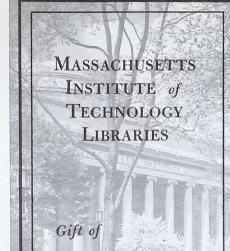




A HOUSING PROGRAM FOR NEW YORK STATE

Prepared by: Paul Davidoff
Neil Newton Gold
Harry Schwartz

February, 1968



Professor Hartman

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The authors deeply appreciate the support offered by the Stern Family Fund, which enabled this project to be undertaken. We are also grateful for the research assistance of Anne Farrar and Peter Semrad and for Linda Davidoff's very helpful editorial assistance.

March 22, 1968

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URBAN PLANNERS CALL FOR MASSIVE HOUSING EFFORT

New York City, March 22 -- A group of three city planners today issued a call for a vast New York State housing program to "eliminate substandard housing and racial segregation in housing by the end of the 1970's." The three, Paul Davidoff, Director of the Urban Planning Program at Hunter College of the City University, Neil Gold of the Hunter College Urban Research Center staff, and Harry Schwartz, a planning consultant, carried out their study under a grant from the Stern Family Fund.

In contrast to rent housing programs for New York State

proposed by Governor Rockefeller and Mayor Lindsay, that

emphasize the rebuilding of slum districts, the proposal

released today is much closer to the call to the National

Advisory Commission on Civil Disorders for a reorientation of

housing programs "to place more low and moderate income

housing outside of ghetto areas." It clearly reflects a basic

conclusion of the Commission; that the prevailing patterns of

racial segregation that "concentrate the most impoverished



and dependent segments of the population into the central-city ghettos" must be overcome if the permanent separate of the nation into racially-based communities is to be avoided.

In calling upon "the Governor of New York, the Legislature, the Mayors of our cities, and the Executives of our counties" to commit themselves to the program, the authors outlined an agenda for housing action on four broad fronts: 1) the provision of 2 million units of new and rehabilitated housing, aided by "massive commitments of federal and state funds;" 2) the use of large supplies of existing housing in the outer areas of cities and in the suburbs, to house low- and middleincome families through a variety of subsidy, public purchase and lease arrangements; 3) while these supplies of housing are being built and acquired, the interim re-use of substandard housing in the big-city ghettos through minimum rehabilitation and repairs; and 4) opening up large sections in "new towns" and in suburban areas throughout New York: State for low- and moderate-income housing.

The authors stressed that "policies which seek to improve and maintain ghettos cannot, by themselves, solve our urban housing crisis," because such policies ignore the fact that the major growth of new industry has taken place in recent years outside the central city areas. "The great share of new

jobs are in the areas outside the central cities where Negroes and Puerto Ricans do not and cannot now live," the report states. Thus, in order to solve what they call "New York State's deepening housing crisis," the planners demand that new housing programs focus on opening up new areas of suburban settlement for job-seeking Negroes and Puerto Ricans.

In addition to aiding the construction of vast new supplies of low- and middle-income housing, they called for State action to require local municipalities throughout the state to "develop local plans in terms of regional needs and conditions." Charging that suburban municipalities deliberately enforce zoning and housing laws that keep out "large segments of the populations of metropolitan areas," the planners call for the State to "restrain local efforts to isolate a community from its neighbors." State laws for zoning and planning, and State funds to aid local municipalities in public facilities and services can be used, aver the authors, to encourage a new sense of regional responsibility among suburban communities.

Each of the three authors of the report have a wide background of knowledge in the urban planning and housing field. Davidoff, currently heading a newly-established graduate

program in urban planning at Hunter, has done research and writing on housing and planning problems for the United States Commission on Civil Rights; the President's Commission on Urban Problems; and the Center for Urban Education. Gold, presently on the staff of the Hunter College Urban Research Center, was formerly Director of Research for the National Commission Against Discrimination in Housing, and has also done extensive consulting work for government organizations, Schwartz, a private planning consultant, was formerly Associate Director of the Housing Department at Mobilization for Youth. All three of the authors are active members of Planners for Equal Opportunity, an organization of professional planners.

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CONTENTS

Introduction
Some Dimensions of the Housing Crisis in New York State
Proposals
Housing as a Civil Right
The Existing Housing Stock
Utilizing the Existing Supply
A Housing Referral Agency
State Assistance to Fair Housing Councils
Improving and Equalizing Relocation
Renovating and Re-Using the Existing Supply 54
Housing Authorities' Use of the Existing Supply 63
Housing for Welfare Recipients
<u>New Housing</u>
A Below-Market Interest Rate Program
A Shelter Subsidy Plan 78
Increasing Home Ownership Opportunities 89
Not-for-Profit Housing Corporations 91
Mobile Homes as Low Cost Housing Units 98
Housing Law and Regulation
Comprehensive Planning and Housing 101
Zoning and Housing Costs
Police Powers in Planning and Housing 109
Housing Taxation
Expanding Employment Opportunities in Housing 115
New Housing and New Cities

INTRODUCTION

The state of New York is undergoing a housing crisis of extraordinary severity and significance. This situation has been emerging for decades, and its dimensions are by now familiar to government officials across the state. Today more families are living in undesirable housing and environmental conditions in New York State than ever before, while fewer new accommodations are being built than ten years ago.

Clearly, New York has made no public commitment to achieve the national housing goal of a decent home in a suitable living environment. Examination of expectations and accomplishments nationally, and within New York State, suggests that the housing goal as been and remains: a decent home in a suitable living environment for some; a decent home in an unsuitable environment for others; and an indecent home in an unsuitable living environment for many others.

This goal belies the progress that has been made in the past in housing legislation in New York. Much of the most creative legislation in the field of housing regulation and housing finance was developed first in New York. In the postwar years great attention has been given to legal mechanisms for aiding the construction of middle income housing units.

The major need in the field of housing legislation in New York State, however, has been and remains a public commitment to the rapid elimination of indecent housing and unsuitable living environments. This obligation should be embodied in an enactment establishing decent housing as a civil right.

The commitment to ending New York's housing problems can then be carried out through four major types of approaches to the housing supply. First, we must attack the persistent housing shortage in New York's urban areas, which we estimate at 2 milmion units of new and rehabilitated housing. Building a housing supply of this magnitude will require massive commitments of federal and state funds in the form of loans, subsidies and grants to make possible superior housing for low and moderate income families. Moreover, it will require development of new types of building and zoning regulations which can bypass the political, administrative and fiscal restrictions inherent in public and publicly assisted housing programs.

Secondly, we must use the large supply of good housing in the outer areas of the larger urban centers and in suburban communities. This stock of existing housing can be productively used to meet the housing needs of large numbers of low and middle-income families. Public funds that might otherwise be used

to construct monolithic projects should be directed to opening up segments of the existing, habitable housing to needy families. Such an approach would provide good shelter at a cost far below that of new housing and will tend to disperse families receiving subsidies, rather than grouping them as a special class.

Third, we must get rid of the enormous number of substandard dwellings, mainly in the inner areas of New York's big cities.

Because of the intense housing shortage they cannot be demolished immediately, but must be retained, and reclaimed, for an interim period. Our recommendation is that much of this housing be reused by "reconditioning."

By reconditioning we mean a form of repair and improvement costing considerably less than typical rehabilitation. Rehabilitation is too costly and too slow in reaching all the families in substandard housing; moreover, much of this housing is obsolete and should not be given a new and long life. A graduated renovation program will provide improvements consistent with the extended value of a particular building type and local environment. It would concentrate on reaching many units in a relatively short time through a modest capital investment in each unit.

<u>Finally</u>, we must find the right areas for the construction of new housing. We assume that within the next decade, reasonable amounts of new construction will be located in the settled

sections of the state's communities. However, major progress in providing good housing to all, and particularly to the poor and minorities, will depend on developing essentially vacant land in urban and suburban areas and creating new towns in the vast open parts of the state. Using new land will permit simultaneous development of job and housing opportunities for unemployed and underemployed central city residents.

Programmatically, our proposals fall into three action categories: information, incentives, and regulation. The first of these is mainly concerned with broadly expanding the information about housing and related subjects that government agencies provide. Both the public and housing administrators need much more knowledge in order to make good decisions. Enormous amounts of government money are being spent, for example, for welfare rent payments; but little is known about the quality of the housing that is supported by this subsidy. Our proposals lay great stress on the need for the creation of housing referral bureaus within housing and welfare agencies. If low income families were better informed about available housing throughout a community, not just in ghetto areas, and ways of securing this housing, there would be a significant increase in the supply of low cost shelter at their disposal. In the absence of this information low income families cannot tap large areas of communities in their search for decent housing.

A second category of the housing program covers proposals aimed at inducing housing suppliers to play a greater role in solving the housing problem in New York. The inducements employed are tax and other incentives. For the housing consumer, we suggest incentives in the form of subsidies for rent and further support for home ownership and housing renovation. Subsidies to consumers would in turn stimulate private and publicly aided markets to respond with increased supplies of housing. Still another form of incentive would be used in granting special treatment by the state to local communities which participate in solving regional problems.

Regulatory measures represent the third class of action.

While we recommend creating opportunities for housing problems to be solved without the use of threats and punishments, we recognize that substandard conditions cannot be eliminated unless the law can enforce a minimum standard of decency throughout the communities of the state. Regulatory proposals contained in this report extend access to decent housing by enlarging the responsibilities of both housing suppliers and housing agencies to assure minimum acceptable standards of shelter to all residents of the state.

On the following pages we review some dimensions of the state's housing problem. This will provide a background to our specific proposals for directing the resources of the state to resolving the housing crisis.

SOME DIMENSIONS OF THE HOUSING CRISIS IN NEW YORK STATE

The State as a Whole

Two striking figures demonstrate the magnitude of the housing problem in New York State. In 1960 the U. S. Census registered 556,000 substandard housing units (one in ten in the state), and 369,000 units in which households were overcrowded. Several hundred thousand additional units, considered undesirable because they were located in decaying local environments, were also in use in 1960. On a state-wide basis almost two million new and renovated housing units--somewhat over half of them in New York City--will be needed in the immediate future to relieve family housing deprivations and provide suitable living environments for citizens of New York State.

In terms of matching the need for housing and the available supply, one of the most important determinants of need is the number of new households that will be seeking shelter. The state Division of Housing estimates that in the 1960-1970 decade one million households will be formed and will be looking for housing in the state. However, a total of only 800,000 new rental and sales units are currently expected to be built during the decade. Thus, new construction not only will fail to

satisfy the demands of new households, but it will leave huge numbers of households in the same miserable circumstances in which they now live.

Outside New York City

Several useful indicators reveal the severity of the housing crisis in the state, particularly in the central cities of Albany, Buffalo, and Syracuse. Reliable, recent information on vacancy rates, the proportion of household income paid for rent, and the changes in the supply of low-rent housing are available.

The vacancy rate, or the proportion of the usable rental supply available for lease, is a good general index of the availability of housing and the ability of the market to sustain housing mobility. An overall vacancy rate of 5.0 percent is considered desirable for a reasonably active and equitable market. In 1966 the vacancy rate in Albany was 1.4 percent, while in 1964 it was 3.1 percent in Buffalo, and 3.6 percent in Syracuse. In New York City in 1965 it was 3.3 percent. Even suburban centers, such as Mount Vernon and White Plains, had vacancy rates of less than 2 percent. It should be noted that the vacancy rate is the percentage of units vacant at one point in time. The volume leased during a year--the annual turnover--measures the degree to which housing actually comes on the market.

The constriction in rental vacancies also extends to the sales market, as shown by the recent article in Times 1 on the considerable shortage of sales housing in the lowand moderate-priced ranges in the New York Metropolitan area.

If housing deprivation is measured by the proportion of families who are compelled to pay more than one fifth of their income for rent, then the crisis is indeed severe in New York State, particularly for the low-income family. In Albany, Buffalo, Syracuse, and New York City at least four out of ten families were paying over 20 percent of their income for rent in 1960. Among families earning less than \$4,000 yearly in the three upstate cities, the proportion was as high as seven out of ten families.

In a time of intense housing shortages for low-income families, many cities are losing large portions of their low-rent housing inventory. The reasons for this loss include such factors as steep rent increases and demolitions for urban renewal and public improvements. Between 1960 and 1964 Buffalo, Syracuse, and White Plains lost 7, 24, and 16 percent, respectively, of their housing renting for less than \$80 a month. In contrast, the housing supply in these cities renting for over \$80 a

¹ New York Times, September 18, 1967.

month expanded in the same period by between 11 and 50 percent; much of the increase is attributable to increases in rents. The ability of families to afford these rents experienced no comparable gain during this period.

New York City

Revealing and unique data on the extent of New York City's housing crisis are available. The 1965 Report of the City's Community Renewal Program (CRP)² stated that in 1960 almost half of the city's inhabitants--one million households--lived in areas where the housing, and by extension the local environment, required some form of renewal, ranging from replacement to preventive action. These households had an annual median income of slightly over \$4,000; 45 percent were Negro or Puerto Rican. About 330,000 of these households, 85 percent of whom were Negro or Puerto Rican, lived in the so-called "hard-core" slum areas, which require almost complete rebuilding. The remaining 680,000 households lived in housing and areas needing varying levels of improvement, much of which could only be achieved with a large measure of public participation.

²New York City Planning Commission, <u>New York City's Renewal</u> <u>Strategy</u>, 1965, December, 1965.

The one million households suffered the following housing deprivations:

<u>Problem</u>	Number of Households Affected
Substandard and deteriorating housing	350,000
Overcrowding	270,000
Rent exceeds 20% of income	540,000
Segregated neighborhoods	180,000

The total is more than one million, as many households had more than one problem; in fact, one-third had three or four problems. These circumstances affect the poor--meaning in many cases Negroes and Puerto Ricans--most deeply. The table below indicates the incidence in 1960 of residence in substandard housing by race and household income for the city:

Annual	Percentage	of Each	Group in Sub	standard Housing
Income Group	<u>Total</u>	White	Nonwhite	Puerto Rican
Total	11	5	24	47
Less than \$4,000	19	10	31	52
\$4,000 to \$7,000	8	3	18	41
Over \$7,000	3	2	10	36

Current public actions promise little relief, and actually diminish the housing opportunities for low-income families. For example, between 1960 and 1965 the city recorded a net loss of 262,000 units renting for less than \$80 monthly, or over one fifth of its 1960 supply in this category. In this same period, however, the number of families needing housing at about this price declined by only 10,000.³

In terms of housing and environmental disabilities, the city now requires close to one million new and rehabilitated low- and moderate-rent units. In recent years, about 40,000 new housing units were built in the city annually, with about 28,000 under private auspices and 12,000 public or publicly-aided. Of these 12,000 units, 10,000 with a capital cost of approximately \$200 million, could be considered available to low and middle-income households. They can be allocated in the following manner: 5,000 in aided middle-income projects; 4,000 public housing; and 1,000 rehabilitated units.

If maintained, this volume of housing may well be sufficient to meet the ten-year demand for middle- and upper-income quarters, although there will be imbalances in location and price categories. However, it fails to provide sufficient new

³New York City Planning Commission, <u>An Analysis of Citywide</u> <u>Housing Needs</u>, December, 1965.

units, or liberate enough existing units through the market operation, to satisfy more than a small portion of the city's needs for low-income families. It is instructive to note that the city's plans for slum areas approved in 1967 call for only about 8,200 new and rehabilitated units, composed of about 5,000 in the middle-income category (many with subsidies to enable occupancy by the poor) and 3,200 in public housing. These levels are inadequate to offset deterioration rates or replace units lost by rent increases and demolition, and will not even keep housing available to the poor at its current volume. Capital costs of this program are estimated at \$160 million, and the annual public outlays for debt service subsidies and tax concessions, at \$12 million.

It has been estimated that if direct government and government-aided capital investment in low- and middle-income housing were increased almost fourfold from their present level to about \$800 million annually, 10,000 middle-income, 20,000 public housing, and 6,000 rehabilitated units could be provided in a year. 4 Although this level of output would measurably increase benefits for the poor, as compared to present spending, it would still leave huge unmet housing needs. In terms of real relief

⁴Walter Thabit, <u>A Review of Low Cost Housing Opportunities in New York City</u>, July, 1966.

for housing problems, it has been calculated that such an expanded program would aid the numbers of households shown below over a ten-year period:

-months Problem a prisuod and an englasio	Number Helped by an Expanded Program
Substandard and deteriorating housing	80,000
Overcrowding	90,000
Rent exceeds 20% of income	100,000
Segregated neighborhoods	-15,000*

^{*}Indicates a net increase in the problem.

Because of the dynamic nature of the city's housing supply and its occupancy--where, for example, additional buildings deteriorate while others are cleared, and the minority population increases at a faster rate than white--only about one fifth of the housing problem would be solved in ten years under an accelerated program at a total investment of about \$8 billion.

Almost 80 percent of the households (and housing) would be in essentially the same position as at the beginning, with the average family waiting close to twenty-five years to benefit from the program.

Housing and Metropolitan Structure

The housing crisis is, to a considerable extent, a product of the powerful economic and social forces that are reshaping the six metropolitan areas where about 85 percent of the state's citizens live. Any solutions to the housing problem must confront these forces. Although whites are the largest group among those needing housing, the problem is proportionately and absolutely more severe among Negroes and Puerto Ricans. The housing crisis is a racial crisis as well, with race and race-related issues permeating all aspects of housing and community development. Negroes have been systematically denied entrance to new suburban areas by various exclusionary devices, such as zoning and subdivision powers and the economic homogeneity of the market; and they have been denied access to large parts of the existing stock in the central cities. In New York State, as elsewhere, there have been, in effect, two housing markets in terms of price, quality, and location, with Negroes generally confined to the older ghettoes and their fringes, where they pay higher shares of their income for inferior housing.

Recent shifts in population and the location of jobs appear to be the beginning of a strong trend toward rigid residential segregation and the consequent exclusion of Negroes from housing and employment opportunities. For example, the New York City Health Department estimates that a net total of over 650,000

whites left the city between 1960 and 1964, reducing the white population by 9 percent, while 285,000 Negroes were added to the city's population, increasing the Negro population by over 25 percent. In terms of suburban settlement, in the 1955-1960 period nearly 425,000 people moved from New York City to one of the four surrounding counties in New York State that comprise the ring of the metropolitan area. Only 13,000 of these migrants were nonwhite.

Buffalo is typical of the upstate situation: of the 86,000 Negroes living in the metropolitan area in 1966, only 4 percent lived outside of the City of Buffalo. Within Buffalo, nearly 80 percent of the Negroes lived in overcrowded census tracts comprising less than one fifteenth of the city's area.

Housing and population patterns are reinforced by changes in the location of employment, particularly in fields where minorities are likely to seek work. The great share of new jobs are in the areas outside the central cities where Negroes and Puerto Ricans do not and cannot live, and to which they cannot easily commute. (In 1960 only 3 percent of all nonwhite men in New York City's work force commuted to the suburbs to work.)

Thus, in the 1951-1965 period, 129,000 new jobs were created in New York City, while in the four nearby New York counties 493,000 new openings appeared. In manufacturing and wholesale and retail trade, fields in which unskilled members of minority groups

can expect to find employment more readily, New York City lost 240,000 openings, while the four suburban counties gained 230,000 jobs.

Effective housing programs will have to meet these disabling imbalances, and the social, economic, and political inequities they produce, by providing housing, especially for minorities and the poor, not only in the contracting central cities, but in the burgeoning suburbs and in new communities.

PROPOSALS

The proposals that follow are intended to deal with New York's housing problem on a scale that would eliminate substandard housing and racial segregation in housing by the end of the 1970's.

We feel that no less than this commitment can be tolerated in a state as rich as ours; and in an era in which injustice to the poor and Negro have brought our cities more than once to the point of civil insurrection.

We urge these proposals on the Governor of New York, the Legislature, the Mayors of our cities, the Executives of our counties; and on people of good will thoughout the state, as ways to make our Action on housing match the urgency of the problem and the times.

HOUSING AS A CIVIL RIGHT

Since 1949, our nation has held out the promise of providing every family with a decent home, but has not moved toward achieving that condition. We propose going beyond the promise.

We would commit New York to assuring all of its residents a decent home by a specified date in the future. In asserting that every citizen has the right to live in a decent dwelling and in establishing the mechanism for making that right effective, this proposed legislation would give new vigor to the now enervated housing movement in New York. It would place New York once again in the leadership in the field of housing. Perhaps the most important function of the legislation would be that of highlighting both the public's obligation in this area and the tremendous distance that must be traveled.

Decent housing is a right belonging to all citizens of the state of New York, and should be established as such by law.

Under the law, the state would be responsible for finding a decent dwelling for every resident of the state. If a decent dwelling could not be found at a rent within the means of a resident, the state would pay the difference required in order to enable the resident to obtain a decent dwelling.

The right created by this law would become fully operative over a period of years, since it would be impractical for the

state to assume such a burden immediately. The law would require a program for making the right become increasingly more universal; and would establish a deadline by which it would apply to all of the citizens of the state.

It might not be necessary to specify whether the right to decent housing would apply at the time an individual comes to live within the state, or whether it would take effect at the time he lived in the state long enough to earn the right to vote. The state would have to find housing for a citizen of the state within the region in which he is employed or in which he has lived for more than a year.

Implementation

The proposed legislation would establish a Commission on Housing Rights. The Commission's first task would be to establish a timetable for the full effectuation of the right to housing. The Commission might be given a period of six months to one year to report back to the Legislature on the present housing conditions within the state and on resources required to implement the act.

The Commission would be required to recommend statutory solutions of such questions as length of residence required, the definition of a decent dwelling, and the proportion of income that an individual would be expected to spend for housing.

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The Commission would be required to recommend statutory solutions of such questions as length of residence required, the definition of a decent dwelling, and the proportion of income that an individual would be expected to spend for housing.

The Commission might also be assigned the task of proposing changes in the laws governing landlords and tenants insofar as that relationship affects tenants' rights to decent housing.

A major duty of the Commission would be recommending a set of 'social indicators' to be employed to measure the annual progress in the state toward the achievement of the provision of decent housing for all. The indicators would be employed to demonstrate the state's progress in achieving above-standard conditions in the quality of housing; for example, they might measure the structural condition of housing and the essential elements of a dwelling unit, for example, plumbing and air conditioning.

The Commission would be authorized to report annually to the Legislature on the state of housing in New York.

THE EXISTING HOUSING STOCK

UTILIZING THE EXISTING SUPPLY

More than one million families presently live in indecent, substandard and overcrowded housing in New York State. Thirty-one percent of these families have incomes greater than \$4,000. Twenty-two percent have incomes greater than \$5,000. In a fluid housing market, these families would be able to pay from \$70 to \$100 per month for good housing. In the present tight housing market, characterized by low vancancies and little low- and moderate-cost housing construction, many of these families are forced to spend at least this much and more for substantially poorer housing.

It is commonplace to say that the housing problems of these million families cannot be solved until massive construction programs are undertaken in all metropolitan areas of the state to assure a continuously expanding supply of moderately priced units. This will require years, if not decades. Builders and lenders must be made aware of effective demand for housing. New financing tools must be developed to reduce effective interest rates. New methods of fabrication of materials and new construction techniques must be devised to reduce building costs and speed construction. New patterns of residential locations must

be developed to assure proximity for all social classes between housing and work sites.

While this building process is underway, New York State has a responsibility to take meaningful action to rationalize the existing housing markets and to assure the progressive elimination of slums and slum environments from its urban centers.

To begin enlarging housing opportunities for low- and moderate-income and nonwhite families, we must move our thinking away from the limiting concept of housing vacancy toward the more expansive concept of housing turnover. Housing vacancy denotes housing available for rental or purchase on a given date. Housing turnover denotes all housing rented or sold in the course of the year. If we look at vacancies -- within the stock of housing that meet the census criteria for standard quality--it appears that only forty to fifty thousand units per year are available within New York State to meet the housing needs of the 100,000 families living in substandard and overcrowded dwellings, to say nothing of needs of newly formed households. However, the true number of standard dwellings which change hands each year and so are potentially available to lowand moderate-income and nonwhite families is close to 700,000 per year. If only a portion of these dwellings were being made available on a systematic basis to families in need of housing, New York State could achieve a major breakthrough in eliminating slum conditions. These families could then enter the larger market, and by adding to the competition for housing, spur development of new construction to meet this added demand.

For convenience's sake we can divide the state's vacant housing supply into two categories: privately developed housing, and public and publicly assisted housing. In the latter category, we include low-rent public housing, Mitchell-Lama housing, limited divided housing, Title I housing, New York City limited profit housing, Farmers Home administered housing, FHA and VA foreclosures and new construction, and existing FHA and VA vacancies. The former category--privately developed housing--includes all other vacancies.

Since more than twenty percent of New York State's housing supply was developed with some form of public assistance, we believe the public's contributions to the development of this housing entitles it to prior information about new or impending vacancies. Owners of publicly-aided housing have been unwilling to provide information about vacancies. This is even more strongly the case in privately developed housing, where social and racial divisions are not only tolerated but desired, and where discrimination in the housing marketplace is everywhere an observable fact.

Failure to make available information on housing vacancies does not affect all groups equally, however. It bears heavily

on low- and moderate-income families. It bears most heavily, however, on Negro and Puerto Rican families who are confined to racial ghettos, and are forced to reside in blighted neighborhoods in unsound and dangerous housing--at a distance from the areas of expanding employment.

For a variety of reasons, the mechanics of the real estate market function poorly at low- and moderate-income levels.

Families in these income groups have inadequate knowledge of the range of housing available to them. Limited literacy and other disadvantages keep them from learning about housing opportunities that could be made available to them. Often they are not aware even of public housing and other publicly aided housing opportunities, such as Title I housing, for which they are entitled to compete, and which often rents or sell for less than they are now paying. This is especially true of Negro and Puerto Rican families who assume--usually on the sound basis of personal experience--that housing listed as being available is not necessarily available to them.

To compound the problem, low- and moderate-income families make inadequate use of real estate market resources. They tend to base their search for housing on information available from families and friends living in adjacent neighborhoods with which they are familiar. Here, too, Negro and Puerto Rican families are at a distinct disadvantage. Many of these families have never been outside their own neighborhoods--except for daily

journeying to and from work. Many have never seen a suburban area, and simply assume that working-class families cannot afford suburban living. Many families do not realize that less expensive FHA and VA housing is available closer to better paying jobs in suburban sections.

For all these families, forms, applications, and other bargaining and contracting essentials are formidable obstacles.

Often they are unaware of what a fair price for housing should be, or how prices may vary in different parts of the metropolitan area.

Finally, and of considerable significance, commissions on real estate transactions involving low- and moderate-cost listings are generally small, while the time involved in handling these listings (as a result of the limited housing knowledge of the people seeking housing) is great. The lack of credit ratings, the fear of poor housekeeping habits, and the existence of wide-spread discrimination in the real estate industry and within the selling public--all are factors that work to discourage active interest by real estate professionals in the low-cost or moderate-cost housing market. Thus, while low- and moderate-cost housing is available in large numbers, people who are most in need of such housing are effectively excluded from competing for it.

The limitations inherent in low income families' approach to the real estate market are duplicated, in a sense, by the

limitations of the procurement programs of state and city relocation agencies. Too often, these agencies are unwilling to confront the institutions and organizations most insistent upon restricting minority families to designated sections. Landlords using the facilities of relocation agencies are not required by these agencies to assure nondiscrimination and access to all units they own. The consequence is further concentration of minority families in limited, segregated parts of the cities.

Mechanisms must be established within state government, and within the private sector, to provide low- and moderate-income and nonwhite families with data on impending or actual vacancies in both its public and its private markets. Such mechanisms would provide outreach, referral, and informational services on a broad scale throughout metropolitan areas. They would work to rationalize existing procedures for housing transfers, which exclude large segments of the state's population from the competition for such transfers on the ground of race or class. Finally, these mechanisms would contribute to an expanded concept of housing demand, which, hopefully, can be translated, in the shortest possible time, into a growth of the housing supply.

A HOUSING REFERRAL AGENCY

Under present legislation low- and moderate-income families, and relocation and welfare agencies, encounter great practical difficulties in getting reliable information on vacancies in public or publicly assisted housing. In some cases, no vacancy lists are maintained. In others, responsibility for maintaining lists resides in the agencies supervising or developing the housing accommodations. In still others, this responsibility is left to the developers, who may choose not to give public notice of such vacancies. In the major publicly assisted housing programs--FHA and VA housing--there is no requirement that vacancies be reported to government offices, although New York

Mitchell-Lama developers, to take a specific example, are required to notify the State Division of Housing and Community Renewal of impending vacancies. The State Division collects this information and makes it available to public and private agencies across the state. This procedure is designed to assure maximum market efficiency in the Mitchell-Lama program: families in need of housing are brought together with available housing accommodations, thus reducing the time in which the unit remains vacant.

Too often, however, nonmarket factors intervene to limit the ability of families who are in need of housing to compete

for Mitchell-Lama vacancies. Numerous instances have arisen where developers have presold or prerented units that were soon to be vacated, using waiting lists built up over a period of time. In this way developers select their own tenants, despite the public subsidy that made it possible for the housing to be built. It is often said that the State Division lacks the manpower to supervise the rental and sales policies of Mitchell-Lama developers. Since the present staff simply is not enforcing the disclosure regulations, the addition of new personnel cannot substitute for a basic commitment. For example, vacancy lists are inadequate, and are not distributed widely. Families are not encouraged to make periodic checks with the State Division or its branches to see if Mitchell-Lama housing suitable to their income is available. Little effort is made to assure that minority families gain access to Mitchell-Lama developments in white areas. No effort is being made to expand housing opportunities in Mitchell-Lama's for families presently living in substandard or overcrowded housing. (The Capital Grant Program is a new departure and if widely implemented may signal a change in practices.)

The situation is similar in FHA and VA housing. Local FHA and VA offices are required to maintain lists of housing under construction. They also maintain foreclosure lists. This information is sent to interested groups within the jurisdiction

of the insuring offices. Here, too, however, nonmarket forces intervene to reduce opportunities available to certain groups. The recent Report by the American Friends Service Committee on Enforcement of Executive Order 11063, which relates to equal opportunity in housing, 5 makes it clear that FHA and VA foreclosures are often presold by area management brokers--of whom none are Negro or Puerto Rican--to avoid integration and the mixing of social classes. Although this practice is widespread, the federal Housing and Urban Development Department (HUD) has not investigated the activities of the area management brokers. Neither has the State Commission for Human Rights. Thus, 30,000 to 40,000 units per year, which could be made available to families living in substandard housing, are effectively unavailable to them because of discrimination in FHA and VA programs. As indicated above, this is also the case with regard to existing FHA and VA housing, including single-family housing; multifamily housing; 221(D)(3) moderate-income housing; 213, 202, and 231 housing; and 608 housing. In the aggregate, these public and publicly assisted housing programs account for thirty to forty percent of the entire housing stock of New York State.

Clearly there is need for a statewide housing referral agency, to which public groups and low- and moderate-income and

 $^{^5\,\}mathrm{American}$ Friends Service Committee, Report on FHA and VA Activities, Summer 1967.

minority families can go in search of housing. We propose legislation to remedy this significant gap in New York's Housing Law.

The Proposal

We propose that New York establish a Housing Referral
Agency (HRA) within the State Division of Housing and Community Renewal, with branches to be established in each metropolitan area. The HRA would receive, organize, and transmit information on impending or actual vacancies in all public and publicly assisted housing in these metropolitan areas. Through regional and local offices, this information would be made available to all families and groups registering with the agency. The information to be collected and distributed would include price and rental costs, location, size of unit, amenities, taxes, utilities, neighborhood facilities, and general environmental and neighborhood conditions. Families and public agencies would be shown listings in all sections of metropolitan areas, and would be able to inspect vacant units upon request.

The Housing to be Listed

Owners or developers of all units with any degree of public assistance would be required to make compulsory disclosure of vancancies or of units that would become vacant within thirty days. Included would be:

- Public housing--City, State, and Federal publicly assisted low-rent public housing, and housing for the elderly.
- 2. Limited dividend housing.
- 3. Limited profit--Mitchell-Lama housing.
- 4. New York City limited profit housing.
- 5. FHA and VA foreclosures and new constructions.
- 6. FHA and VA vacancies -- all programs, in all areas.

Who Would List the Units

Under the proposed law, responsibility for listing vacancies would be apportioned as follows:

- In public housing, the local housing authority would be the responsible agent.
- In limited dividend, limited profit, and New York City limited profit housing, the developers would transmit notice of vacancies.
- In FHA and VA foreclosures and new construction, lists would be acquired from local insuring offices.
- 4. In FHA 202, 207, 213, 231, 221(D)(3), and 608 housing, responsibility for listing the dwelling would rest with the developer,

the agent, or the owner. In cases where the owner wished to put the dwelling on the private market, the real estate broker would be required to list the unit with the HRA.

Would Real Estate Brokerage Commissions be Affected?

Real estate brokerage commissions would be unaffected by the operation of the HRA. Families using lists furnished by the HRA would be sent to the broker handling the listing, as in multiple-listing systems, except that the HRA would not receive a percentage of the brokerage fee for its services.

What Quality of Housing Would be Listed:

The HRA would list only sound housing available in areas not designated for urban renewal, highway construction, or other similar public purposes. Samples of listing would be examined monthly to insure that vacancies listed were in fact standard and located in suitable living environments.

Failure to List

Failure to list the types of housing units designated in the proposed law would constitute a misdemeanor, and would subject the owner, developer, or agent to a fine for each infraction. Waiting lists and word-of-mouth pledges could not be used to avoid listing. The HRA compliance staff would institute immediate action against developers, owners, or agents utilizing such devices to avoid compulsory disclosure.

Who Would Use the HRA?

The facilities and services of the HRA would be available to all groups and individuals who registered with the agency. This would include, but would not be limited to , relocation agencies, welfare agencies, low- and moderate-income families, families living in substandard or overcrowded housing, families paying more than twenty percent of their monthly income for rent, real estate brokers, community organizations, unions, churches, and neighborhood groups. The facilities and services of the HRA would be available free of charge to all eligible individuals and groups.

The main offices of the HRA would be located in New York
City and Albany. A Regional Office would be established in each
major metropolitan area. Suboffices would be located in areas
of greatest housing need within each metropolitan area. Every
listing recorded by a local office would be made available immediately to all local offices in the region.

What Policies Would HRA Follow?

All families registering with the agency would receive

maximum opportunity in their choice of housing throughout each metropolitan area. Families living in inner cities would be encouraged to shop for vacant housing in the vicinity of suburban work sites. Families desiring to live in racially mixed areas would be assisted in securing housing suitable to their income within these areas. Families desiring to live in better housing in racially segregated areas would also be given every assistance in finding adequate housing.

The HRA would work closely with the State and City Commissions for Human Rights to assure full compliance with existing laws, ordinances, and regulations relating to housing.

STATE ASSISTANCE TO FAIR HOUSING COUNCILS

Background and Objectives

In the previous proposal on the establishment of housing referral agencies, we pointed out that the real estate market functions poorly at the low- and moderate-income levels. We also pointed out that the Negroes and Puerto Ricans are particularly affected by the characteristics of the real estate market, because of widespread racial discrimination among realtors, and among the people whom they serve.

Racial discrimination in housing can be by commission or omission; it is difficult to assess the extent to which one each form contributes to segregation. State laws against discrimination are designed to prevent acts of commission which compel Negroes to live in racially isolated areas. Real estate brokers, mortgage lenders, home owners, rental agents, and families who have houses to sell, are compelled by statute to offer their housing free from racial and religious barriers. The state laws against discrimination are silent, however, about acts of omission. Yet it is likely that discrimination in this area is powerful and effective in keeping Negroes and other minorities out of certain areas, thereby maintaining residential homogeneity at the expense of expanding residential opportunities for families most in need of housing.

Racial discrimination shatters the mechanism by which housing supply adjusts to demand. A growing Negro population cannot obtain the housing it wants, even with the means to pay for it, because knowledge about the availability of housing is withheld. Although the substantial growth of the urban Negro population has been accompanied by an expansion of residential areas available for Negro occupancy, this expansion has taken place mainly in the older, rundown sections of the community. The result is that Negroes manage to increase their housing space inventory, but only at the price of accepting housing of inferior quality.

Thus, 17.4 percent of Negroes, and 15.2 percent of Puerto Ricans, in the income group from \$5,000 to \$5,999 per year live in substandard housing in the New York Metropolitan Area, compared with 5.1 percent for whites in this income group.

Even more significant, in the income group from \$7,000 to \$10,000, 11.7 percent of Negroes and 10.9 percent of Puerto Ricans live in substandard housing in the New York area, compared with 2.8 percent of whites. Finally, 9.2 percent of Negroes and 10.1 percent of Puerto Ricans with incomes above \$10,000 per year, live in substandard dwellings, compared with 1.6 percent of whites. Comparable data for Albany, Buffalo, Syracuse, Rochester, and Binghamton are presently unavailable, but it is our conviction that, if such data were available, they would indicate that the extent of substandard occupancy among

nonwhite and Puerto Rican families in these areas is similar to that in New York.

The confinement of middle- and upper-income nonwhite families to housing within racial and ethnic ghettos works to increase the extent of racial and ethnic isolation within New York State's urban areas. A recent book by Karl Taeuber, Negroes in Cities, 6 lists indices of residential segregation for New York State's cities. The indices are designed to measure the extent of dissimilarity between the existing situation and the situation that would obtain were racial factors not operative in housing choices. Thus, for example, the index for New Orleans, Louisiana, 86.3, means that 86.3 percent of the Negro population of New Orleans would have to move to all white, or largely white, blocks within that city to eliminate residential segregation. We list below the 1960 indices of residential segregation in cities of New York State, together with indices for cities in other sections of the United States:

⁶Aldine Pub. Co., Chicago, 1965.

⁷The segregation indices show the degree of dissimilarity between the distribution of white and nonwhite households among city blocks.

New York State	Percent	Cities in Other Sections of the United States	Percent
Buffalo	86.5	Washington, D.C.	79.7
Mount Vernon	73.2	Passaic, New Jersey	71.8
Newburgh	84.2	New Haven, Connecticut	80.9
New Rochelle	79.5	Los Angeles, California	81.8
New York City	79.2	San Francisco, California	69.3
Niagara Falls	82.3	San Jose, California	60.4
Syracuse	81.1		
White Plains	79.3		
Yonkers	78.1		
Rochester	82.4		

This data is for 1960. Between 1960 and 1967 this situation of high residential separation of Negroes and whites appears to have worsened. There has been extensive and continuing outmigration of whites from the central cities of New York State, while the outmigration of Negroes has been practically nonexistent. Special censuses for Westchester, Monroe, and Erie Counties all point up the increasing concentration of minority families within central cities.

We need not point out the relationship between residential and school segregation in metropolitan areas. Suffice it to say that Negroes and Puerto Ricans now constitute 25 percent

of the total population of New York City, and 52 percent of the school population. Also, we need not belabor the relationship bewteen substandard, segregated housing conditions and the absence of restraints against rioting and rebellion, in the minority communities.

We consider the development of information programs and techniques, and appropriate referral services, essential in empowering minority families to move out of restricted environments and into the main stream of urban life in New York State.

The establishment of information, advocacy, and referral programs can overcome major barriers to housing beyond the ghetto that result from lack of information, from difficulties in gaining access for inspection, and from the hostility of communities to the entrance of Negroes.

Under Present Legislation

No legislation currently exists in New York State that directs government assistance to minority families in search of housing. This is true of local legislation as well. With one exception, private agencies engaged in expanding housing opportunities for minority families receive no public assistance. The exception is the Fair Housing program of the Urban League of Greater New York, "Operation Open City," which does receive federal anti-poverty funds channeled through New York City's

Anti-Poverty Operations Board. Nearly 300 other private, nonprofit fair housing groups across the state are compelled to
rely upon nonpaid volunteers to man offices, examine newspaper
and other listings, refer clients, arrange visits, provide
checker services, contact human relations groups, report information to legal authorities, appear in court, and so forth.

Nevertheless, these fair housing groups manage to perform a
necessary and useful role in expanding housing opportunities for
minority families. They act, in a sense, as surrogates for the
state and federal governments, by giving substance to official
pledges "to secure a decent home in a suitable living environment for every American family." While state and federal governments do little to enforce pledges of open occupancy, these
housing councils are daily on the firing lines of the movement
for equal rights in housing.

The great strength of the fair housing movement lies in its freedom of operation within the private housing market. However, as the experience of Operation Open City testifies, it is becoming increasingly difficult to secure information about housing vacancies throughout metropolitan areas, using limited funds and staff. We believe that the fair housing councils can make their maximum contribution in the face of rising demand by nonwhites for equality in the housing marketplace only if sufficient public funds are available. The urgency of the need

for funds is underlined by the Louisville, Chicago, and Milwaukee Open Housing marches.

We propose that metropolitan fair housing councils be empowered to develop housing information service centers on a metropolitan basis to provide expert and practical information on housing opportunities available in the private market. housing information service centers could serve their most useful purpose, not only by learning where the vacancies are, but by acquiring an intimate knowledge of the real estate market, its financing problems, its legal aspects, its periodic fluctuations, its special techniques, and the special intelligence possessed by the professional. This calls for more know how than is presently available in most of the metropolitan fair housing councils, because of lack of funds. Thus, we propose that the Commissioner of the State Division of Housing and Community Renewal be authorized to make grants of up to \$4,000,000 per year to metropolitan fair housing councils, to enable them to acquire the necessary professional and physical resources to function effectively in the metropolitan housing markets. A special \$1,000,000 fund would also be authorized for a demonstration and experimental programs designed to expand the supply of existing housing that could be made available to nonwhite families outside of racially isolated areas.

Although they would operate in different housing markets, it is expected that the Housing Information Service centers would cooperate fully with the Housing Referral Agency, discussed in the previous proposal. In addition, we propose that all state agencies whose programs affected housing and housing-related matters be directed to offer complete assistance to the Housing Information Service centers, in dealing with information, records, and similar material that bears upon the existing supply. Finally, state and local welfare relocation agencies should be authorized to develop contractual relationships with Housing Information Service centers (and with their parent Metropolitan Fair Housing councils) for the preparation of materials, handling of cases, dissemination of information, preparation of reports, market study, and so forth, which these agencies find necessary for their own operation.

We feel that these proposals will advance New York State's housing goals in the following ways:

- They will significantly expand the supply of housing available to low- and moderate-income and nonwhite groups within New York State.
- 2. They will establish greater access to that expanded supply for all families, thus rationalizing the operation of the public and private housing markets.

- 3. They will identify large areas of housing demand that are not being met by existing building programs.
- 4. They will encourage builders, mortgage bankers, and other investors to spur the development of new housing for occupancy by low- and moderate-income groups throughout New York State's metropolitan areas.
- 5. They will make possible the demolition of substandard structures, by enabling families living in these structures to secure adequate housing.

IMPROVING AND EQUALIZING RELOCATION

Background and Objectives

Since the beginning of federally-aided urban renewal in 1949, relocation has undoubtedly been its most abrasive and controversial aspect. Relocation is often the most immediately apparent result of renewal. It has undoubtedly contributed to substantial delays and disputes in renewal and slum rebuilding plans. Although federally-assisted, urban renewal and highway construction are the main causes of relocation, other types of public action, such as construction of housing, schools, and hospitals and code enforcement, also displace significant numbers of people. In the period from 1964-1972, federally-aided renewal and highway activity will displace an estimated 875,000 families and 135,000 businesses across the nation.

In New York State, more than 10,000 families are displaced annually as a result of public action. We recognize that modern government, in order to fulfill its many tasks, must at times dislocate families and private enterprises from their accommodations. Government has an obligation, however, to compensate these families and businesses for the costs incurred by the move, and to offer to resettle them in a suitable location. Since the families displaced by public action are often those

with the least freedom in the housing market—the poor, minorities, large families and the elderly—the success of relocation depends on creating opportunities for these groups in the market, through such means as those discussed in the preceding sections. Various information and regulatory devices must be available to displaced families to enable them to operate in the housing market. Financial and subsidy assistance must be offered, to permit them to become effective consumers. Until relocatees can participate fully in the housing market, no significant relocation program can be carried out.

Relocation must be established as a <u>positive</u> aspect of public development programs. Urban renewal and slum clearance programs can proceed much faster when the public is willing to use relocation to create opportunities for access to good housing and neighborhoods, rather than to limit it. The treatment of poor and minority groups dislocated as a result of public action provides a clear test of the state's intent and its ability to meet its housing problems.

Relocation to a Suitable Environment

One of the most damaging effects of relocation is that it shifts families from one slum to another, often imposing additional economic and emotional burdens on them. This movement results both from the shortage of housing and from administrative

insensitivity to relocatees' housing problems.

The process of relocation, from the initial appearance of the rebuilding plan (often deliberately vague about displacement) to the frequent indifference as to the fate of families after dislocation, is indicative of marginal and negative public concern with relocation as an aspect of rebuilding. It is interesting to note that the 1949 Federal Housing Act only required that relocatees be given "decent, safe and sanitary housing." The Act did not require that relocatees be offered a suitable living environment. Had it done this, or if the state were now to require not only decent housing but also suitable living environments, much of the distress associated with relocation could be avoided and relocation could become a positive means for enhancing housing opportunities.

Given that the main impediments to a workable relocation program are the severe shortage of decent housing and unequal access to the market, relocation procedures can still be improved. First, the manner in which relocation plans are promulgated and approved must be made more equitable: they must define the rights of locatees, the benefits to which they are entitled, and the relocation obligations of public agencies. The relocation procedures themselves must be expanded to cover the family disruptions often accompanying relocation, and must be made consistent between various levels of government and various types of programs.

Relocation as a result of public action in New York State should provide the following types of assistance to those displaced: first, we should require public disclosure of relocation plans and approval for them. These plans should include determination of the relocation needs of those to be displaced and how and where the needs can be satisfied in the housing mar-Second, we must provide services and information to prospective relocatees. These should include advice on housing choices or locating new housing in the private, public, and aided markets; where necessary, helping families secure subsidies; advising on the availability of alternate sources of employment; and, of course, clearly explaining and enforcing a family's rights under relocation. Third, we should provide actual cash benefits, such as moving expenses and other required payments. Fourth, we can minimize the economic and emotional hardships of relocation by providing special social services to relocatees after they move, or by helping them to meet the higher rents often associated with relocation. Fifth, the state must exercise powers of review over local relocation agency standards and practices, and of decisions in individual cases.

Currently, federally-assisted programs provide relatively adequate relocation benefits, although they are deficient in certain areas, such as matching relocation needs and the housing market and providing sufficient services after relocation.

Projects that do not receive federal aid involve the most objectionable relocation practices. Persons displaced by state, and especially by local government action, often only receive minimal services and payments or receive a varying scale of payments and services.

A General Relocation Law

To ensure that the benefits and rights noted below are provided by the local relocation agencies, we propose the creation of a state office concerned with all aspects of relocation.

A revised New York relocation law should state that every family dislocated as a result of public action will be guaranteed the opportunity to be rehoused in a decent home in a suitable living environment.

Further, the law should provide that all families displaced by public action in New York State will receive equitable and just compensation and benefits.

Specifically, to insure the guarantee of a decent home in a suitable living environment, the law would provide that dislocated families have the right to a dwelling which is decent and which is located in a suitable living environment. A family might choose to reside in an area not characterized as a suitable living environment. In such a case the state would still be

required to provide a decent dwelling unit for them.

A family relocated to an indecent dwelling or without its approval to an area not characterized as a suitable living environment might at any time within a certain span of years require that the relocation agency provide it with a standard dwelling in a suitable location. A family improperly relocated could sue the relocation agency for damages, the damages to be determined by establishing the difference in rent between standard housing and the substandard condition into which the family was relocated.

One of the major drawbacks in requiring administrators to relocate families into suitable living environments is the difficulty of defining a "suitable living environment." This difficulty can be avoided if requirements are stated in terms of prhobitions against relocation to areas that are clearly unsuitable living environments. An unsuitable living environment is one which is: designated as "slum" or "blighted" by a renewal or any other public agency; designated for condemnation within the next five years; or which lies within a U. S. Census Tract characterized by median family income in the lowest quintile of the community's population; or is characterized by excessively high rates of crime, unemployment, drug addiction, or poor health.

Under the requirement for equitable and just compensation

and benefits, the law would provide for public disclosure of relocation plans and assessment of relocation needs. No clearance program would be undertaken before the publication of a relocation plan specifying the number of families to be relocated, the location, condition, size and rent of units available to (preferably in the possession of, or under option to) the relocation agency and the means for giving relocatees access to this housing. The state relocation agency would conduct hearings in the area to be cleared, at which the agency proposing its plan and members of the community would be entitled to make presentations and findings concerning the adequacy of the renewal plan. No relocation plan would be implemented until the hearing agency qualified the plan as satisfactory.

The state should assure that appropriate and consistent relocation services and information are available to all families who will be displaced by any government in the state. The state, and its subdivisions, should at least aim to match the relocation benefits offered by the federal government for urban renewal. New York City now approximates the federal standards in most areas. Achieving this level of benefits and degree of consistency will require the state relocation agency to establish a program of relocation grants by the state to municipalities. The required services should include: explaining and

protecting a family's rights under relocation; advising and counselling on housing choices, including the housing available through the local agency and through the private, public and publicly aided markets, and the characteristics of this housing; ensuring access to this housing by helping families secure subsidies, enforcing anti-discrimination legislation, and so forth; and assisting families in making other changes, such as employment or education, connected with relocation.

An adequate scale of relocation benefits must be established and be made applicable to all families in the state displaced by public action. All moving costs should be paid, as in the federal programs, and a lump-sum payment of \$200 to \$400 (depending on the presence of federal aid) should be made to all low-income families, whether they find their own new housing or not, to cover the cost of establishing a new house-hold.

Present relocation benefits are most unfair to single people living in rooming houses or single-room occupancy. Often these people are elderly and isolated and relocation is a major disruption of their lives. A state relocation program must be especially careful to provide adequate benefits and services to them.

Relocation may cause new hardships or intensify old ones.

A state program must be able to deal with the economic, social

or emotional conditions directly attributable to relocation.

Too often, families moving to relocation housing are unable to increase their income sufficiently to enable them to remain in their new dwellings. As a result, these families are often compelled to return to blighted areas, at severe economic and social costs to themselves and their children. The federal program provides for a relocation assistance payment of up to \$500 for one year, to make up the difference between the gross rent in the new quarters and twenty percent of family income.

We propose that the state extend relocation assistance payments to families displaced by public action of all types. The payments could continue for two years beyond the termination of federal benefits, or be applied for three years, in the absence of a federal program, if the family is deemed eligible on a rent/income standard.

Relocation may also create or exacerbate other types of family problems, such as those concerned with health, education, employment or childcare. While a relocation agency cannot resolve these, it should, at a minimum, provide a coherent follow-up process so that emerging problems can be detected and the family directed to the appropriate public or private services.

Relocation is a sensitive matter, often influencing many aspects of family life. Consequently, new legislation should provide some mechanism whereby the state can monitor local relocation

agencies. The mechanism should include a periodic review of local operations, possibly through a random review procedure or an outside review board, and a procedure for relocatees to appeal decisions on benefits. Among the items to be covered in a review procedure are eligibility standards, the reasonableness of payments and services, the promptness in providing them, and the manner in which the agency redresses client complaints.

RENOVATING AND RE-USING THE EXISTING SUPPLY

As we indicated in our discussion of New York's housing situation, even if present expenditures are quadrupled, hundreds of thousands of households will have to wait for unacceptably long periods before their housing conditions are substantially improved. While these expenditures are being made, a supplementary approach is needed, one that would provide relatively immediate benefits to many more people, while preparing for government to assume its full responsibility for urban rebuilding. We suggest that the goal of slum clearance be partially deferred during the current housing crisis and that maximum use be made of the existing stock of housing. New housing would be concentrated on vacant and underused land in and outside of central cities, while the current stock of housing is, where feasible, first re-used and then gradually replaced as financial, land, and administrative resources become available.

Essentially, what we propose is a graduated program of publicly aided re-use of present housing, mixing different financing formulas, physical standards, tax policies, tenure arrangements and, where necessary, rent supplementation. These measures

⁸ Page 13.

would be selectively applied in response to the need for and ability to re-use a particular building type and local environment. The program provisions should encourage the long-term renovation of such substantial, inherently re-usable structures as New York City's brownstones and, at the other pole, low-cost renovation, for five to ten years of re-use, or buildings such as New York City's obsolete old-law tenements and the deteriorating one- and two-family buildings that predominate in Buffalo. Thus, even under the expanded new construction and subsidy programs we advance, the great majority of the 340,000 apartments in New York City's pre-1901 old-law tenements, and the bulk of the 810,000 units in the new-law tenements built between 1901 and 1929, will be important features of the housing supply for many years to come. It is estimated that an additional million units in other areas of the state will warrant and require additional publicly-aided investment to retain them from five to forty years.

Appropriate legislation and an effective administrative program are needed to permit the necessary re-use of existing housing at different standards and for various periods of time. Existing rehabilitation programs (mainly federal but including, for example, New York City's Municipal Loan Program) are based on physical standards and financing mechanisms geared to long-term maintenance of the units. They do not encourage low

capital investment or short-term (less than twenty years) reuse. In fact, the New York Times preported that the rescue of outworn tenement buildings in the so-called "instant rehabilitation" project has reached the point where it now may well cost more (per usable square foot) than new construction on open land. These findings should make us seriously question the continued rehabilitation of basically obsolete structures at a unit cost of \$13,000 or more. Large investments in structures such as old-law tenements that are essentially unsuitable for continued use will preclude their being replaced for decades, until the costs are amortized. But they must be kept in the usable housing supply during the present housing crisis. The only way to do this is by a broad program of modest capital investment to keep them habitable.

Federal rehabilitation and loan and grant programs are only applicable in designated renewal and code enforcement areas. The appropriate role of the state, therefore, is to promote an extensive program to fill the huge need for interim re-use of the existing supply in situations where the federal aids (such as 221 (h)) do not apply or are too restrictive. Given an inadequate federal program and a great variety of housing and

^{9&}lt;sub>October 12, 1967.</sub>

community conditions, the state has an important role in establishing, financing, and administering a wide array of re-use programs.

The Proposal

New legislation must offer flexible combinations of physical improvement standards, financing formulas, tax relief, ownership/tenure arrangements and shelter subsidies. These will be applied to the existing housing as judged by its type, condition, ownership, location, and the nature of the local surroundings. The emphasis should clearly be on "reconditioning," or repairs and improvements costing \$2,000 to \$3,000 per unit (excluding acquisition) and providing about ten years of use for low and lower middle income families until the necessary new housing can be created. The general goals of the legislative program would be to produce housing that is habitable, manageable, and attractive.

The legislation should give first priority to multi-family structures such as old-law tenements in decaying areas, where large numbers of families are suffering massive deprivations. A second priority would be accorded to buildings in inner city areas where the present owners cannot secure market financing, but are interested in some level of improvement. Lesser attention would go to substantial buildings or to one and two family

houses where some incentives might be required to make traditional financing or federal programs operable.

Sponsorship: A flexible re-use program can accommodate a variety of sponsorship, ownership and management mechanisms, ranging from local housing corporations to resident ownership. In many of the inner districts of the state's center cities, such as New York, Buffalo and Syracuse, the market for slum properties is becoming weak and stagnant. This is affecting the quality of the housing available to tenants, for according to George Sternlieb's study, The Tenement Landlord, "There is consistent evidence that the weakening of the slum realty market is causing present maintenance procedures to degenerate." 10 The market's weakening also lessens the prospects of attracting new private capital into these areas, for as Sternlieb states, "The combination of risk, decreasing profitability and the loss of potential for capital gains has substantially restricted the kinds of professional owners who are willing to invest in slum properties."11 Another factor, at least in New York City, is intensified code enforcement and community vigilance.

¹⁰ George Sternlieb, The Tenement Landlord, Urban Studies Center, Rutgers University, 1966, p. xiv.

^{11&}lt;sub>Ibid., p. 225.</sub>

The unproductive (from the tenant's viewpoint) behavior and motivations of many present and prospective slum owners and their basic alienation from their tenantry will imperil any large-scale renovation program dependent on their active participation. The depressed prices of slum properties in many areas, and the aroused interest in community development, are favorable to a different approach to housing renovation and rebuilding. Legislation on housing re-use should encourage the formation of local housing corporations to act as sponsors and managers of housing renovation programs in inner city areas. The proposed legislation would provide assistance for local corporations that might acquire (often on the open markets, at prices below assessed value), modestly renovate, own, and manage groups of existing slum properties. Not only should these groups be able to provide good housing and responsible, efficient management (an important, but undervalued, ingredient in many slum rejuvenation plans), but they may well be the agents for the later rebuilding of the local areas.

The legislation would also encourage responsible and capable owners, mainly outside of hard-core slum areas, to improve their investments, and the housing available to their tenants, by participating in the program and possibly becoming eligible for such incentives as maintenance grants.

Generally, cooperative ownership in the inner-area renovated

buildings would not be encouraged by the legislation, as it would tend to embed the tenant in what would still be undesirable housing, thereby making eventual replacement more difficult. However, where possible, mainly in reasonably decent areas with smaller buildings, forms of resident ownership can yield good housing and assure proper maintenance. The legislation would permit housing re-use in many geographical areas where the restrictive and bureaucratically entangled federal programs do not apply.

Financing: The legislation would provide financing at various levels ranging from 3 percent, or less, thirty-year, full-value loans in the most needy cases where nonprofit groups might be sponsors, 5 percent loans to private owners. Modest rent supplements may well be necessary in many cases to pay the cost of renovations and improved operation. The supplements are estimated at \$200 per family per year, or \$20 million annually for a program involving 100,000 subsidized units. The legislation would also provide for real estate tax concessions to encourage

¹² Sternlieb also found that "the factor of ownership is the single most basic variable which accounts for variations in the maintenance of slum properties. Good parcel maintenance is typically a function of resident ownership."

use of the program by local groups and capable private owners.

We anticipate that large portions of the renovated housing, particularly in the inner areas, would be cleared for new housing through urban renewal before the improvement mortgages could be amortized. The unamortized costs of providing better housing for a relatively short period would have to be included in the writedown, the largest portion of which is paid by the federal government. Given the tax revenue limitations of the state and its municipalities, the most financially capable level of government, the federal, would absorb the major costs of re-using the existing housing on an interim basis.

<u>Associated Services</u>: The proposed legislation would have to mobilize a variety of existing and new services to make a reuse program work. Among the most important are:

Technical and advisory services--to enable local groups and private owners to effectively use the program, make the improvements and operate the property.

Insurance assistance--aid in securing fire and liability insurance and possibly even to offer inexpensive insurance through the state.

Municipal services--expenditures for code enforcement, street improvements, and local services would be necessary to obtain the full benefits of a broad re-use program.

The state should participate by providing incentive grants to localities for the essential expanded services.

HOUSING AUTHORITIES' USE OF THE EXISTING SUPPLY

Background and Objectives

In the general introduction to these proposals, we noted that the high percentage of low-income Negroes in the city, and their poor housing and social conditions, have given rise to fears not only for the Negro's future, but also for the city's future. The cities of New York, like those of other states, have become the havens of the poor and the oppressed seeking to improve their lot. Long years of social and educational subordination in the South have made the Negro newcomer a poor competitor for the fruits of the burgeoning industrial economy. The assimilative processes that have operated for whites function only partially, and more slowly, for Negroes.

Since World War II, millions of white residents of central cities have ben able to purchase and rent housing along the peripheries of their cities and, more importantly, in the expanding suburbs. Because of housing segregation and the availability of a housing supply in transitional areas in the inner core, the Negro remains in the central cities. More than 95 percent of the Negro population of New York State currently lives in central cities, compared to 48 percent of the white population.

A key factor perpetuating the concentration of Negroes and other minorities—and poor people generally—in the urban core has been the reluctance of federal housing agencies to enforce laws against discrimination in federally assisted housing. The Federal Housing Administration and the Veterans Administration bear primary responsibility for the exclusion of minority groups from the great bulk of suburban housing that has been built since World War II.

Racial exclusiveness in access to suburban housing has been reinforced by the failure of the public housing program of the United States to develop an adequate supply of housing in suburban areas. This failure has been caused in part by the jurisdictional limitations under which local housing authorities are required to operate. The New York City Housing Authority, for example, is not empowered to build housing in the New York suburbs. Local housing authorities in the suburbs refuse to build public housing in areas close to expanding work sites, for fear of political reprisal from white constituents. Thus, the bulk of the public housing program in New York State is limited to central cities, and within these central cities, in racially isolated areas, both Negro and white. Not only has public housing failed to expand housing opportunities outside of ghetto areas, but it has worked to buttress the patterns of racial and income separation that obtain within these urban areas.

Apart from the question of racial integration, the unavailability of a supply of low cost public housing in suburban areas compounds the problems of economic uplift in central cities, for most of the new jobs that have been created in recent years for unskilled and semiskilled workers are found in precisely those areas that do not have low cost public housing. It seems clear that, if local housing authorities could acquire land and build subsidized housing in suburban areas, the resultant housing supply might provide a partial answer to the employment and shelter problems of low-income central city residents. If public housing were a state function, carried out by a statewide housing authority, it might also provide a partial answer. A more immediate protection may lie in granting extraterritorial powers to central city housing authorities, to enable them to secure suburban private housing for low-income and minority families in the central cities.

The Proposal

We propose that legislation be enacted to empower central city housing authorities to sign leases covering private housing located outside the jurisdiction of the agency, using the Section 23 Leased Housing program of the Federal Housing Assistance Administration.

Secondly, we propose that central city housing authorities

be empowered to purchase housing offered for sale outside the jurisdiction of the agency. The houses would then be rehabilitated, if necessary, and rented or sold at a subsidized price to the low-income family.

An overriding purpose of these proposals is to expand the supply of low cost housing available to low-income and minority families in suburban sections, reasonably proximate to work sites. To accomplish this purpose without infringing upon the prerogatives of the housing authorities in these suburban areas would require that the suburban housing authorities be given preference in leasing dwelling units offered to public agencies, and in purchasing turnkey and other new housing offered for sale to public agents. Should the local housing authority turn down these offers, the central city agency would be in a position to compete for them. Where suburban housing authorities do not exist, the central city agency would be empowered to enter the private market and compete for dwellings that private owners are prepared to turn over to a public agency for sublease or sale to low-income families.

Since funds to operate the suburban programs of the central city housing authorities would come in part from the central city itself, to what extent would municipal authorities be empowered to utilize funds derived from citizens of one jurisdiction to benefit a portion of these citizens in another

jurisdiction? It remains to be established that providing housing for low-income families is a legitimate public purpose, and that acquiring such housing extraterritorially is a natural and indeed necessary function if the intraterritorial obligation to preserve the general welfare, health, and safety are to be met. Here we rely on the decision in the case, New York City Housing Authority versus Muller (1936), which held that "whenever there arises, in the state, a condition of affairs holding a substantial menace to the public health, safety, or general welfare, it becomes the duty of the government to apply whatever power is necessary and appropriate to check it."13 Rent control, tax abatement, publicly assisted housing, zoning, building codes, and so forth, represent efforts by state and local governments to regulate public and private actions for the benefit of the general welfare. We have no doubt that the state's granting of extraterritorial powers to central city housing authorities would be sustained by the courts.

^{13&}lt;sub>270</sub> New York 333.

HOUSING FOR WELFARE RECIPIENTS

The federal government and New York State together spend some 200 million dollars a year for rent payments for New York's public assistance recipients. In New York City, 150 million dollars a year is spent for this purpose. Over a period of less than five years, public assistance rents equal the total amount the state has used for building low income housing since the beginning of its housing program in 1938.

Currently, most of the money paid by welfare departments for rent goes to private landlords, many of whom do not provide decent, safe, or sanitary housing. Because of New York City Housing Authority regulations, it is estimated that only about 8 percent of welfare recipients in New York City live in public housing—the main source of decent housing at low rents.

Welfare funds are thus a possible important source of funds for new and rehabilitated standard housing for low income families.

Little public information is available concerning the way in which welfare payments for housing are used, or about the condition of the housing provided to the beneficiaries of the welfare program. Because such large amounts are expended in this area, and because it is conceivable that controls might be employed by administrators to assure that welfare recipients

resided in decent housing, we call for a statewide legislative investigation of administrative practices in this area.

Legislative investigation of welfare rent support practices should include study of the following topics:

- 1. The total annual expenditure for welfare rent assistance.
- The number of families receiving assistance and a description of their characteristics.
- 3. Characteristics of the accommodations provided to welfare rent recipients: descriptions of the rent paid for apartments of various sizes in different types of accommodations: multi-family units, one- and two-family units; private housing, public housing, middle income publicly aided housing.
- 4. A description of the methods employed by welfare agencies to inform public assistance recipients of the types of housing available within the community.

- 5. Estimate of the number of welfare families living in substandard housing.
- Comparison of rents paid for standard and for substandard housing.
- 7. Location of housing for welfare families. Study whether welfare recipients tend to live substantially in ghetto areas.
- 8. Consideration whether adequate staff services are provided in this field by the welfare agencies. In New York City, for example, the welfare department has a staff of about 200

working in the rent assistance program. Is the staff adequate in size? Is its time used well? How good is the communication between the staff and its clients?

- Consideration of the effects of administrative practices in public housing units and in publicly aided middle income housing.
- 10. Recommendations from administrators, welfare recipients, and housing experts for better use of the welfare housing funds.

Legislative Recommendations

We propose these changes in the law covering the use of welfare funds for rent support:

- 1. Welfare rent recipients should be required to rent only standard units. We believe this requirement can be enforced by placing the burden on the welfare agencies. A welfare recipient should be able to demand a decent housing accommodation as a right and to be able to bring action against a welfare agency to compel it to make a decent dwelling unit available. The recipient should also be required to make a search for housing be ond the substandard units commonly available in areas where welfare recipients now live.
- 2. Welfare departments should be required to maintain housing referral bureaus, or to maintain close relations with

the proposed Housing Referral Agency. These bureaus should maintain up-to-date files on available housing units at different rates and in different sizes in all parts of the community. Currently, clients are left to find their own housing, with the agency simply ratifying their choice. Welfare clients do not have equal access to the housing market, and the agency must assert and defend its clients' rights to assure their access.

- 3. Tax incentives should be offered to landlords supplying housing units to welfare recipients. For example, a landlord might be allowed a deduction on his tax equal to one-half the rent paid him by a welfare client; or, the tax allowance for the expenses of operating a unit might be permitted to be increased by a sum equal to one-half the amount paid annually by a welfare recipient.
- 4. Penalties should be imposed on any landlord knowingly leasing a substandard unit to a welfare recipient.

- 5. Legislation should be enacted prohibiting landlords from refusing to rent to welfare clients. They can now do this, and often do.
- 6. Every welfare department should be required to report annually on the number of welfare recipients aided by rent assistance and the location, type, and condition of the units they rent.
 - 7. Welfare agencies' clients should have the right to occupy

at least 25 percent of all publicly supported housing units.

Housing authority regulations regarding the qualifications of applicants for units should be suspended to permit the full 25 percent occupancy.

- 8. Welfare agencies should be directly involved in housing. For example, the New York City Welfare Department could take long-term leases, or purchase cooperative units, for use by clients in new or existing housing. This would help provide the stimulus to the private market we are seeking, and assure decent housing for clients.
- 9. The welfare departments should help tenant groups to organize in predominantly welfare-occupied housing. This would help tenants assert their own rights and make rent-withholding laws a reality for welfare recipients.

NEW HOUSING

A BELOW-MARKET INTEREST RATE PROGRAM

Background and Objectives

Interest subsidy and long-term amortization have traditionally financed the development of public and publicly assisted housing in New York State. Under the state's Public Housing program, the State Division of Housing and Community Renewal sells voter-approved public housing bonds, and grants local housing authorities annual cash subsidies to make up the difference between the rents collected and the cost of operating the project and debt retirement. These public housing bonds are tax free to the investor, and thus can be sold at a substantially lower rate than would obtain if tax exemption were not present. Under the state's publicly assisted, middle-income housing program (Mitchell-Lama), the state sells the voterapproved bonds to private investors, and lends the proceeds to approved developers at an interest rate substantially below that available in the private market. The costs of both public and publicly assisted housing in New York State are amortized over periods of up to fifty years. In combination with tax abatement, these interest subsidies and long-term

amortization provisions made possible the development of a substantial supply of housing for low- and middle-income families in New York State.

Regrettably, neither public housing nor publicly assisted housing is being built in substantial volume. Voter rejection of public housing bond issues is largely responsible for the small number of starts in that program. In the middle-income housing program, increasing interest charges and the upward movement of site and construction costs (combined with an almost exhausted borrowing limit) have resulted in housing that is too expensive for the families for whom it was intended. It is no secret that the capital grant program in Mitchell-Lama housing was designed in part to relieve developers of vacancies resulting from high rentals in Mitchell-Lama housing.

In a larger sense, the failures and inadequacies of public and publicly assisted housing result from the unnecessary bifurcation of responsibility built into the programs. Neither program is designed to finance the development of housing of moderate cost for mixed-income occupancy into which low-income families could move, with the help of subsidies, and into which middle-income families could move with nearly full economic rent. Indeed, families with incomes of between \$4,000 and \$6,000, with one or two children, are ineligible for public housing, while they are economically unable to pay the costs

of publicly assisted middle-income housing. Yet this group represents the great bulk of the upwardly mobile and ill-housed population within New York City, and within the other large cities across the state. To meet the housing needs of these families in a manner permitting joint tenancy with low-income and middle-income families would require a state program that would bring housing costs down to \$18 to \$20 per room, on the average.

Precedent for development of such housing is available in the federal government. The Federal Housing Administration's 221(D)(3) program is precisely the kind of program that can guarantee housing of superior attraction for moderate-income occupancies. Under the 221(D)(3) program, the federal government provides loans to nonprofit developers at a below-market interest rate of 3 percent, for up to forty years. Limited dividend, profit making corporations are eligible for 221(D) (3) market rate loans for forty-year periods. Since interest rates have begun to rise, a number of nonprofit sponsors are currently utilizing the 221(D)(3) program to develop publicly assisted housing in New York State. Shelter costs can be significantly lower under the federal program than under existing New York State programs, despite the advantage of fifty-year amortization over the FHA limit of forty years.

One simple and inexpensive way to insure the development

of moderate-cost housing would be for the state of New York to shift its publicly assisted housing program to the 221(D)(3) program. However, the federal program requires workable program approval, and thus could not be utilized in many areas of expanding employment opportunity, where moderate-cost housing is in short supply. A second limitation that prevents shifting of the state program to the 221(D)(3) program is the limited funds that Congress has made available for moderate-income housing, despite the success the program has enjoyed. Within this limited authorization, the funds available to the state of New York, and to any of its subdivisions, are necessarily limited.

The obvious solution to this persistent problem is the development of a new state below-market interest rate program in which the state would make up the difference between the cost of public borrowing and the rate at which public monies were lent to nonprofit and private limited dividend sponsors. Such a program is essential, not only to validate the Mitchell-Lama principle, but, more importantly, to enable the Metropolitan Housing Development corporations, described in another of our proposals, to begin to develop a supply of moderate-cost housing throughout New York State's metropolitan areas.

The Proposal

We propose that a below-market interest rate program be established within the State Division of Housing and Community Renewal, to finance the development of low- and moderate-cost housing in New York State. Capital funds at three percent interest would be made available to not-for-profit Metropolitan Housing Development corporations, and to other nonprofit groups, for a period of up to fifty years. Limited profit and limited dividend groups would be able to secure below-market interest rate funds at an effective rate of four percent. Since the interest subsidy is designed to encourage the development of the housing supply, it is likely that subsidy costs would be considered part of the state's capital, and not operating, budget. There is ample precedent for financing this type of program as a capital expenditure.

By combining programs and special aids, the price of moderate-cost housing could be brought down, and kept down, below \$20 per room, per month. Three percent financing through the proposed new housing finance program, combined with urban renewal write-downs, and with 100 percent tax abatement under the Mitchell-Lama program, could produce housing for which moderate-income families would qualify.

A SHELTER SUBSIDY PLAN

Background and Objectives

The general introduction to these proposals provides data on the housing deficit for New York State. In 1968, the deficit is estimated to exceed 2,000,000 units of new and rehabilitated housing. Producing a housing supply of this magnitude is a formidable task, made more difficult by the fact that many of the families in need of housing lack incomes to compete effectively in the housing marketplace. More than 50 percent of these families, for example, have annual incomes below \$4,000 per year. In New York, as in other states, the private housing market is unable to supply new housing at reasonable cost in rentals for these families.

In the New York metropolitan area, new single-family dwellings have been priced between \$20,000 and \$30,000 in recent years. Rentals in new privately developed multifamily dwellings in the New York metropolitan area have also been exceedingly high--between \$40 and \$50 per room, compared with \$18 per room, considered to be moderate-rental housing. In the Buffalo, Albany, Rochester, and Syracuse areas, housing costs are lower than in the New York City area. However, lower family incomes in these areas offset reductions in housing costs.

A comparable situation exists in publicly assisted housing. Each year, the number of low- and moderate-income households increases by 40,000. However, only 30,000 units per year of publicly assisted housing have been built in Mitchell-Lama developments of all types. Rentals in these developments now average between \$25 and \$35 per room; recent increases in interest rates suggest that Mitchell-Lama rentals will continue to rise in the near future. Clearly, low- and moderate-income families with two or more children cannot afford these rentals. Subsidies are presently being provided to some low-income families to enable them to compete for Mitchell-Lama housing--but the number of families involved is very small, as are the number of units presently available or under construction.

Less than 5,000 units of state-assisted, low-rent public housing are being developed each year. Twice in recent years the voters of New York State have defeated proposals for bond issues that would have increased the number of low-rent public housing units that could be built. To compound the problem, the federal public housing program is slowly grinding to a halt. 14 In sum, neither private nor public agencies are building the

¹⁴The rate of construction of federal public housing units has decreased from 71,000 units in 1951, to 52,000 units in 1961, to 32,000 units in 1966, the last year for which we have figures.

kind of housing needed by those who suffer housing deprivation in New York State at the present time.

The immediate result of this housing crisis is widespread residential immobility in New York State's urban centers. Residential immobility resulting from tight housing markets and the failure to build new housing at appropriate cost and rental levels affects low- and moderate-income families of all races. More than one half of the ill-housed in New York State are whites, who suffer from many of the same physical, psychological, and social problems that confront minority families. Low-income whites too often compete for the same housing units and are affected by the same increases and decreases in building costs and rents, as minority families. Thus, a housing program that seeks to expand opportunities for minority families must be designed to serve the interests of all low- and moderate-income families.

It is ironic that the cost of private dwellings coming on the resale or rental markets is not significantly in excess of housing costs currently paid by families living in substandard dwellings. In New York City, the differential is between \$45 and \$55 per month per family, or less than the monthly subsidy available to families under the Federal Public Housing Leased Housing program. Many of the dwelling units that come on the market each year could be made available to families in need of

housing if minimal subsidies were provided. Thus, we propose that a statewide Shelter Subsidy program be established, to enable low- and moderate-income families to compete for vacant housing throughout the New York State metropolitan areas. We feel that a subsidy program of this nature would promote efficiency in local housing markets by reducing imbalances in supply and demand factors in local housing markets.

A Shelter Subsidy program would reduce segregation, be
less expensive than new public housing (now more than \$25,000
per unit, in New York City), result in effective demand for new
and rehabilitated housing, and lead to elimination of unnecessary imbalances in urban labor markets within New York State,
by enabling workers to move their place of residence freely
where necessary to take advantage of job openings.

Under Present Legislation

The idea behind the proposed shelter subsidy bill has ample and broad precedent in Federal, State, and City housing legislation. The federal low-rent public housing program, the nation's first major housing effort, is basically a subsidy program. The subsidies function at three levels: financing guarantees enable local housing authorities to secure funds to construct the units; annual operating outlays (now averaging \$40 to \$50 per unit per month) permit amortization of interest

and principal; payments in lieu of taxes permit partial tax abatement and reduced rents. These subsidies are all included in New York State's public housing programs.

Since 1965 a new type of rent subsidy program has been introduced into the public housing program, and a similar subsidy has been authorized in New York State, albeit on a limited basis. The federal program is the Section 23 Leased Housing Program, under which local housing authorities lease dwellings in the private market for sublease to low-income families eligible for public housing. Monthly payments under the leased housing program are now reaching \$60 to \$80 per month per unit, in New York City. Still higher costs are required in certain areas. The New York State rent subsidy program is a capital grant program limited to Mitchell-Lama housing. The idea behind the program is bold and innovative, but the potential is limited by the relatively few Mitchell-Lama units available. Monthly subsidies average between \$40 and \$60 per month per unit.

The Federal Housing Administration 221(D)(3) Rent Supplement program is still another example of a subsidy program. Here the subsidy is designed to encourage the development of below-market, not for profit 221(D)(3) housing. The major drawback in the 221(D)(3) program is that families are required to pay twenty-five percent of their income for rent--a rather high proportion--with the difference between family contribution and gross rent payable by the FHA.

Title I housing developed on urban renewal properties also receives subsidies in the form of land write-downs to the developers. The land write-downs, combined, in many cases, with partial tax abatement, result in reduced rents to the consumer -- a form of disguised rent subsidy. Two further examples of subsidy programs are the below-market interest programs and welfare pro-Numerous below-market financing mechanisms are available in Federal, State, and City housing programs, for example, 221(D)(3); limited profit housing; and urban renewal housing. All of these programs absorb part of the true financing cost as a contribution to development of moderate-cost housing units. The welfare housing program, on the other hand, is a direct outlay of public funds--similar to the Section 23 Leasing and State Capital Grant programs -- to acquire decent housing for client families. Average rental payments for welfare families are currently between \$140 and \$150 per month per unit.

The Proposal

Under the proposed legislation a new Shelter Subsidy program would be established in New York State to provide financial assistance for up to 100,000 families per year at an annual capital cost of \$60 million, borne jointly by municipal and state governments. The program would be open only to families eligible for public housing, but first priority would be

extended to families displaced by public programs. The shelter subsidy would be used to make up the difference between gross shelter cost and <u>twenty percent</u> of the family income. Maximum payments under the program would equal the average monthly payment in each metropolitan area under the Section 23 Leased Housing program.

Although alternate solutions are possible, we suggest that the subsidy be in the form of monthly checks made out to the tenant. This method would avoid charges of paternalism; it would encourage family independence, and eliminate distinctions between subsidized and nonsubsidized families. Where landlords or mortgagors refuse to participate in such an arrangement, and the family is prepared to modify its rights, the check may be made out jointly to the landlord and the tenant. In no case would more than two monthly checks be permitted to remain outstanding at a time.

To assure widened housing choice, and to prevent the concentration of families by race and class in any particular area, families utilizing the Shelter Subsidy program would be encouraged to shop for housing accommodations in the largest possible area. The facilities of the Housing Referral Agencies and Metropolitan Fair Housing Councils would be fully utilized in securing housing. Families would sign their own leases with land-lords or developers. No public agency would intervene in this

relationship. The administering agency, however, would guarantee the lease, as if the family were in a Section 23 Leased Housing unit. No family would be permitted to utilize the Shelter Subsidy program to reduce the percentage of income spent for rent in their present, sound, dwelling unit. This limitation would not apply, provided the dwelling had undergone rehabilitation within six months of the enactment of the bill.

Before a subsidy could be approved for a particular dwelling, the supervisory agency would inspect the dwelling and attest to its soundness. Families moving to unsound or deteriorating dwellings would be ineligible for subsidies under this program. As an added precaution against rent gouging, the rental or price of the dwelling would be examined to assure that charges were not out of line with prevailing rates. As a final precaution against the perpetuation of slums, families moving to a blighted area would be ineligible to receive subsidies under the program.

To enable the program to operate free of social and class restrictions, the proposed legislation would make it a misdemeanor to refuse to rent or sell housing accommodations to families receiving rental assistance payments, provided such payments, when added to twenty percent of the family income, are sufficient to meet full economic rent.

Since shelter subsidies would be based on income eligibility,

the aspirant relationship between housing and income should result in increased family income. All families would be requested to submit biennial tax sheets; as income increased, the amount of subsidy would be reduced. If income declined, the subsidy could be increased, but in no case could it exceed the maximum permissible under the program. In a rising economy, therefore, we can safely predict that each year would see a significant number of families removed from the program, and a consequent annual reduction in the dollar amount of subsidies.

Participating families would be encouraged to shop for rental and purchase housing. Low interest loans would be made available, under the charges proposed for the present HOPE program, to enable families who wanted to buy a house to meet down payment and closing costs. The program would be administered by the State Division of Housing and Community Renewal.

Impact of the Program

The program would have the following effects:

- 1. It would bring about significant improvement in the living conditions of 100,000 low- and moderate-income and minority families.
- 2. It would expand employment opportunities for families living in poverty areas by enabling them to secure housing reasonably near work sites.

- It would reduce race and class segregation within metropolitan areas.
- 4. It would reduce densities in core areas and permit the acquisition of land for redevelopment.
- 5. It would increase the efficiency of real estate markets within New York State by adding to competition for vacant units.
- 6. It would encourage owners and developers to rehabilitate run-down and deteriorating structures in the knowledge that families would be able to meet moderately higher rents.
- 7. It would promote the development of joint "turnkey" and "acquisition and rehabilitation" efforts by local housing authorities and by nonprofit corporations, because of the absence of risk.
- 8. It would speed up the relocation process by making additional dwellings available to displaced families.
- 9. It would permit the collection of full real estate taxes on units receiving subsidies (although these taxes, ultimately, are a form of intergovernmental transfer).
- 10. It would permit families who do not wish to live in public housing to secure decent housing at reasonable cost.
- 11. It would <u>not</u> result in the development of more institution-like structures which perpetuate a sense of difference between project families and other families.
- 12. It would encourage more Mitchell-Lama construction,

and more middle-income housing generally, such as 221(D)(3) and other types.

13. It would permit families whose income has risen appreciably to remain in their houses without further subsidy, thus minimizing the dislocations which occur in public housing and Mitchell-Lama private housing.

INCREASING HOME OWNERSHIP OPPORTUNITIES

Under Present Legislation

Under present state legislation home ownership potential is extended primarily to families seeking to purchase units in Mitchell-Lama and limited dividend cooperative housing. The present HOPE program enables middle-income families who are able to pay between twenty and thirty dollars per room per month for housing to finance purchase of a cooperative apartment. However, private developers are able to reject the HOPE program, and in fact do reject it, in many areas. The United Housing Foundation, to cite one example, will not use the HOPE program in its Co-op City development. This project will provide 15,500 apartments at between \$22 and \$28 per room. Down payments of up to \$3,000 per family place this housing beyond the reach of many families who can afford to pay the monthly charges. Without a loan program, these families cannot compete for the new housing. The United Housing Foundation rejects the HOPE program in favor of its private program, which places responsibility on the agency instead of the state for compliance with state policy.

Thus, no program exists to extend down-payment loan benefits to low- and moderate-income families who will be empowered to secure housing through the procurement activities of the housing referral agency and the Metropolitan Housing Development Foundation. These families require long-term subsidized interest payments to make possible simultaneous expenditures for mortgage and down payment costs.

The Proposal

We propose that families wishing to participate in the benefits of home ownership be permitted to borrow up to ninety percent of down payment and closing costs, at an effective interest rate of two percent. The loan should be payable over twenty years. The state should establish a sinking fund to insure against default on the part of borrowers.

Administration of such a home ownership program would rest with the State Division of Housing and Community Renewal, which would be authorized to contract with metropolitan Housing Development Corporations to make possible decentralized administration of the program. Families using the state's Shelter Subsidy program who wished to participate in the home ownership program, would be given the opportunity to do so.

NOT-FOR-PROFIT HOUSING CORPORATIONS

The Housing Shortage

Earlier in this report we outlined the dimensions of the state's housing shortage. We noted that six hundred thousand families presently live in substandard and indecent housing, and that an additional one million families live in deteriorating housing in blighted sections of the state's urban areas, where renewal will require extensive public intervention and demolition. Finally, we noted that three hundred thousand families who do not live in physically substandard or deteriorated housing are nevertheless compelled to live under seriously overcrowded conditions. If we add units needed by new by new households -- forming at the rate of 110,000 per year -and if we aim to create a vacancy ratio of three percent, it is estimated that, at a minimum, two million new and rehabilitated units must be brought into the state's housing market in the next ten years, to enable every family to secure a decent home in a suitable living environment.

At the present time, however, less than 75,000 units are being constructed in New York State annually. This number represents less than that needed to keep pace only with population growth. Moreover, approximately 45,000 of the units currently

being constructed are privately financed, and are designed for middle-income and upper-middle income groups. Of the 30,000 (approximately) other units receiving some form of public assistance, less than 10,000 are effectively being made available to low- and moderate-income families, who are in greatest need of housing. Publicly supported demolition is, however, reducing the supply of low- and moderate-cost housing by more than 12,000 units per year. Present programs, therefore, do not result in net additions to the supply of housing available to low- and moderate-income groups.

Housing Location and Employment

There is a close and continuing relationship between persistent high unemployment and the location of housing for Negroes and Puerto Ricans. Negroes and Puerto Ricans are compelled to live in areas of declining employment within central cities, while job opportunities suitable to their skill levels are presently available in distant suburban areas not well serviced by public transportation. A recent Report by the U.S. Department of Labor, for example, pointed out that roughly thirty percent of New York City's minority work force suffers from severe employment problems. At the same time, thousands of unskilled and semiskilled jobs in suburban industrial, commercial, and mercantile establishments remain unfilled for lack of

adequate manpower. This imbalance in New York State's urban labor markets is due, primarily, to the unavailability of moderate-priced housing reasonably near suburban work sites. In the absence of such housing, suburban employment opportunities are a weak magnet in attracting minority workers away from the central city.

For this reason, we are convinced that the development of a dispersed and massive supply of well-sited low- and moderate-cost housing in suburban areas is the key to the elimination both of persistent high unemployment and of slum housing conditions among low-income and minority families in the state's central cities. Such a program is now essential to restore economic and social mobility to disadvantaged groups and to promote more effective and efficient use of available job and housing opportunities in the state's metropolitan areas.

Accomplishment of both these goals is dependent on rapid and sustained increases in the number of new housing starts each year, from the current 75,000 units to a reasonable minimum of 200,000 units. At present, however, there is no mechanism in the state's house building industry that could produce housing at the level required.

Most suburban areas, for example, do not have local housing authorities. Where such authorities do exist, however, political and racial factors often compel the agencies not to do the

job for which they were created, namely, to build and manage housing units. To make matters worse, central city housing authorities—with one exception, that of the Albany regional housing authority—appear to be precluded from operating in surrounding suburbs.

Zoning and related land use controls also work to restrict the amount of new housing being built. These regulations are also employed by communities to prohibit the development of certain nonpublic housing residential structures--particularly high-rise or multifamily structures--for moderate-income house-holds. Westchester communities, for example, refuse to grant tax abatement to developers of Mitchell-Lama or 221(D)(3) projects. Suffolk's towns prohibit all high-rise structures, and most forms of low density multifamily housing. A number of Rockland and Nassau County communities failed to pass Workable Programs, thereby excluding from their borders all federal and state below-market interest rate programs which alone can insure the production of moderate-cost housing.

Suburban land that is available for private residential development is, in most cases, zoned only for single-family units on large lots. Even if a major builder wanted to embark on large-scale housing development in these areas, prevailing zoning patterns would effectively exclude him from constructing the optimum cost house for this population.

For all of these reasons, a new type of house building mechanism is required in the state's metropolitan areas, a mechanism which will have the flexibility of the private sector and the favorable interest rates available to public agencies--yet which would be free of jurisdictional limitations inherent in the programs of the present public organizations.

The Proposal

New York State should establish and finance Metropolitan
Housing Development Corporations within each major area of New
York State. These Metropolitan Housing Development Corporations would be private not-for-profit organizations whose sole
and continuing responsibility would be to develop and acquire
a supply of well-sited, widely dispersed, low- and moderatecost housing units throughout the metropolitan areas. All
state and federal bargain financing programs would be employed
to make possible housing of superior attraction for interracial
occupancy.

The Metropolitan Housing Corporations would be operated by boards of directors representing major social, racial, political, and economic groups in the metropolitan areas. The Corporations would be authorized to build, buy, acquire, lease, sell, rent, and rehabilitate a variety of housing types for

occupancy by low- and moderate-income and minority families.

For example, joint building and leasing programs would be undertaken with local housing authorities; prospective housing sites would be "banked" as they became available; free technical services would be offered to local nonprofit corporations, cooperatives, and limited dividend companies, to assist these groups in building new and rehabilitated housing for low- and moderate-income occupancy; and poor families would be assisted in building or rehabilitating on property they already owned.

The Housing Development Corporations would also be authorized to spin off subsidiary corporations to develop particular sites, to provide packaging services, to arrange mortgage financing, to provide coordinated management operations, and to develop new building techniques. Most important, the Corporations would be authorized to spin off subsidiary not-for-profit corporations to develop a variety of social services, with both physical structure and services in new projects to be included as part of the necessary project cost for one hundred percent FHA mortgage insurance.

The Corporations would also build and acquire rental housing. However, when combined with the expanded HOPE program and with low-interest long-term loans covering down payment and closing costs, the path would be cleared for low- and moderate-income familes to become home owners. Cooperative housing,

condominimums, and other types of equity construction would also be developed where demand existed.

We propose that the present state urban development fund be increased to \$30 million and distributed among the Metropolitan Development Corporations according to formulas currently used in such cases. In addition to basic seed money, the Corporation would be authorized to acquire operating funds from available governmental, private, and foundation sources.

The Metropolitan Housing Development Corporations would be authorized to issue tax free debentures backed by the credit of the state. Funds raised in this way would be used only in the development of new and rehabilitated housing.

The Corporations created under this proposal would work to bring about inclusive social and economic use of all housing under their jurisdictions. Particular emphasis would be placed on expanding housing opportunities for interracial occupancy reasonably close to expanding work sites.

Under this proposal, breakthroughs in the development of a dispersed supply of low- and moderate-cost housing can be achieved at minimal cost to the state and to the communities in which the new housing would be located. The existence of an expanding supply of such housing would constitute a significant advance toward the ultimate goal of a decent home for every family in a suitable living environment.

MOBILE HOMES AS LOW COST HOUSING UNITS

A tour of non-urban regions of New York and other states reveals that the mobile home is increasingly becoming a form of low-cost housing. The de-mobilized mobile home provides housing space at a cost per square foot about one-half to one-third the cost of new standard housing. While America has not yet developed a good low-cost prefabricated housing unit, it has developed the mobile home.

Between 1960 and 1966 the number of "mobile homes" (units 29 feet or longer) shipped by manufacturers increased from 104,000 to 217,000.* In 1966 the total number of privately owned single family residential units constructed was 770,000.* Thus it is clear that the mobile home has become a very significant part of the housing market.

A recent story in the <u>New York Times</u> revealed that Vicksburg, Mississippi was constructing public housing units which appeared as two story row houses but which were comprised of a row of mobile homes placed on top of another row of such homes. The project was not only attractive, it cost about 15 percent less than standard public housing construction. Additionally,

^{*}Table 1088, p. 724, Statistical Abstract of the United States, 1967.

**Ibid., Table 1083, p. 721.

the project was completed in far less time than normally would be required. 15

Two forms of legislation seem appropriate in the treatment of mobile homes: first, an incentive to the mobile homes industry to develop plans for the use of mobile homes in urban areas; second, passage of state zoning enabling law to eliminate unnecessary local zoning prohibitions against mobile homes.

The Proposal

The Division of Housing should report to the legislature on the feasibility of using mobile homes as a means for solving the low cost housing problem in the state. The Division of Housing would contract with the Mobile Homes Association to have a study prepared on the means for developing mobile homes at low cost and of sufficient size to house families of three, four, or more persons as well as one or two person families.

This study should be undertaken in the context of a broad survey by the Division of Housing of the cost of prefabricated housing. The question should be posed: how can an economical standard, mass-produced dwelling unit, such as the mobile home, be produced to serve family units of various sizes and in conformance with the highest esthetic standards for community design? And, further, can mobile home construction be blended in a new community with other housing types in an attractive manner?

¹⁵ Section 8, p. 1, January 14, 1968.

It is a common practice in localities throughout the state to ban mobile homes either entirely, or from residential districts alone. The negative view of the mobile home arises from a distaste for trailer parks and their inhabitants. But it is questionable whether the antipathy felt by many toward mobile homes should be embodied in the law. Occupants of mobile homes are present permitted to live, if at all, only in the sections of a community least suitable for residential development-usually in an industrial zone. The expression of community dislike for the mobile home and for the appearance of large numbers of such homes in a compact trailer camp may have some merit on esthetic grounds. We believe, however, that with proper design controls, including provisions that a mobile home occupy as large a lot as that required for a standard single family home, that mobile homes need not destroy the economic value of residential communities. If the mobile home does provide good low cost housing for its occupants, then the social values of prohibiting its exclusion from residential zones far outweigh the esthetic advantages of continuing to permit its exclusion.

HOUSING LAW AND REGULATION

COMPREHENSIVE PLANNING AND HOUSING

State enabling legislation governing urban development planning requires some changes to allow it to keep pace with recent changes in planning theory and practice. At a time when Model Cities legislation calls on planners to coordinate social, physical, and economic factors, local planning agencies are still tied to focussing on land use and other facets of physical planning.

Modern techniques for rational decision making processes, such as the planning-programming-budgeting systems(PPBS) approach, also call for planners to go beyond concern with capital improvements and to cope with the relations between capital and operating budgets and between structures and services.

Keener analyses of the social and economic consequences of alternative physical development solutions requires planners to go beyond a narrow, physically-oriented view.

The legislation we propose would empower local planning staffs to broaden the focus of their analyses so that they might gain a more comprehensive view of their communities and their needs.

In addition, the proposed legislation would require that

local planning staffs develop local plans in terms of regional needs and conditions. This would have the effect of restraining local efforts to isolate a community from its neighbors.

Requiring Local Comprehensive Plans to Commit Localities to Share in the Solution of Regional Social and Economic Problems

We recommend that the enabling acts empowering localities to prepare comprehensive plans for community development be amended to require localities to prepare comprehensive plans which, beyond concerning themselves with physical conditions, would deal with social and economic conditions affecting the locality and the region of which it is a part.

Planning agencies would be authorized to develop or amend their comprehensive plans by a specified time in the future (such as one or two years) so as to have the plan include recommendations for how the locality might help to solve its own and its region's problems of providing decent housing, employment, education, and health services and facilities. Local planning agencies would be required to give special attention to solving the problems of the area's low-income and Negro families.

Relationship of Localities to their Region

Legislation might require local comprehensive plans to

conform to plans prepared by a council of governments of their regions. This would require separate legislation for the creation of such regional bodies and their preparation of comprehensive plans.

Alternatively, no regional planning mechanism need be established. It might be reasoned that, at least at the outset, local units should be given freedom to select their own means of participation in solving regional problems. Before the state erected a complex system of regional governments, local government would be afforded the opportunity to deal independently with regional issues.

What Sanctions to Employ

To be effective in requiring local planning agencies to face up to social and economic issues, it would be necessary to require, rather than to permit, comprehensive plans of the type defined in this legislation to be prepared. But what if the plans are too general, or are indifferent to social or economic problems, particularly to those of minority groups? What meaningful sanctions might the state impose?

Positive Sanctions: Incentives in the form of additional state aid for comprehensive planning and for the implementation of such plans might be conditioned on state approval of local comprehensive plans. Approval would be conditioned on findings that local and regional conditions have been adequately surveyed and that the plan demonstrates a (strong) intent on the part of the locality to deal reasonably and effectively with local and regional problems. Approval also would be conditioned on the fact of adoption of the plan by the local legislative body; mere adoption by the planning commission would not suffice.

An advisory board comprised of representatives of local governing units might be created in the legislation to assist the state in establishing standards for reviewing local plans.

Negative Sanctions: State aid to localities might be conditioned on the fact of local effort to participate in solving local and regional problems of low-income and Negro families. Legislation might include a provision authorizing state agencies to withhold or diminish grants or loans to localities whose comprehensive plans failed to meet state-established standards for reasonable participation in solving these problems.

ZONING AND HOUSING COSTS

The major tool employed by local government to control the character and effect of new housing development is zoning regulation. This control has been subject to criticism because its use has tended to increase land and housing costs so much that large portions of the population have been excluded from gaining access to important supplies of new housing. Concern with this effect of zoning regulation has led the National Commission on Urban Problems to study the issue of zoning's effect on housing costs.16

The overall regional effect of zoning regulations is frequently the establishment of economic segregation. Maps showing permitted zoning densities in neighborhoods are quite similar to those that show median income. Frequently, families unable to afford the single family homes built in restrictively zoned suburban areas are required to live in congested and deteriorated sections of cities and villages. Opportunity for the construction of moderate rental apartment or garden apartment units in attractive sections is often prohibited by zoning regulations.

¹⁶ Study being conducted as of January, 1968.

But the problem is not really created by zoning regulations. At the root of the issue is the fact that state planning and zoning enabling acts do not require local government units to consider the social and economic consequences of their plans and regulations. Because state legislative bodies fail to demand more sophisticated analysis by local units before they impose regulation, localities are able to act as if they were islands, remote from the problems of the metropolitan regions of which they are part.

Presuming, as they must, the validity of local zoning ordinances, courts have seldom accepted attacks against zoning regulations on the grounds of discriminatory exclusion. Local officials usually have been able to demonstrate in court that zoning acts were proper under state enabling powers.

The exclusionary effects of zoning can be controlled, not by eliminating zoning but by requiring zoning to be based on a more comprehensive view of the community and its region. We propose that zoning be permitted to be used as a means of separating incompatible land uses, but not as a means of separating social or economic classes.

Proposals

We propose that the state enact enabling acts to include as a major purpose of zoning, the objective of establishing

communities in which all citizens may have an opportunity to find housing at reasonable rents. Simply stating this objective as a proper concern of zoning bodies would constitute a move in the right direction.

We further propose that adoption of zoning regulations be conditioned on explicit findings that the regulation involved accords with the community's comprehensive plan section dealing with fostering opportunity for low-income and Negro families.

Again, such a recognition would tend to move zoning bodies toward consideration of other than purely land-use factors in zoning, and to make them aware that zoning has effects on the social composition of their communities.

Finally, we propose that zoning enabling acts be amended to include provisions requiring zoning regulations to be based on comprehensive analysis of the social and economic conditions within the region of which the community is a part. In order to enact local zoning ordinances, local zoning bodies would have to make a finding that the proposed regulation would not have the effect of excluding economic or racial minorities from gaining access to housing and employment within the community and within the area subject to zoning change.

These changes in zoning law would not undo the damage that has already been done in the enactment of exclusionary zoning in many suburban areas lying near the population concentrations

in the New York metropolitan areas. It would, however, help to create the possibility that newer communities lying somewhat farther away from metropolitan centers would contain areas of housing open to wider segments of the population.

POLICE POWERS IN PLANNING AND HOUSING

Background and Objectives

The police powers commonly applied to planning and housing administration include controls over building, zoning, and land development, and over the discretion of individuals to act in the housing market, as when they refuse to rent or sell units because of racial discrimination.

Police powers are an extension of the duty of government to act to promote the general health and welfare of the people. All too frequently, however, the police powers in planning administration are used to protect the privileges of one class of the population, or to maintain existing inequities in the distribution of benefits in housing, jobs, education, and recreation. For example, as we discussed in the previous section, zoning controls are used to exclude the poor and minorities from access to a community; conversely, they can be used to favor certain groups and interests whom the community finds desirable.

Similarly, building codes are used to inhibit technological advances and thus to keep the cost of housing above what it might be if modern standards of construction were used.

These practices affect low-income groups most severely.

Each locality, enacting its own land development and

building codes, competes with other communities for the most "desirable" types of residents and activities. In the scramble for the high-tax-paying, low-nuisance upper income families and business activities, the health and welfare of low-income groups in need of housing is ignored.

Proposals

We propose that police powers over land development be restructured in order to make them amenable to considerations of the health and welfare of the population of metropolitan regions as a whole, not just of particular communities or of particular groups within a community. The changes would be similar to those we propose in zoning enabling acts:

First, localities should be required to demonstrate how their police powers and development controls benefit (or at least do not penalize) all groups who may reasonably seek housing, work, or education in their areas. Reports as to the effects of local ordinances should be required periodically, to be filed with the appropriate state agency; and failure to provide a general level of equity would mean forfeiture of state aid to the community in the appropriate area (such as housing, recreation, or community facilities grants).

Local building codes would have to be evaluated in terms of their influence on housing costs. If they proved excessively

restrictive, they would have either to be justified on a performance basis--that is, they would have to be needed because of peculiarities in local building conditions--or else regional or statewide codes would govern in their place where any form of public aid to the construction were involved.

HOUSING TAXATION

State and local real estate and income taxes may be used as a means for both rewarding and penalizing landlords for the quality of their dwelling units. Tax policy should favor those landlords who rent decent and standard dwelling units to low-income families; it should penalize those who do not maintain decent units. Thus we propose that landlords maintaining substandard units should not be able to receive certain benefits presently granted under state income tax regulations. Several recommendations for changes in tax policy are set forth in the section on welfare housing; 17 the following is a further expansion of those proposals.

1. We recommend that favorable capital gains treatment of the sale of residential properties be withheld in computing state and local income taxes in cases where the sale includes dwelling units failing to comply with local building or housing codes.

2. We recommend the withholding of depreciation allowances on properties which fail to meet local housing codes.
The law could provide that no depreciation deduction

¹⁷ See page 68.

be allowed to any taxpayer owning for profit a housing accommodation, if for a period of 30 days or more during the tax year such accommodation is certified by any governmental agency having jurisdiction to be a fire hazard, or in a dangerous condition, or detrimental to the health or life of the occupants. 18

This proposal would make it incumbent on the owner of housing to demonstrate that his depreciation allowances were legitimate. He could do this by submitting a declaration from the local housing department that his building was free of violations of the type that would preclude the granting of the deduction.

We further propose the adoption of enabling legislation empowering localities to penalize the owners of substandard buildings who fail to repair these buildings by raising their real property tax by a specified amount. The tax penalty might be based on the duration of the failure to conform with the housing code and with the severity of the violation. Penalties might be increased, for example, for code violations in urban renewal areas, where loans at interest of 3 percent, repayable over 20 years, are available to private landlords for rehabilitation purposes. A limit on the penalty might be set forth in

¹⁸Language proposed here is that of the Architects' Renewal Committee in Harlem.

the statute; for example, the penalty might not be more than an amount equal to 20 percent of the tax normally imposed on the property.

The imposition of a penalty of this nature would be based on the costs to the municipality of servicing substandard units: these costs can be shown to be considerably higher than the costs required to service standard units. In particular, the greater risk of danger through fire, electric shock, or other safety hazards in substandard housing is considerably greater than in standard housing.

On the positive side, we support tax credits to landlords who rent rehabilitated housing to families at below-market rates of interest. Fair market rates could be established through an appraisal system similar to that used in the federal rent subsidy program. Other tax credits might be made available to stimulate other activities on the part of landlords who help to expand the market for decent housing for low-income families.

EXPANDING EMPLOYMENT OPPORTUNITIES IN HOUSING

Background and Objectives

Jobs for the unemployed and underemployed are a potentially important benefit of a major state-inspired housing program.

These jobs can occur in two areas: the construction and rebuilding of housing, and the management and maintenance of housing and the urban environment. Although jobs in the first category obviously exist and should be filled, their availability is highly influenced by labor practices and building industry fluctuations. Openings in housing operation and environmental services may well be more dependable and amenable to public direction.

A joint housing-employment program in construction faces three significant problems: the restrictive practices of the construction trade unions, the need to establish effective training and supportive programs, and the high construction wages required in housing receiving federal assistance. Housing operation, consisting of service and maintenance functions and environmental and community service tasks, do not face such severe constraints. Hence, it will be easier to develop job openings in these areas.

A large number of workers seeking new or improved employment

will be Negroes or Puerto Ricans. The attitudes and actual achievements of the building trade unions, as documented, for example, by the New York City Commission on Human Rights¹⁹ are quite discouraging to minority group entry. Although progress in this area will be slow, there are some recent developments that may foreshadow favorable changes. Increasing pressure from government, and the political and legal actions of community and civil rights organizations, can be expected to weaken the exclusionary practices of the unions. However, pressure for minority group entrance into the building trades will also have to contend with the cyclical nature of construction employment and the fact that present union members often do not work a full year.

In order to make the poor and unskilled person a productive worker, appropriate training and supportive programs must be available. These will have to provide distinct opportunities for people to learn and develop skills in various areas of construction and housing service, and to advance within these fields. Although the prime impetus here will be from the federal government, the state still can play a significant role.

¹⁹ New York City Commission on Human Rights, <u>Bias in the Building Industry - An Updated Report</u>, 1963-67, 1967.

Federal legislation, embodied in the Davis-Bacon Act, ²⁰ requires that the "prevailing wage" (usually considered the union wage without fringe benefits) be paid to practically all workers employed on housing receiving government aid or insurance.

Since labor costs comprise between 40 and 65 percent of construction costs, the prevailing wage requirement can only be economically justified by using a trained and productive labor force.

The net effect is to severely restrict the use of unskilled workers, or the introduction of meaningful training programs, into housing construction, so as to keep the costs from becoming prohibitive.

High construction costs are also reinforced by the combined effect of outmoded municipal building codes and restrictive union work rules and the organization of the building industry. Although substantial progress has been made in adopting a uniform Model Building Code in New York State's municipalities, these codes are still highly deficient. They tend to specify certain materials or assemblies and do not provide for the much more flexible and adaptive system of performance standards. Without a full range of building code performance standards, it is difficult to use new systems, products and materials for

²⁰⁴⁹ Stat. 2011

lowering costs and improving housing. Union work rules, with their self-protective proscriptions against large-scale use of new products and techniques, support the restrictive building codes. Effective change will have to take place in both areas.

A 1963 report to the National Science Foundation illuminates the building industry's response to innovation. It states that "during the last 30 years, there has been no major technical change of major economic significance for the building industry, analogous to major innovations in other industries...Technical change has been primarily evolutionary, in small increments, significant only in the aggregate."21

The building industry and the building task are fragmented, decentralized, and, as are the unions, craft-based rather than technically oriented. The building codes, with their emphasis on specifications and materials, and the complementary union work rules, impede the industrialization of building activity.

However, in discussing the creation of job opportunities, it must be remembered that construction costs only comprise about two thirds of the cost of the average private one-family house. Land, profit, and incidental costs make up the other

²¹Arthur D. Little, Inc. Patterns and Problems of Technical Innovation in American Industry, Report to the National Science Foundation, September, 1963.

third. Even so, construction (and total) costs have been rising steadily in New York State over the last few years and do not show any sign of decreasing in response to even the modest technical advances that have been recently introduced.²² A two percent decrease in the interest rate for housing, such as we propose, will do more to lower housing costs to the consumer than attempting to impose available technical innovations on a recalcitrant industry. Further, the creation of local employment opportunities may well conflict with technical advances. Industrial innovation in building will mean less jobs on the building site as parts are prefabricated or mass produced elsewhere.

The Proposal

Legislative action is not sufficient to assure employment opportunities in the housing field. Where labor practices and basic industry structure are involved, appropriate governmental persuasion, mixed with patience and incentives, will have to be applied.

²²For example, according to New York City Building Department figures, the average construction cost of a single-family house in the city rose by 21 percent between 1960 and 1966, from \$11,700 to \$14,200.

Building Codes and Union Work Rules: In order to stimulate technical innovation in the building industry and its application to housing production, the state must secure major changes in local building codes and in union work rules. Through its general welfare and police power responsibilities, the state must insist that building codes cover an appropriate geographical level and be based on performance standards. Just as the state in its capacity as a major force in the housing construction field should compel unions to expand employment opportunities, it should compel the unions to alter their work rules to permit the full application of technical advances in building.

Entrance into the Construction Industry: Legislation should establish as state policy a forceful drive to achieve equality in employment and to develop cooperative apprenticeship and employment programs for the poor and minorities in housing. The program must recognize the problems of employment fluctuation and geographical variation facing the unions, and offer them the opportunity to enter as full partners in the venture.

A massive state-supported housing program, aimed to produce two million units in a decade or so, would offer a chance to stabilize construction employment and guarantee the unions a constant reasonable share of the resulting jobs. The attrition rate in the building industry is almost 5 percent of the total labor force annually. New legislation should state that within a reasonably stable market the normal attrition from the existing labor force be replaced with those now denied entry into the building industry. A state agency would supervise the selection and placement of applicants and their training in union-sponsored or cooperative programs. Sufficient enforcement means and sanctions will also be required to control the program. If two hundred thousand units are produced annually, about 150,000 man-years of labor will result. Five percent of these, on an annual basis, would result in about 75,000 jobs each year for those now excluded from the building trades.

The greatest area of difficulty to open employment in the building industry is in new construction. In renovation and repairs, the barriers have been less steep. The state employment programs should recognize the differential entrance possibilities between new construction and rehabilitation, and be particularly assertive in the latter area.

Use of Training and Supportive Programs: Presently the most important programs in construction, such as they are, are supported by the federal government. A New York State housing program should also include training and supportive programs that can provide more skills and more closely reflect local employment possibilities than the federal ventures. A construction training program would include:

- A broad recruiting campaign in all parts of the state, particularly in the central city areas where unemployment and underemployment are high.
- 2. Preconstruction training instruction in basic skills required in the industry, and in developing motivation. Household heads will need income guarantees during this period and the households may need additional services.
- 3. Site experience in cooperation with the unions, whereby the apprentice works directly with a skilled journeyman.
- 4. Opportunities to become familiar with a range of construction experiences and real chances to improve skills and work levels and to gain increased wages and responsibility.
- 5. Full acceptance into the building trade and ability to find employment in the "non-protected" situation outside of training programs.

The "prevailing wage" situation demands special attention in establishing the training program. The state government should certainly seek to have the requirements relaxed within housing programs "invested with a public purpose" and under the claim that a housing crisis demands extraordinary public response.

Integration of the unskilled worker into construction could come about by expanding the provisions of the prevailing wage requirements to permit separate wage scales until workers have

reached full productivity. The Special Impact Programs of the Economic Opportunity Acts are a step in this direction. A more appropriate proposal is for training programs to be carried on a separate budget that would not increase the cost of housing.

Opportunities in Housing Operation: If the new and renovated housing is to provide good shelter to needy families, major employment opportunities can be created in housing operation and maintenance. Existing labor practices in this area are not nearly as limiting as in construction and the possibilities for creating jobs here have not been explored. The work here will involve superintendent, janitorial, maintenance and building service work.

We propose that, where housing programs serve groups with employment problems, the state should develop on-site job opportunities in direct housing services. To a large degree these jobs are now absent in housing for the poor and minorities, because under private operation insufficient funds are often allocated to operation and maintenance. However, a housing program avowedly concerned with the welfare of the residents must be able to support adequate maintenance practices.

Opportunities in Community and Environmental Services: Important public needs can be served, and employment created, in the care and maintenance of the urban environment and the provision of community services. Currently these tasks are the responsibility of public and private service agencies and private landlords. They are too often inadequately performed, as in the case of public services in slum areas, or are not provided by private owners.

Recent federal legislation indicates an increasing willingness to allocate public funds for training and employment of unskilled persons in environmental upkeep. Also, experience in
the anti-poverty campaign has demonstrated that neighborhood
residents, without prior training, can perform such social and
community service tasks as community organization, child care,
housing management and auxiliary services.

Federal legislation will not create enough openings in environmental and community service to fill the needs in New York State. A full state effort, including recruitment, job creation, placement, and income guarantees, should be established.

NEW HOUSING AND NEW CITIES

A serious commitment to solving the housing problem must rest on a program of new housing production. There is no alternative to building a new stock of decent housing.²³ The major beneficiaries of a new housing program must be the middle-or lower-income segments of the population.

Construction of large numbers of new housing units within metropolitan areas is prohibited by a combination of high land costs and opposition by the public to large low- and middle-income housing projects. Some room for new housing does exist within metropolitan areas. A long range program of the dimensions needed to solve the housing program must, however, rely on the great resource of undeveloped land in the state.

The establishment of the Urban Coalition and the New York
Coalition provides the opportunity for demonstrating how public
and private resources may be joined to combat urban problems.
One direction which the Coalitions should follow is that of

²³The Netherlands government constructs 70,000 units of housing annually for low income families. Holland has a population only slightly greater than half of New York's. That fact distinguishes clearly the difference between concern and disinterest with the housing problem.

developing new cities to provide opportunities for decent incomes, jobs, education, and housing for their residents. The economic opportunities offered in such cities must be so great as to not only attract present low income ghetto residents, but many others of different social and economic backgrounds.

Effective programs for new city development will depend on adequate public incentives to private developers. Private developers must be assured that public services, particularly transportation facilities, will be of a high quality and available for use as cities develop.

We suggest two approaches to legislative action. The first is to call on existing means for providing economic incentives to developers: low-interest loans, tax credits. The second approach calls for study of new means for establishing either a public authority or a mixed public-private corporation to sponsor and guide the development of new cities.

The problems confronting the new town of Reston, and our nation's present inability to develop a major new city offering housing and job opportunities to significant numbers of low-income families, suggests the need for research and development of a new cities program, rather than for establishing special economic incentives now to stimulate new city development. The public's interest in the economic, social, and physical characteristics of new cities and, in particular, with the way in

which such cities might reduce present tensions within older cities, underlines the need for deliberate consideration of new cities policy.

Proposal

We propose that legislation be enacted providing for the creation of a State Commission on New City Development.

Such a commission would be comprised of directors of appropriate state agencies, large scale land developers, housing experts, representatives of commerce and industry, representative of different social and economic classes, representatives from labor, and representative from different functional areas such as health, welfare, and education.

The purpose of the commission would be to develop a state program to foster new city development. The new cities would be designed to generate opportunity for all residents to find employment and housing in a good environment. Thus the commission's charge would include developing a program to solve problems of poverty, discrimination, congestion, and physical deterioration in older urban areas by developing opportunities outside existing communities. The commission would be required to report to the legislature within a year on the legislative and resource requirements necessary for large scale new city development.

The commission would study and make recommendations on housing needs; employment and income conditions; and what new cities of what size would be required in order to achieve what degree of success in solving the state's housing and poverty problems.

The commission would explore, given alternative public allocations (for example, \$50 million, \$200 million, \$500 million), what could be accomplished in new city development in five and ten year periods in solving its housing and poverty problems. It would determine what effects a new towns program would have on the state's housing industry and on housing markets in existing communities.

It would establish priorities for regions of the state in which new cities should be constructed, and determine the size of cities appropriate to the different regions. It would examine the social and economic characteristics appropriate to new cities of different sizes or locations.

Further topics for study would include new financing techniques, the proper roles of public and private agents in new cities development, and ways to overcome resistance on the part of many citizens to socially and economically integrated communities.

The commission would recommend demonstration projects to be undertaken in the period immediately following its report. Finally, it would explore the problem of sharing decision making power for a new city during its planning and development stages, including involving future residents of a planned but not constructed city in decision processes.