nationally and internationally, as being the result of unwise fiscal thinking, poor politics, and bad judgement.

The enclosed reprints in the Wallstreet Journal, Barron's Weekly, and Fortune Magazine, all top-notch publications, are unanimous that rent controls are a major cause of both the financial and social problems of New York City.

The enclosed reprints of newspaper articles covering the rent control issue in three Massachusetts cities, Lawrence, Waltham, and Brockton, show that none of those communities want the impractical, unfair chaos produced by a system of rent controls that exists in both New York City and Cambridge, Mass.

The attempt to solve the social problems of low-income by strangling the real estate industry is ridiculous. This Council should be looking for state or federal funds, or even from the entire city of Cambridge, (as we had previously suggested) to provide the missing funds for those with inadequate income. You cannot solve one ill by creating and perpetuating another one, as the sponsoring of rent controls does.

The enclosed articles, if honestly read and analyzed, should provide absolutely no question about the elimination of rent controls, never mind perpetuating an evil in the name of doing good.

May we suggest that you introduce and unanimously pass a new order for the gradual decontrol of vacated apartments? This would partially protect the elderly and low-income who do not move too often, and would permit the transient tenant to pay a fair market price, instead of subsidizing him, at the expense of our local community.

The serious fiscal problems now being experienced by the Commonwealth of Massachusetts should give you a clear picture of how fiscal irresponsibility, which includes the retention of rent controls, finally catches up. We urge you to use good common sense now.

Sincerely,


Carl F. Barron
President

How Government Helped

A generation of misguided policies drained the neighborhood's economic life. The blazing destruction of its physical life was inevitable.

After a quarter century of costly but misguided government efforts, the big old cities of the U.S. remain pocked with slum areas. It seems fair to say that no one of these neighborhoods has sunk any further into despair, degradation, and devastation than New York City's South Bronx. Most of its 450,000 inhabitants—a population larger than that of Minneapolis—live in daily fear of violent attack by juvenile gangs or drug addicts. Many neighborhood merchants are armed, but still they are held up and robbed with appalling frequency.

And the place is literally burning up. In the last five and a half years there have been 68,456 fires in the Bronx—more than thirty-three fires every night—most of them in the aging five- to seven-story brick apartment houses that constitute the overwhelming bulk of the South Bronx's housing. Property damage has been running at an annual rate of \$30 million. Fire-department officials say they have solid evidence that a third of the fires have been deliberately set. The arsonous percentage may in fact be higher than that, because the evidence of the crime is often destroyed in the blaze. Last year alone, Bronx fires killed forty civilians and three firemen; 1,500 firemen were injured. Over the twelve months that ended last June, some 2,250 families in the South Bronx were burned out of their apartments.

Incentives to create a sinkhole

The fires are only the most visible symptom of the complex cancer that is ravaging the South Bronx. Indeed, the area can be considered a textbook case of what may occur when incentives for individuals get hitched to what's wrong for society at large. So few criminals go to jail that crime clearly pays. Welfare handouts diminish the incentive to work and promote the breakup of families. Minimum-wage laws foreclose private job opportunities for those with minimal skills. One consequence is a rapid recent drop in the population—by some estimates 20 percent in the past five years.

Long before the South Bronx became a social sinkhole in which civilization has all but vanished, government systematically though inadvertently helped wreck its economic life. Given the age and obsolescence of most of its dwellings, factories, and warehouses, the South Bronx would have faced a struggle for economic survival in any case. But misconceived government policies and programs worsened its plight. For example, piecemeal urban-re-

newal efforts wasted millions of dollars of capital improvements, while the burden of high and rising taxation encouraged businessmen to move away and landlords to let their buildings rot. That hopeless tangle of mismanagement called the New York City government deserves a considerable share of the blame. On several occasions, rehabilitation teams and demolition crews working under separate city programs have appeared at the same building on the same day.

"Anesthetized by alcohol"

The South Bronx is the poorest part of New York City—poorer even than such rock-bottom slum neighborhoods as Brooklyn's Brownsville. In the heart of the South Bronx, median family income averaged only \$5,200 in 1970 (the latest year for which reliable figures are available), 46 percent below the citywide average of \$9,682. Twenty-eight percent of the neighborhood's families are on welfare. About half of the sixteen- to twenty-one-year-olds have dropped out of school, and of these 30 percent are unemployed.

The use of hard narcotics in the South Bronx has apparently declined in the last few years, but the use of alcohol has increased sharply. Anthony Bouza, assistant New York City police chief and Bronx borough commander, calls the neighborhood "the largest floating cocktail party in the world." That may be a blessing in disguise, he adds. "If these people were not anesthetized by alcohol, the problems would be worse."

The problems seem to be worsening anyway, even though it is hard to imagine how the South Bronx could ever be a more depressing or dangerous place to live than it is right now. Not even the poorest immigrants to New York settle there anymore, and the city welfare department refuses to let its clients move to many blocks in the area. Any resident who can afford to leave does. White residents have been fleeing for years—fully two-thirds of the whites who lived there in 1960 were gone a decade later—and recently blacks and Puerto Ricans have begun to leave as well. (One result is that neighborhoods in the North Bronx that were largely white until the early Seventies are now racially mixed. Police report some tension in these areas, but no increase in arson or other crime. They consider an increase unlikely because most new arrivals are working people seeking to escape the slums,

Research associate: Thomas J. Goff

Ruin the South Bronx

by Herbert E. Meyer



A DEVASTATED PENINSULA

The Bronx (population: 1,393,200) is the fourth largest of New York's five boroughs and the only one that is part of the U.S. mainland. The South Bronx is generally considered to be the area below the Cross Bronx Expressway, a triangular peninsula jutting between the Harlem River and East River, and bordered on the east by the city's new wholesale produce market at Hunts Point. This area, lying only three to four miles north of Manhattan's elegant Upper East Side, may be the closest men have yet come to creating hell on earth.

The South Bronx was once a collection of blue-collar neighborhoods—Melrose, Mott Haven, Morrisania, and so on. Their individual identities have been largely lost in recent decades as a tide of ethnic change, social and finally physical disintegration has engulfed the area. Today about half of the South Bronx's residents are Puerto Rican, a third are black, and only 17 percent are white.

The borough's most famous landmarks are its zoo and Yankee Stadium. New York City is spending \$55 million to renovate the ball park, although it stands close to an expanse of abandoned factories, not far from those devastated blocks of burned housing in the South Bronx.

Nicholas Fasciano



Two firemen were hurt battling this two-alarm blaze September 4 in an abandoned apartment on 165th Street.

not welfare families bringing slum life-styles with them.)

For the thousands who must remain in the South Bronx, life somehow continues despite the nightly holocaust. Each morning children walk to school past blocks of rubble that once housed their classmates; for many it is just a matter of time until their own dwellings go up in flames. Each evening adults coming home from work walk quickly and keep a sharp lookout as they go; for many it is just a matter of time until they fall prey to one of the dope addicts, muggers, or eighty-nine organized street gangs that roam the neighborhood. According to the police, some of these gangs are now armed with automatic weapons.

Visitors drive through the worst parts of the neighborhood as quickly as the traffic will allow, with doors locked and windows rolled up to minimize the danger of being attacked—ambushed, really—at a traffic light. But not even rolled-up windows can keep out the pervasive smell of rotting garbage and dog filth.

Observers who tour the South Bronx often emerge shaken, to say that it reminds them of Berlin or Dresden

after World War II. That's an exaggeration, but not by much. The place does look battle scarred and bombed out, in an eerie way. In block after block, amidst apartments that are still inhabited, stand similar buildings that are vacant and abandoned, their windows blown out by heat of fire, the frames blackened by smoke. The holes stare at visitors like skeletal eye sockets in a charnel house. Here and there one comes across a well-kept, tree-lined block of row housing that has miraculously survived, but there are all too few of them.

A haven for immigrants

The South Bronx used to be a rough-and-tumble, working-class place. For a century, starting about 1840, it served successfully as a point of entry and transition for immigrants, first Irish, then Germans, and after 1900, Italians, and Russian and Polish Jews. The neighborhood absorbed them, provided them with jobs and housing that met the standards of those days. Decade after decade, the children of those immigrants moved on to better neighborhoods, making space for the next wave

of newcomers. Why, then, has the South Bronx failed so miserably for its present inhabitants?

There is generally a lag between the time when destructive forces begin to work, and the time when the effects become visible. The virus that causes measles, for example, enters the body eight to ten days before the spots break out. The virus that started the destruction of the South Bronx entered in 1943, when the federal government enacted the Emergency Price Control Act, which among other things froze rents at their March, 1943, levels. The law was a justifiable wartime measure, and its rent provisions were intended to prevent unscrupulous landlords from taking unfair advantage of the severe housing shortage.

It was generally assumed that rent control would be a temporary affair, and in fact the federal law was repealed in 1947, a few years before the postwar housing shortage fully disappeared. But New York City is a tenants' town: the ratio of rental to ownership is about four to one, compared with a national average of three to two in favor of owners. Over the years, tenants came to regard low rents as a right, so New York politicians clung to local rent control, even after it became plain that the law was wrecking the entire city's stock of rental housing and undermining its tax base.

Why the tenants moved out

If rent control was a boon for South Bronx tenants during those early years, it was an absolute disaster for the buildings they lived in. About 90 percent of the neighborhood's private housing had been built before 1915; the rest went up during the 1920's. In the years following World War II, after continuous occupancy by successive waves of immigrants, the buildings were starting to wear out. They needed new heating systems, new plumbing and new wiring, new window frames and sometimes new roofs.

To make these repairs the landlords needed money, but with rents frozen at prewar levels (median monthly rent rose less than \$1 in the Bronx between 1940 and 1950, from \$41.95 to \$42.61) they could not collect enough to start. Despite the popular myth, few landlords in the South Bronx were wealthy investors who bought square blocks of buildings and hired people to manage them. Mostly they were (and are) small businessmen who lived and worked in the neighborhood, and who invested their life's savings in a single piece of property.

Because their buildings were an important source of their own livelihood, South Bronx landlords tended to maintain them well as long as they could afford to do so. But the level of maintenance declined precipitously as the need for repairs, and the cost of doing them, increased. Soon tenants started moving out—to more attractive parts of the Bronx, where housing was newer, or thanks in great part to that postwar form of tenancy, the low-down-payment home with a big government-insured

mortgage, to Long Island or Westchester County. By 1950, when the vacancy rate in all New York City was only 1.2 percent, there were an increasing number of old, cheap, vacant apartments in parts of the South Bronx—many renting for as little as \$28 a month.

Two kinds of people moved into them. Blacks poured into New York City from the rural South, and Puerto Ricans flew in by the planeload from their impoverished island. In all, some two million came between 1945 and 1974. Their prime motivation was economic. There were jobs in New York that paid attractive hourly wages, and for those who lost those jobs or couldn't find them there was always welfare. In 1950, for example, an average family on welfare in Mississippi got \$27.11 a month, while a similar family in San Juan received no assistance at all. In New York the average family could collect \$101.41 a month in welfare payments.

"Airmail garbage"

Many of the newcomers settled in the South Bronx, where the vacancies were. By the early 1950's, the ethnic mix of the neighborhood was beginning to change rapidly. Synagogues and delicatessens were closing for lack of patronage, and storefront churches and *bodegas* began to spring up everywhere. On the street Yiddish and Italian started giving way to Spanish and to the unique idiom of America's southern blacks. More important, the

These row houses on Manida Street are occupied in part by their owners, which is one reason they are so well maintained.



neighborhood's visible deterioration accelerated. As happened in other slum areas of the city, so many tenants began throwing their household refuse out the windows into alleys, backyards, and even onto sidewalks that a new coinage—"airmail garbage"—was added to the symbolism of urban blight.

No time for teaching

It seems beyond question that the pace of change became a potent agent of urban decay. When families from the earlier groups of immigrants moved into fully occupied, well-maintained apartment houses, a process of urban education followed. As Frank S. Kristof, director of the division of economics and housing finance at the New York State Urban Development Corporation, explains: "If a new arrival didn't already know enough not to throw garbage out the window—and many did not—he would only do it once. Believe me, the older tenants would set him straight in a hurry. By the time a second immigrant family moved in, the first family had learned the ropes and would act as a teacher. It took time, but it worked." In the South Bronx, older tenants were abandoning their apartments so rapidly, and new tenants moving in so rapidly, that there was just no time for the former to educate the latter about garbage disposal, the need for nocturnal quiet, or other requirements of compact city living.

As the wave of immigrants kept coming, the city wel-

fare department began dumping new arrivals into the South Bronx. In retrospect, this policy was terribly shortsighted, since it helped create a welfare ghetto. But it was the easy thing to do, for the South Bronx lacked neighborhood organizations and political clout to fight the inundation.

Indeed, the power of South Bronx residents to get anything at all from city hall—from a new housing project, to a new school, to a traffic light at some dangerous intersection—dropped sharply as the white residents moved out. Instead, the neighborhood's political leaders, galvanized by the discovery that their constituents were fleeing to other districts, persuaded the state legislature to gerrymander the area so that their old constituents would still be able to vote for them. Congressional, state legislative, and city-council district lines were redrawn almost annually, until eventually the power of the South Bronx's bosses stretched up to the North Bronx, to the East Bronx, to Manhattan's East Harlem, even across the East River to Queens.

The South Bronx itself became something of a political orphan. By the mid-Sixties, the boundary lines crisscrossed in such tangled fashion that a political map of the neighborhood looked like a plate of spaghetti. The new arrivals, those with jobs as well as those on welfare, lacked effective leaders who could protect their interests.

The local job market was also dying. In 1945 the South Bronx had been a thriving industrial community. Its

"It is an enormous conceit to believe that the police can do anything substantial about crime," says Anthony Bouza, borough police commander of the Bronx. "All we can do is displace it. I'm in favor of warehousing [i.e., jailing] criminals or in rehabilitating them, but today we're doing neither. Politicians like to campaign for office promising to hire more cops. That's crap. We've already got too many cops up here. What we need is a criminal-justice system that discourages crime by punishing criminals. Police can't do that alone."



That burned-out hulk amid the rubble belongs to landlord Tommy Cuevas, who also owns twenty livable buildings. Cuevas believes that the only way to manage a South Bronx apartment successfully is to limit the number of welfare tenants to 50 percent, and to screen prospective tenants on welfare to make sure they aren't deadbeats.

"The welfare system has hurt the people," asserts Ramon Velez, a member of the New York City Council since 1974. "They need services and education." Velez arrived from Puerto Rico in 1961 and since 1967 has been president of the federally funded Hunts Point Multi-Service Center. Velez used the center to build an organization that competed with, and finally defeated, the neighborhood's old-line political clubs.



aging plants housed food processors, manufacturers of garments, cabinets, pianos, and plumbing equipment, and even the American Bank Note Co., still the world's largest private manufacturer of stamps and currencies for foreign countries. Most of the employees of these industrial operations lived in the surrounding neighborhoods, and they in turn supported countless mom-and-pop stores—groceries, bakeries, dry cleaners—that in turn hired thousands of delivery boys, stock clerks, bookkeepers, and the like.

First to be soaked

But a lot of New Yorkers were forgetting the direct link between a good climate for business and the existence of jobs. They began to look upon businessmen much as they looked upon landlords—as the enemy. Worse, elected officials put the theory into practice again and again. Whenever the city needed new revenues, which was always, they soaked the business community first.

In 1966, for example, the city imposed a 5.5 percent corporate income tax on top of both federal and state income taxes. Last year the levy was raised to 10.05 percent. To supplement these revenues, the city adopted a nightmarish array of permit and inspection fees that multiplied geometrically both in number and in price. For example, by 1970 it was charging up to \$77 a year to inspect each boiler in every factory and commercial building, and \$16.50 a year to inspect each elevator. Owners of

gas stations were hit with annual fees of up to \$600 a year for inspecting their underground tanks, a process for which the city of Yonkers, just north of the Bronx, charged only \$95.

Taken individually, the fees were a nuisance. But piled on top of one another, and on top of general taxes, they created a powerful incentive for many businessmen to find another place to operate. Moreover, in the 1960's, upstate counties and other states, variously offering lower taxes, cheaper labor, or space for expansion, began sending industrial recruiters to lure New York businesses away from the city. By 1974, the South Bronx had lost 650 of the 2,000 manufacturers who were there in 1959 and 17,688 of the 54,037 jobs that they provided. Few new businesses moved in, and those that did, among them the Hunts Point wholesale food market and a Coca-Cola warehouse, brought most of their employees with them from elsewhere in the city.

In the Sixties, the job market in the South Bronx began to collapse, and the welfare rolls began to swell. In 1962, for example, there were 11,000 welfare recipients in the Hunts Point area alone; a decade later the number had grown to 53,000. Moreover, the payments were structured so that they provided an incentive not to work or else to take an illegitimate job that might escape official notice. For example, in 1961 benefits to a family of four averaged \$188 a month. But if the head of that household took a job, the benefits automatically dropped by \$1

"Functional illiterates," is what J. Bruce Llewellyn, president of Fedco Foods, calls the products of the city's high schools. "Seven out of ten I interview for jobs as checkout clerks can't give you half of 50 cents." In his fourteen stores 25 percent of all purchases are paid for with food stamps.

A priest in politics, Father Louis Gigante, associate pastor of St. Athanasius Church, has been a New York City councilman since 1974. He turned to politics after his efforts to bring about change by staging public protests were unproductive. "We really put on a show," he says. "So the government poured in money but nothing changed."



"A franchise for thieves," is how Jack Baum describes his TV and appliance store on Southern Boulevard. Burglars have broken in nine times this year, and roughly a hundred times during the last decade. To Baum's disappointment, few have been caught and still fewer imprisoned.



for every \$1 he earned. Since the job was unlikely to be lucrative, many welfare recipients decided not to work at all.

When drug addiction—and the crime that accompanies it—became a national problem, again the South Bronx got more than its share of woes. The crime rate inched up in the Fifties, and soared in the Sixties. The number of reported assaults in the Bronx quadrupled from 998 in 1960 to 4,256 in 1969; burglaries multiplied nearly seventeenfold from 1,765 to 29,276. Soon the courts were overwhelmed by the sheer volume of trials. The criminal-justice system began to break down to the point where the odds of being jailed grew so small as to create an incentive to break the law.

By the Sixties, then, the forces that eventually would wreck the South Bronx were firmly in place. Housing was being ruined by rent control, businesses were being squeezed out by robberies and rising taxes, jobs were becoming scarce, and low-paying jobs were being made unattractive by welfare. And the exodus of remaining middle-class families, who gave the neighborhood what little stability it still had, was accelerating. Black and Puerto Rican immigrants continued to arrive and to be packed in by the welfare department. It was inevitable that these destructive forces would reinforce one another, and when they reached a critical mass, would burst into flame.

A reward for peaceful behavior

The amazing thing is not that this did happen—it had to happen—but rather that it took so long. Instead of exploding in riot and fire during the tumultuous 1960's, as Watts did in August, 1965, and as both Newark and Detroit did in July, 1967, the South Bronx continued to deteriorate quietly. So quietly, in fact, that the federal government began to pour money into the neighborhood as a reward for its relatively peaceful behavior. President Johnson, anxious not to provide an incentive to urban violence, explicitly ordered that Great Society assistance to neighborhoods where riots had occurred be kept to an absolute minimum. His Administration began treating the South Bronx like a favorite nephew.

From Washington came \$3 million for an experimental health-care and social-services center in Hunts Point that serves largely as a community meeting hall, \$16 million for a family health-care center, \$77 million for an aborted Model Cities program, and \$250 million for construction of a new hospital, which is supposed to open in 1976, roughly a year behind schedule. One aim of Great Society programs was to provide jobs for the poor, and in the South Bronx hundreds were hired by the bewildering array of federally funded organizations that sprang up during the late Sixties.

Mostly these new bureaucrats—some of whom in fact were illiterate—pushed paper and drew up all sorts of grandiose plans to improve the neighborhood. The federal government was determined to ensure that the poor

people themselves were given “maximum feasible participation” in projects designed for their benefit. To no one's surprise, the plans that emerged were more cosmetic than practical; more concerned with planting trees than with reversing the outflow of private-sector jobs from the neighborhood.

“The worst mistake of all”

It is both ironic and symbolic that the most telling blow of all to the stability of the South Bronx was struck by do-gooders. Aiming to provide more middle-income housing, the union-dominated United Housing Foundation sponsored the construction of Co-op City, a \$413-million, 15,400-unit apartment complex on a 300-acre site at the extreme northeastern corner of the borough. It is financed under the state's Mitchell-Lama program, which provides a subsidized low rate of interest for “middle-income” housing projects.

When the huge project opened in December, 1968, it attracted some 50,000 middle-income residents, including many thousands from the Grand Concourse, where they constituted the South Bronx's largest remaining prop of middle-class stability. Congressman Herman Badillo, a former Bronx borough president, now calls the city's decision to permit construction of Co-op City “the single worst mistake of all.”

The sudden exodus from the once-fashionable Grand Concourse, where in 1968 some five-room rent-controlled apartments went for as little as \$75 a month, created an economic vacuum soon filled by thousands of black and Puerto Rican welfare recipients. With that, entire buildings elsewhere in the South Bronx were abandoned, and the steady outflow of working tenants, of businesses, and of jobs became a hemorrhage.

Within a year, the South Bronx began to burn. Once the fires started, there was no stopping them. Too many people had too many incentives to throw a match. Some landlords, whose abandoned buildings brought in no rent but which could literally not be given away, began setting fires to their property to collect insurance.

An equally potent incentive to arson was offered by the city itself. Welfare recipients housed in moldering buildings naturally wanted to move to better quarters, but regulations forbade the payment of moving expenses to any who had not lived in the same place for at least two years. There was one exception to this rule, and it was (and is) posted in big block letters in neighborhood welfare offices. Any tenant burned out of his apartment automatically becomes eligible for a grant—generally about \$1,000 but sometimes as much as \$3,090—to cover the cost of new clothing, new furniture, and moving. In addition, burned-out families go to the top of the waiting list for public-housing projects.

James Dumpson, administrator of the city's Human Resources Administration, insists that he is required by federal, state, and local laws to make those payments.

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"The laws say that if a family is found in need, the administrator of the Human Resources Administration shall give assistance," he says. "I do not determine who set the fire. I've told the district attorney that if he has evidence of a welfare recipient burning his dwelling to receive assistance, he should bring that evidence into court and file charges." Bronx District Attorney Mario Merola responds that arson is among the most difficult crimes to prove, since the evidence is usually destroyed in the blaze. The welfare department, he argues, should change its rules.

Arson for \$3 per job

Building strippers have also been setting fires in South Bronx apartment houses. After the charred hulks cool, they return to remove copper tubing, plumbing fixtures, electrical wiring, and anything else they can rip out and sell at a profit. Sometimes, police say, they strip abandoned buildings first, then set fires to cover their tracks.

Gutted buildings in the South Bronx are swiftly occupied by drug addicts. Since heroin must be melted before being injected, and since the addicts heating it may be spaced out of their minds, they often cause fires in abandoned buildings. The surviving addicts gather their needles and move into another vacant shell.

Once the fires began to attract attention, setting them became the in thing to do for youngsters. Sometimes they do it for fun. Sometimes they sell their services to adults—by common report, for as little as \$3 to \$5 per torch job.

The police have been struggling mightily to combat arsonists and other criminals at large in the South Bronx. But the authorities are outnumbered by the law-breakers and outmaneuvered in court by defense lawyers. And New York's jails are so overcrowded that some judges feel obliged to set bail at ridiculously low figures, enabling freed suspects to commit other crimes before they are brought to trial on the original charges.

In the last year or so, the police have reorganized themselves to mount a more effective attack on crime. One squad now spends full time battling street gangs, and according to police records, the number of gang-related crimes dropped from 690 in all of 1973 to 220 for the first nine months of 1975. Last year the city belatedly set up an interdepartmental arson squad and the arrest rate for arson has climbed sharply. Half of those caught have been fifteen years old or younger. Last month, for example, police arrested five boys, aged twelve to seventeen, and charged them with setting five fires that injured thirty firemen, left 100 families homeless, and caused \$500,000 of damage. Judges, however, remain reluctant to send juveniles to prison. They send them home instead, and the neighborhood keeps burning.

Right now the statistical odds of serving a prison sentence for committing a felony in the South Bronx are less

than one in a hundred, according to the district attorney's office. Chief Bouza, the borough's police commander, says the situation is now so bad that he has actually used it to persuade a suspect to surrender. The incident occurred last April, when police surrounded an apartment house in which an armed man was holding an adult and three children hostage after a family quarrel. When Bouza reached the scene, he ordered his men to hold back while he called in a trained hostage negotiator. Bouza recalls the following exchange:

"Hey, man, there's no way you can escape now and we don't want those kids hurt. Come on out and give yourself up."

"No way," the gunman shouted back. "I ain't going to get arrested and go to jail. Never."

"You ever been arrested before?" the negotiator asked.

"Yeah. Maybe ten times."

"You ever been sent to jail?"

"No."

"What the hell makes you think you'll be sent up this time?" the negotiator responded. "Come on out of there before somebody gets hurt. We'll arrest you, we'll book you, then you'll get arraigned and you'll go free, like always."

The gunman surrendered, and as of mid-October was still awaiting trial.

Dropping off the tax rolls

Amid such social disintegration, it is small wonder that apartment ownership has become unprofitable. Many buildings are half vacant. Landlords now can charge new tenants whatever the market will bear, thanks to a 1971 amendment to the rent-control law. The change came too late to help the South Bronx. The rents that market will bear are generally below rent-control ceilings anyway.

One result is wholesale abandonment of once-sound apartments. An official estimate, which may understate the case, shows that 5,400 units were abandoned during the first four months of this year alone. A big expense that a lot of landlords eliminate first is real-estate taxes. New York law provides a three-year grace period from the time a property owner stops paying taxes and the time when foreclosure proceedings may be started. Often the city takes a good deal longer than that to get around to seizing the property.

One such delinquent landlord is Puerto Rican-born Tommy Cuevas, thirty-six, who wears brightly colored flowered shirts and who loudly espouses the capitalist system. In 1972 he owned and managed sixty apartment houses; in many cases the deeds literally had been handed to him by departing Jewish owners. But in the last three years, Cuevas says, he's "walked away" from forty buildings. He says he owes the city \$352,000 in back taxes. "I'd like to pay my taxes," Cuevas insists. "It's the right thing to do. But I've got to pay my fuel bills first, and they've tripled since 1973. What am I supposed to do?"

Seventy percent of Cuevas's tenants are on welfare. "If

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I could collect rents from them, I might have a chance," he says. "But they've learned how to beat the system. First they stop paying rent. Then I take them to court and some hot-shot Legal Aid lawyer keeps them from being evicted for maybe six months. Meanwhile, I'm losing money. Finally I do evict them, and all I've got is a vacant apartment that doesn't bring in any rent at all. The guy I evicted? Welfare gives him money to get an apartment in some other building. There's no way to make housing profitable in this kind of atmosphere."

The city government found out the hard way what filling buildings exclusively with welfare families can mean. In 1970 the city advanced \$2 million (or \$12,121 per dwelling unit) to a developer to completely rehabilitate a 165-unit apartment complex on Boston Road. Within two years, welfare tenants wrought so much damage that the relocation department stopped replacing the families who left. Soon thieves ripped open the walls and stole the wiring and the pipes. Today the building stands abandoned, its only occupants occasional squatters, mostly dope addicts and other derelicts.

In 1974 the federal government subsidized construction of South Haven Houses, a 152-unit apartment project adjacent to "The Hub," a bustling shopping district at the intersection of several major streets. The sponsoring Spanish Grocers' Association tapped Model Cities for \$243,000 of equity money and the Federal Housing Administration issued a \$5.8-million mortgage under its controversial Section 236 low-interest-rate program for middle-income families.

The project was virtually completed—appliances had been installed and rent deposits collected—when construction halted. The contractor demanded an additional \$700,000 to complete the project because of fire, vandalism, and unexpected foundation problems. So the buildings died before they were born. Now that thieves have carried off much of their innards, it is estimated that more than \$2 million would be needed to finish them.

Too much human rubbish

Clearly, most government programs to aid the South Bronx have failed and, as constituted at present, will continue to fail. They do little or nothing to stop that slow virus that is the neighborhood's real killer: a tangle of bad laws, maladministration, and counterproductive programs that give people incentives to do the wrong things. As long as old apartments are rehabilitated and new ones put up piecemeal, they will be swallowed up by a vicious slum, and property ownership will doubtless remain unprofitable.

It is absurd to believe that there is any quick, simple, or painless way to revive the South Bronx. The neighborhood has too little social stability, too much crime, too much human rubbish. The resurrection of the South

Bronx, if it comes at all, will come over a long period of time. Ultimately, what will be needed is a massive infusion of economic vitality—that is, jobs.

This insight at last has begun to percolate down to some local officials. The city's Economic Development Administration, for example, has proposed that New York put together large parcels of land and then sell or lease them to industrial developers. As Henry J. Gavan, the EDA's assistant administrator, sees it, "there's no excuse for this city's failure to tout the South Bronx sooner."

Already Gavan's boss, Alfred Eisenpreis, has persuaded a Milan-based industrialist, Renzo Zingone, to start drawing plans for a \$40-million industrial park on 108 acres of unused rail yards that the city is trying to help him lease from the Penn Central. But even if these negotiations are successful, the project would still be a long way from becoming reality. What attracted Zingone, say EDA officials, is the strategic location—the waterfront, the rail and highway access, and the city's big pool of skilled labor. Still, construction projects in New York involve so much red tape—the Zingone project alone would require at least forty easements, some dating from the 1850's—that it takes years of maneuvering through the bureaucracy before a building permit is finally issued.

Opportunity amid the ruins

Inexorably, the rapid collapse of the South Bronx provides an opportunity for its revival. It is plainly too late to salvage the neighborhood with conventional programs. But as more and more residents flee, leaving more and more apartment houses abandoned to the tax collector, the city government could use its foreclosure powers to acquire vacant property rapidly and cheaply. Such parcels should be held off the market until they can be put together in tracts large enough to compete with suburban industrial parks. Thereafter, if enough industrial projects are built, they in turn will create thousands of productive jobs. Those jobs might enable some remaining South Bronx residents to move off welfare.

True to form, the city so far is squandering its opportunity by auctioning off foreclosed parcels piecemeal. Speculators have already begun to pay \$400 to \$600 for twenty-five-foot lots that the city couldn't give away six months ago.

Yet if the city is to turn the South Bronx into a successful industrial neighborhood, it will have to avoid repeating the mistakes that ruined the place. That means less red tape, no more rent control, no more large concentrations of welfare-dependent families, less tax burden on business, and a criminal-justice system that keeps the neighborhoods safe for law-abiding citizens. Above all, government will have to restrain its impulse for social engineering, and give private enterprise a fair chance to work.

END

Rotten Boroughs

New York City Has Been Undermined by Rent Control

DAN DORFMAN aside, New York Magazine isn't exactly must reading around here, but we subscribe wholeheartedly to last week's issue. Under the catchy title, "Who's to Blame for the Fix We're In", the author ticked off the "Twenty Critical Decisions That Broke New York City," ranging from enactment on June 22, 1944, of the G.I. Bill of Rights, which "opened the floodgates . . . to the exodus of two million middle-income people to the suburbs," to the default on February 25, 1975, of the New York State Urban Development Corp. In between, there was more than one villain of the piece: then-Governor Thomas E. Dewey; former Mayor Robert E. Wagner, who, on March 31, 1958, issued Executive Order Number 49, which granted city employes "the right to join a union of their choice and to bargain collectively"; Republican turncoat John V. Lindsay, who, on January 12, 1966, settled a city-wide transit strike at prohibitive cost, and, on March 18, 1969, "announced his candidacy for re-election."

Even Nelson Rockefeller, who has somehow bamboozled most of the press into forgetting his ruinous 15-year tenure in Albany, takes his lumps. March 28, 1960: "Governor Rockefeller signs a bill increasing by 5% the state's contribution to state employes' pensions"; April 18, 1960: "Governor Rockefeller signs a bill creating the State Housing Finance Agency"; June 18, 1971: "Rockefeller signs an amendment to the Local Finance Law," which, in effect, gave Gotham's free-and-easy politicians a blank check.

* * *

Compiling Critical Decisions, of course, is a game any number can play. With respect to the decline and fall of New York, we can think of several that didn't make the aforesaid list. September 1, 1932: Mayor James J. Walker resigns from office, thereby temporarily removing Tammany's little tin box from the local scene and replacing it with the insatiable demands of social engineers and reformers. November 7, 1933: Fiorello H. LaGuardia wins the mayoralty by a landslide, thus enshrining the five-cent subway fare, sealing the doom of the Brooklyn-Manhattan Transit Co. (BMT) and Interborough Rapid Transit Co. (IRT), and ushering in an era of public affluence and private squalor. November 1, 1943: four months after the rest of the country, federal rent control goes into effect in New York City. May 1, 1950: New York State takes over the administration of rent control from the federal government. May 1, 1962: New York City takes over the administration of rent control from New York State.

Apart from Barron's, which for over a decade has repeatedly attacked this peculiar form of urban blight, and The Wall Street Journal (which lately has taken up the cudgels), few have cared to point a finger at rent control. The captains and the kings of high finance have tramped to Washington

and departed, without so much as a passing glance at the subject. On Capitol Hill, where the lawmakers, as is their wont, again seem eager to legislate in haste and repent at leisure, Representatives and Senators alike unanimously have chosen to ignore the issue. Yet as our own chronology of Critical Decisions suggests, it cannot escape its share of blame for New York's financial plight. On the contrary, thanks to rent control, the city currently is losing—either by forfeiture or failure to collect—real estate tax revenues put at hundreds of millions of dollars per year. All told, what Gotham has lost from this source is fast approaching the billion dollar mark.

But the damage cannot be properly assessed in dollars-and-cents alone. As even the hapless officials responsible now reluctantly concede, rent control is costing the City of New York, through abandonment and ultimate destruction, upwards of 30,000 dwelling units annually. That's enough (so our colleague, James Grant, recently calculated—Barron's, April 21, 1975) to house at two to a room the population of Sioux Falls, S.D., or a good many other places the residents of which are now being asked to succor (or be suckered by) the misgoverned metropolis.

Like the quantity of shelter, the quality of life in the big town inevitably has suffered, too. Mobility and freedom to choose where one wishes to live have dwindled almost to the vanishing point. By setting tenant against landlord and lavishing unearned benefits on a privileged minority of subsidized squatters, rent control perennially fans the flames of social hatred and class warfare in a city once known as the nation's melting-pot. After three decades and more of

an alleged "emergency," which furnished the shaky legal foundation for rent control, New York City is in deep financial crisis. One way or another, quite literally and finally, it must put its house in order.

"Disorderly" doesn't begin to describe the chaos wrought by rent control since it was imposed as a wartime expedient in 1943. While promptly abandoned by the rest of the U.S. shortly after World War II, the "emergency" measure remained alive and well in what somebody once described as the "most unrepresentative city in the country." Over the years, as noted, its care and handling, growing more cumbersome and restrictive every step of the way, shifted from federal to state to local authorities. First applied only to pre-war apartments, controls (rechristened "stabilization") eventually engulfed postwar buildings too, thereby bringing new residential construction in the five boroughs almost to a halt. Rules and regulations proliferated. As the landlord told Barron's, in one apartment house in the Bronx, "there are rent-controlled tenants, rent-stabilized tenants, tenants who were decontrolled by virtue of vacancy decontrol (since rescinded) and tenants who were recontrolled or restabilized by virtue of the Emergency Tenant Protection Act of 1974." Confusion has compounded to the point where a justice of the Civil Court of the City of New York recently decreed rent control—notably in its current version, known as Maximum Base Rents—unconstitutional, not because it violates property rights per se, but because it has grown impossible to administer with even a pretense of equity.

Maximum Base Rents may be shrouded in red tape, but their effects are painfully clear. Under such stric-

tures, landlords, after protracted delay, are lucky to win a rent increase of 7.5%-8.5% annually. In striking contrast, taxes and labor are rising at well over 10% per year, while in the past 18 months, the price of fuel oil, a ponderable part of total operating costs, has soared by 200%. Small wonder that more and more buildings are being run at a loss, while tax delinquency, once largely confined to one or two rotten boroughs, has spread far and wide. According to the Municipal Assistance Corp., newly organized state agency which is trying more or less successfully to fight City Hall, \$502 million in real estate taxes from prior years must be written off. In the current fiscal year alone, MAC estimates that another \$260 million will not be forthcoming, a staggering sum which the Community Housing Improvement Corp., a landlord group which knows the grim score, views as too low by half.

Deterioration—in the trend of tax delinquencies cited above, and in the condition of the housing stock—is shocking. Half a decade or so ago, Barron's observed: "Vast stretches of real estate in at least three of the five boroughs have decayed beyond the point of no return. Ancient tenements and (until recently) quite habitable buildings alike stand empty, boarded up and stripped, vandalized and blackened by fire. Some no longer stand at all except as piles of broken brick and rubble. Whole blocks of Brooklyn and the Bronx have been compared (by expert witnesses) to the bombed-out ruins of London and Berlin." Last spring, in preparation for weighing the case against rent control, Civil Court Judge Bernard Klieger toured the blighted areas. After an hour or two, he called a halt, saying: "I don't want to see any more. I'm so depressed." Since January 1, precisely 2,696 dwelling units, only a handful privately financed, have been started in New York City, down over 50% from the like 1974 span. Physically as well as financially, Gotham is visibly crumbling.

* * *

The moral devastation is worst of all. In the name of social justice, landlords—including some of moderate means—have been forced to subsidize well-to-do or wealthy tenants who, thanks to rent control, have turned large apartments into part-time pied-a-terre. For those seeking a place to live—this helps to explain why so few want to move to New York—freedom of choice is limited; in the covert traffic in rent-controlled flats (as must happen where goods or services are priced below market), discrimination, religious and racial, flourishes. For more than a generation, local politicians and so-called civic leaders alike have cravenly perpetuated the evil. Now the rest of the country is being asked to pay for the city's mistakes. If a bargain is struck, an end to rent control should be a key element of the quid pro quo.

—Robert M. Bleiberg

BARRON'S MAILBAG

"WINDS OF CHANGE"
To the Editor:

The October 13 issue of Barron's containing Mr. Bleiberg's "Winds of Change," tries to present the case for airline deregulation. I can understand that in one page it is a difficult assignment and although I heartily agree with the movement towards freer (as opposed to totally free) enterprise, I must take issue with what I feel Mr. Bleiberg uses as a cap for his argument.

The past few years have been good ones for Southwest Airlines. This David has conquered both Braniff and Texas International in the Texas intrastate market. Where Mr. Bleiberg errs, and it shows a major lack of research, is that Southwest is prospering principally not because it is not a federally regulated intrastate carrier, but because Southwest avails itself of Love Airport, which is convenient to downtown Dallas. Braniff and Texas International are under obligations to serve the new Dallas-Fort Worth In-

ternational Airport at much higher landing fees. Southwest's advantage is lower landing fees and greater convenience to its passengers, due to the proximity of Love Field to Dallas.

While I support deregulation, please, let's be careful and not present false argument for our case.

BARRY M. KOPLEFF
Troster, Singer & Co.
New York City

* * *

NEED NATIONAL POLICY
To the Editor:

I have been a faithful reader of your publication for many years and have enjoyed many of your news articles and commentaries. The editorials about rent control and public housing have been very informative.

Your publication and other financial publications have never grasped the fact that we have no national housing policy. When it comes to housing, we only have a job policy, because the nation equates housing

Continued on Page 18

REVIEW & OUTLOOK

The Social Laboratory

The only argument for a federal bailout of New York City that makes any sense at all to us is one that is never made by the city's intellectual and political elite. That is, for the past generation, New York City has been the main laboratory for the nation's social engineers, and has been wrecked in the process. The federal government should at least pay for the breakage and promise to never experiment with New York again.

The argument isn't made because the social engineers who are responsible, both in New York and in Washington, still can't believe so much bad can come from trying to do good. Even now, with the city staring into the jaws of default, the sociologists are celebrating the opening of four luxury towers to house 656 poor families in Harlem, courtesy of the federal taxpayers. The average construction cost per apartment is \$68,597. Needy families will be eligible for six-bedroom, air-conditioned, triplex apartments with 11-foot ceilings and 20-foot balconies at \$113.28 per month, utilities included. The city is doing its bit for compassion by waiving property taxes.

Becoming eligible is a bit tricky. One way to get to the head of the list, if you are a welfare recipient, is to set fire to your current digs. The city's Human Resources Administration not only puts burned-out families to the top of waiting lists for public housing, it also gives them up to \$3,090 for new clothing, furniture and moving expenses. There have been 68,456 fires in the Bronx in the past five and one half years. In the last year, 2,250 South Bronx families have been burned out of their apartments.

Social experimentation is at the bottom of New York's problems, and if you have any doubt about this, read Herbert E. Meyer's article in the November issue of *Fortune*, "How Government Helped Ruin the South Bronx."

If it's true that whatever happens in urban America happens first in New York City, it's probably true to the same degree that whatever happens to New York City happens first to the South Bronx. The section, with a population of 450,000, is the most concentrated drain on the city's resources, with 28% of its

families on welfare. But the same forces that have rotted the South Bronx are at work a little less visibly throughout the city.

The primary cancer was rent control, a political sacred cow that has been chewing away at the city's housing stock and tax base since World War II. With rent increases restricted and maintenance costs rising with inflation, landlords let their housing deteriorate, tenants moved elsewhere to better housing, lower-class tenants moved into the vacated rent-controlled housing and the cost of maintenance rose faster, the pattern ending when buildings are abandoned by landlords and tenants, then gutted by arsonists who are only after the copper plumbing.

At the very earliest stage of the above process, New York's intellectual and political leadership pointed to the urban decay they were unwittingly causing, and inspired the federal government to urban renewal efforts at the same time they taxed the hides off New York businessmen to help pay the costs of compassion. The ultimate result of this process are those \$68,597 Harlem penthouses, with greenhouses, indoor swimming pools and underground parking, by the way.

What hurt the South Bronx further was its failure to riot in the 1960s. President Johnson's Great Society administration rewarded the area for its good behavior by showering the South Bronx with dozens of do-good projects that made it an ever greater magnet for the welfare underclass. At the same time, the city and state built a 15,000-unit middle-income housing project in the North Bronx, which of course attracted the last vestiges of stability out of the South Bronx.

We can't say the nation has benefitted by having New York City serve as its social laboratory; many of the problems of Chicago and Detroit resulted from solutions originally devised for New York. But a persuasive argument might be made that because New York has been hurt most by the government's social inventiveness, it deserves to be bailed out. And it might be worth every penny if, in exchange, the federal government stopped trying to do good by building penthouses for the poor.

Subsidized Housing and Politics

By JAMES RING ADAMS

We all know the fiscal results of New York City's attempts to live outside of the economic law. Less well-known is that this attitude has produced an equally baroque and bizarre confusion in the city's housing finance.

A major economic debacle, on the same order as the temporary default of New York State's Urban Development Corporation, has been building for a long time without much publicity in city-subsidized housing. So it is refreshing indeed to encounter a New York liberal, and ironically the city official who is struggling with this very program, who has the lucid and comprehensive grasp of economics and finance displayed in Roger Starr's "Housing and the Money Market" (Basic Books, \$10.95).

Mr. Starr, a widely respected authority on housing and urban affairs, was appointed two years ago as head of the city's Housing and Development Administration. It is his unhappy fate to preside over an empire of housing developments that violate all the rules for economic health he so clearly describes in his book. His reason for writing had little to do with New York; his book seems designed as a text for college students. And he is mainly concerned, not with local affairs, but with the fundamentals of housing finance—from the nature of the mortgage, through the mortgage-making role of banks and "S & L's," to government offshoots like "Fannie Mae," "Ginny Mae," and the development of a national mortgage market.

But his book reflects an understanding, very rare in college texts, of the way things work out in the real world, where political pressures and business accommodations make hash of economic models. This hash is chopped the finest in New York City. Mr. Starr unfortunately seems to have completed his draft before the city's current housing crisis (shared to a lesser extent with the state and in neither case of his making) had come to a head. His book does not give them an extended treatment. But it provides the essential background for understanding what is going on and points directly to the cause of the problem.

The Case of Co-op City

This crisis is epitomized in the curious case of Co-op City. Located just within the city boundaries in the North Bronx, this project is actually financed by the state, not by Mr. Starr's HDA, but it demonstrates the basic flaw of the legislation under which both work, the so-called "Mitchell-Lama" middle-income housing program. Co-op City, the largest of the Mitchell-Lama projects, has 15,372 units, housing more than 50,000 people on a 300-acre site. Since June 1, some 75% of these people have been protesting a 25% increase in their monthly rent by withholding payment. Directors of the cooperative's board have resigned, turning over control of the project to the state. The rent strike committee has promoted a series of protests and lawsuits, at one point dumping about \$2 million in rent checks at the governor's office. As a result, the project is \$2 million in arrears on its real estate tax and more than \$15 million in default on its mortgage. The state's Housing Finance Agency, mortgage holder for the project, has moved to foreclose on its \$400 million balance.

At the peak of this tumult, default threatened the HFA itself, a respected, 15-year-old body which has financed \$5 billion of middle income housing, university and hospital construction and the like. A complicated last-minute arrangement, ironically

involving aid from New York City, barely allowed the HFA to roll over some \$69 million in notes in mid-October. State officials deny it, but the rent strike must have caused some of the trouble, since \$38 million of these notes were Co-op City financing. The rent strike committee brought considerable pressure on New York City politicians to block the HFA rescue.

That throughout all this the Co-op City strikers have managed to retain the sympathy of the public and the press is a sign that Mr. Starr's book is very much needed. The residents complain that they were "lured" into the project by the promise of low rents and that the increases heavily

In housing finance, political pressures and business accommodations make hash of economic models. This hash is chopped the finest in New York City.

burden those elderly occupants on fixed incomes. But their case loses its moral punch when one looks at the state arrangements which financed the development. As Mr. Starr explains, Co-op City and the other Mitchell-Lama projects are the beneficiaries of an attempt to reduce that largest of housing cost components, the interest payments.

The cost of a private home or the rent in an apartment building is directly related to the cost of the money that was borrowed to build it, in other words, to the interest on the mortgage. When state and local governments borrow money, they have the advantage of offering tax-exempt bonds; the value of the bond as a tax shelter to the person lending the money means that these governments can borrow at a lower rate of interest than the rest of us. The difference between private and "municipal" interest costs has generally been about 2%.

In the mid-fifties, New York State realized that if it raised money at this lower interest rate, it could take the funds, turn around, and lend them out again as housing mortgages at below-market rates. The low-cost mortgages in turn would allow a developer to set below-market rents for his apartments. Thus was born in 1955 the state's Limited Profit Housing Company Bill, called the Mitchell-Lama Law after its sponsors, State Senator McNeil Mitchell and Assemblyman Alfred Lama.

Under the law, the "housing companies" (including non-profit corporations set up by churches, unions, and the like) take out mortgages on up to 95% of their development cost on the agreement that they pass the savings directly through to the tenants. Their profits are legally limited to 6%, but they also get a large real estate tax break. In short, the 50,000 residents of Co-op City have benefitted and continue to benefit from a package of subsidies available only to about half a million people in New York State. At Co-op City, the annual tax abatement comes to \$20 million, or \$400 a head, and the reduced mortgage interest works out to a subsidy of \$48 a month for each apartment.

So the issue in the rent strike isn't whether a subsidy is being withdrawn. It is whether the tenants, who are at least nominally partners in a cooperative, are willing to pay for the surge in costs other than interest: for instance, the quadrupled fuel bills or the increased salaries for mainte-

nance help. And the same question applies to the Mitchell-Lama projects run and financed by Mr. Starr's own agency, New York City's HDA. As Mr. Starr indicates in his book, the city faces a persistent, low-grade version of the Co-op City problem—tenants won't pay rent increases.

Tenants in the city-run projects have had resounding success, too, thanks to the maze of local rent control laws. As a result, some 90 of the city's 130 completed Mitchell-Lama projects are in arrears on their city-held mortgages, and some 76 of these are three or more months behind.

And here, as in Co-op City, the tenants are not all senior citizens struggling by on fixed incomes. Far from it, said Frank Kristof, the housing economics director for New York State's Urban Development Corporation, in a recent paper on rent control. "It has been estimated," he wrote, "that some 15% to 20% of all city Mitchell-Lama occupants are over-income and are avoiding surcharges for which they become liable. . . . Thus we have the spectacle of about \$30 million of subsidy going to middle income tenants, about half of whom are paying 15% of their income or less for rent and many of whom are cheating on surcharge obligations that could substantially reduce debt service arrearages."

The Political Connection

Mr. Starr gives us the reason for this spectacle. The occupants of these projects are "constituents as well as debtors. . . . Once city officials had made their discoveries about the connection between rents and votes, they naturally hesitated to institute foreclosures or any of the other dramatic devices (like removing boards of directors) with which the law arms them to meet defaults." It has some bearing to the Co-op City situation that that project houses 30,000 voters and the largest local Democratic club in the state.

One could go on about the effect this has had on New York City's fiscal crisis. As we saw, the point of the Mitchell-Lama program was to raise money at lower interest by selling tax-exempt bonds. But by some twist of fate, the city never got around to issuing long-term bonds on most of its projects. Since the late sixties, it has based its mortgage financing on the rolling over of short-term notes in the futile hope that long-term interest rates would go down. As a result, only one-third of its apartment houses rest on long-term debt. In May, the bond anticipation notes issued to make these mortgages, (now mainly in arrears) amounted to \$1 billion, a bit under one-fifth of the city's \$5.5 billion short-term debt. (The city has since offered its Mitchell-Lama mortgages as security for a \$250 million loan from the state.)

But we digress into regions of fiscal horror only dimly glimpsed when Mr. Starr wrote his book. Mr. Starr is by no means a "free market ideologue," and it's evident from his text that he is perfectly willing to live with the pervasive government subsidizing and regulating of the housing market that exists today. But it is thoroughly to his credit that he has stated so clearly the political nightmares that can result. To be sure, some of Mr. Starr's policy proposals would not find favor in this paper's editorial columns. Yet he is a sensible man, and we would not quarrel with his concluding aphorism on "the moral of the money market": Government has the right to flout the market's allocations, but only if it is willing to pay for it.

Mr. Adams is a member of the Journal's editorial page staff.

CITY OF CAMBRIDGE
TRAFFIC BOARD

MEETING OF Oct. 29, 1975

PRESENT: Chairman John Pitkin, Vincent Panico, Fred Cellineri, George Teso Traffic Director, David Bryant, Deputy Chief Ernest Gelinas, Don Wagner Community Development.

A. Mr. Don Wagner reviewed proposals for the improvement for Route 2 and Alewife Brook Parkway. The task force, after many meetings and studying many plans, have eliminated all but two proposals. The two highway patterns under consideration are a star pattern or a fly over from Route 2 to Concord Avenue. The citizens of North Cambridge object to the modified star pattern as they are fearful that it would increase the traffic on an overloaded Rindge Ave. Completion of the modified star will take approximately three years. Also as part of the overall plan, is the proposal that the MBTA extend the Red Line to Arlington Heights. The Task Force is to meet Monday Nov. 3 to decide which of these plans they will back.

(A business group plan to construct a giant shopping complex if access is acceptable and permits can be obtained.)

At the next Traffic Board meeting Dick Easler will have plans and drawings which shows the proposed highway changes.

B. Mr. Pitkin asked about the Cambridge St. tunnel detour. Mr. Teso's reply "The detour is working well due to the cooperation of all departments. Letters have been written to the Police and DPW thanking them for their cooperation. Due to unexpected complicated repairs to the tunnel, it will take longer than expected. One side will be repaired by cold weather and the other side repaired in the spring."

C. Mr. Teso: "The Green Street Garage will be ready for occupancy by Nov. 17, 1975 with 290 spaces. When the garage is ready, we will post the Central Square area with resident parking signs. This project will take 3 to 4 weeks." Mr. Teso also stated that by June 1, 1976 we will have 90% of the City posted and under resident parking control.

D. Mr. Pitkin asked about parking control and parking tickets. Mr. Teso: "Seven of our nine parking control officers are employed under the CETA program and we do not have the girls out on the streets at night. To offset this we are purchasing 4 Harley-Davidson motorcycles on the 4 to 12 shift for the police department. They will enforce parking regulations. Also of the 37 new police officers some will be used in parking control. I am requesting in the new budget funds from the City Manager to hire 5 additional parking control Officers. As it is now, we write out 20,000 parking violations per month. We lease the City of Boston's computer which can only handle 100 per day, leaving a back log."

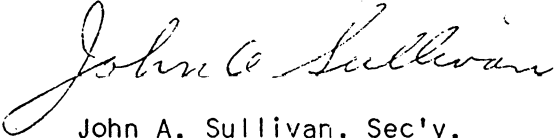
E. Mr. Teso: "After Dec. 31, 1975, the Department will not issue the court house any visitor permits for resident parking as they made no effort to solve their own parking problems. They had received offers for lease land for parking but did, as of this date, nothing about it."

F. Mr. Teso: "The High School wants a parking study made of their parking needs and what to do about it. Mr. Cremins of the School Department was to send in a report of the needs of the High School but as yet we have not received it".

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G Mr. Panico offered Mr. Teso the support and backing of the Traffic Board in any dealings with the City Council of Citizen groups. Mr. Teso thanked him but said he felt it was his job to handle these problems but would not hesitate to call on the Board if he felt the need.

H. Mr. Teso: "At the next Traffic Board meeting, we will have the East Cambridge Study completed".


John A. Sullivan, Sec'y.

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Comm. from the Cambridge Property Owners
Association, Inc. relative to Rent Control.

In City Council,

December 15, 1975

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