“Capital City” by Samuel Stein 2019 - A Summary: Part 2

Chapter 3: New York’s Bipartisan Consensus

This chapter deals with documented, illegitimate real estate deals in New York City, involving public officials (Republican and Democrat) and wealthy real estate investors. Quite a bag of tricks. Some of what is written here is just a summary of the book, not the opinion of the summarizer.

New York City’s main resource is not oil or mining or lumber. It’s real estate, its biggest business. It renews itself continually, repackaging and reselling this resource. Most of New York’s struggles, like labor, environmental, civil rights, stem from real estate changes. The same properties gain value year after year (from 1 trillion to 1.1 trillion over 2016-17). The real estate industry is the largest contributor to the NY gross domestic product and donates the most money to politicians ($83 million in 2016) who control zoning, rent and tax laws. Democrats or Republicans: whoever is in power toes the line for real estate interests.

Since 2000, two mayors have run NYC. Bloomberg, a Republican, was in office from 2002 to 2013. Under his leadership, “trans-national capitalism” and the “professional managerial class” thrived, as huge mega-developments and public-private partnerships were promoted and created.

De Blasio, a Democrat from 2013 to the present, presented himself as Bloomberg’s opposite, a progressive populist who fights inequality and stands up for the working class and people of color.

Despite their different styles, priorities and supporters, they both (with their urban planners) promoted and created big development, higher property values and gentrification.

Bloomberg: Neoliberalism - New York Style

Bloomberg was a trickle-down economics guy, who was an unapologetic advocate for the rich. He believed wealthy investors were the key to the well-being of NY. Although he made major changes in labor, educational and environmental practices, his biggest impact was on the built environment.

His two head planners had great expertise and influence on policy. Dan Doctoroff, a former Lehman Brothers analyst, who then went on to a private equity firm run by Robert Bass (Trump associate), became a real estate investment specialist. Amanda Burden is an heiress to multiple fortunes, who started in planning and architecture with William Whyte, the author of “The Case for Gentrification”. She went on to work with the NYC Urban Development Corporation and the Battery Park City

Authority. Here she helped run massive public-private partnership developments and luxury real estate projects. Together, Doctoroff and Burden sparked a boom in private mega-developments with lots of public backing.

Doctoroff had also worked with Giuliani to attempt to bring the 2012 Olympics to NYC. He continued this dream under Bloomberg, with the help of big real estate developers, who came to be Doctoroff's planning team. They planned stadiums and large venues to replace poorer and industrial areas in the Bronx, Queens, and downtown Brooklyn. They decided to replace Yankee Stadium, Madison Square Garden and the Javits convention Center with new stadiums and large blocks of hotels and shopping. This was unpopular with New Yorkers. To New Yorkers' relief, the International Olympic Committee rejected NY as a 2012 venue in 2006. This didn't stop Doctoroff's crew from repackaging some of these mega-projects and building them anyway. The committee-members' development companies got the contracts for these building projects.

The Queens Olympic Village project turned into 925 apartments and a waterfront park in Long Island City. The site of the Bronx velodrome became a huge box store complex. Yankee Stadium was rebuilt with large public subsidies. In addition, during Bloomberg's tenure, 11,000 blocks of NYC were rezoned. In general, white upper-income homeowners saw their neighborhoods downzoned, prohibiting new construction and raising home values, while working class and black neighborhoods and parts of Chinatown were up-zoned and often razed for new construction.

The planners had assured everyone that the new construction in poorer areas would increase affordable housing units, satisfying demand and lowering prices. Later, after the development was done and studies showed this had not happened, Amanda Burden announced that planners had been very surprised that housing prices didn't come down, but went up. But it wasn't really a mystery: developers always build upper income or luxury units first, which does bring down rents for the wealthy. But if an inadequate number of low-income housing units are built, or they really aren't affordable, rents don't go down for that lower band of incomes.

<u>DeBlasio: Progressive Activist, Fiscal Conservative</u>

During the Occupy Wall Street movement, with police racism and brutality exposed, and growing awareness of the extreme income inequality, DeBlasio represented himself as a social crusader, standing up for the common man and the oppressed. He won by a landslide (73% of the vote).

But then he hired his head planners Carl Weisbrod and Alicia Glen. Beginning as a tenant lawyer, <u>Weisbrod</u> joined Mayor Lindsay's administration to manage the "Department of Relocation" charged with managing the displacement of members of gentrifying neighborhoods. Under Bloomberg, Weisbrod founded the Economic Development Group, which matched private development projects with public subsidies. <u>Alicia Glen</u> began at Goldman Sachs, where she ran the Urban Investment

Group. She channeled finance into working class neighborhoods under the name "social impact bonds". One of her projects was a luxury high-rise in Harlem, which featured "affordable" apartments for those making 185 percent of the area median income.

DeBlasio, Weisbrod and Glen began an initiative called "Housing New York: a Five Borough, Ten Year Plan". It promised 80,000 new units of affordable housing and to preserve 120,000 currently-affordable units, along with money to support subsidized housing. It also included "Mandatory Inclusionary Housing" (MIH).

Inclusionary zoning had been tried by Mayor Koch as a volunteer program, where builders could get a density bonus (be allowed more units than the normal limit) for including affordable apartments in their projects. Few affordable units were built, for two reasons. Most contractors rejected the density bonus and simply built fewer units and rented them for more money, and other contractors either built the affordable units in a different part of town, built units which were too expensive for residents of the community to afford, or simply contributed to the city's affordable housing fund instead. It didn't help that residents targeted for these units were to make 80% of the average median income (AMI) for NYC ($66 k), but the former residents where these new buildings were going up had an AMI of $39 k.

DeBlasio's MIH plan now <u>required</u> contractors to build 20% affordable units into their buildings, targeting those making 40% of AMI. But they greatest need was for those making 30% of AMI or less. The other apartments could be luxury units. This automatically created a huge rent gap, and when these buildings were sold, new landlords could evict tenants in affordable units and upgrade them to luxury ones.

Some neighborhoods having buildings with older affordable units had rent controls and lower densities, allowing some green space. When planners up-zoned these neighborhoods to higher densities, landlords would sell the buildings to speculative developers at a big profit, and the developers would knock down the buildings to gentrify. More rent-stabilized apartments disappeared than new "affordable" apartments were constructed. Amanda Glen, responding to these complaints of residents in neighborhoods vulnerable to MIH, accused them of simply being afraid of change, said that gentrification was inevitable and they should just accept it.

Developers knew that even the anticipation of a zoning change could increase prices in poorer neighborhoods. Speculators bought and sold land in Brooklyn and other poorer neighborhoods at a rapid pace. In the decade after 2000, Brooklyn's black population fell by 6%, and East NY's black population rose by 13%, as a result of displacement. Then speculators began buying and selling East NYC land, increasing land values by 63%. DeBlasio made an attempt to remediate these problems with some rent control, tenant protections and anti-harassment laws (to prevent landlords from using abusive tactics to evict renters). However, he didn't stop up-zonings of working class neighborhoods.

Another way that Weisbrod and Glen sweetened deals for developers was to give developers publicly-owned land. This was done to encourage them to build private construction in older public housing neighborhoods. A program called NextGen NYCHA (New York City Housing Authority) leased playgrounds, parking, open space and other public housing lands to developers, who filled them with buildings having half luxury, and the other half "affordable" apartments. The target AMI for affordable units was 60%, about double the AMI for these neighborhoods. So open space for public housing residents was eliminated to build new units they couldn't afford.

At the same time, management of public housing (PH) was turned over to private for-profit firms. These firms were then eligible for financing that government PH managers couldn't get. This practice began the privatization of PH and some shady funding deals. The first chair of NextGen NYCHA (Shola Olatoye) told reporters that she would use the "bias of Trump towards the private sector" to pursue deregulation and to push HUD to "align with private housing industry practices to increase efficiency and further public-private partnerships". Meanwhile it was discovered that NextGen had neglected testing for lead paint in its housing from 2012 to 2016.

DeBalsio's Department of City Administrative Services (DCAS, the planning department) instructed staffers to scour NYC for any scrap of public land that could be used in public-private partnerships. Some land was simply given to developers. Other properties were "sold" for $1. Another tool was <u>selling</u> the city's "restricted deeds" for its public housing and other community facilities. These deeds required that these properties, even after being sold, could only be used for functions <u>beneficial to the general public</u>. By suddenly making these deeds a commodity to be bought and sold, the rapid disintegration of public facilities began.

Example: The Dance School of Harlem restriction deed was sold by DCAS for $875,000, allowing the owner to sell it to a developer (BRP Companies, a major donor to a DeBlasio non-profit fund) for $3.1 million.

Example: That same week DCAS sold the restriction deed on the Rivington House, an AIDS clinic in the lower East Side. The owner, Village Care (whose lobbyist was a major donor to DeBlasio's campaign), bought the deed for $16.5 million and then sold Rivington House to the Allure Group, which promised to use it as a nursing home. Instead, Allure flipped it, selling it to a Chinese condo developer for $116 million.

To "preserve" the 120,000 affordable units promised in DeBlasio's plan, Amanda Glen negotiated many convoluted transactions between owners of government-subsidized, rent-stabilized housing and developers.

Example: The 11,500-unit all-white Stuyvesant Town complex was sold to the world's biggest landlord, Blackstone, with $221 million in tax breaks and 0% loans.

Example: The mostly-black 1229-unit Harlem Rivington complex was sold to A&E Real Estate Holdings with $100 million in tax breaks. In return for promising to put $40 million into renovations, A&E was allowed to charge permanent rent increases

Example: The 1790-unit, 16-building Savoy Park complex was sold to Fairstead Capital for $315 million. About half of those apartments saw instant rent increases of $1000 per month.

New parks and public spaces are often funded by creating or upgrading the space and allowing luxury apartments or condos on their periphery. Increased taxes on these properties are supposed to finance the park. Central Park was actually built this way. The new Brooklyn Bridge and Highline parks were funded this way.

Labor unions support gentrification, because it means new jobs, even though it might render the hosing of some workers unaffordable.

Some gentrified neighborhoods become less segregated on paper, not because black people now move into white neighborhoods, but because whites displace blacks in their own neighborhoods, driving poorer blacks to even poorer neighborhoods.

In summary, no matter which politician is in power, the real estate state calls the shots. No matter what problem is to be solved (unaffordable housing, inadequately-funded public housing, lack of jobs, needing new parks, cleaning up pollution, improving schools, desegregating neighborhoods), deals for developers and resulting gentrification is the answer.

Planners don't build cities, but they choose how cities will develop, with zoning changes, tax breaks and other incentives. Only with planners' cooperation and aid, paid or otherwise, can developers make fortunes, while poor and non-white citizens are displaced and their neighborhoods dismantled by gentrification.

Chapter 4: The Developer President

In 2017, Donald Trump, whose undetermined fortune has come from luxury real-estate development and his celebrity is due largely to a reality show. Many factors brought about his election: economic decline, the failure of liberalism and a Trump-created new climate safe for open bigotry and misogyny, emboldened many Americans to vote for this incompetent bull in a china shop. Even his continual obvious lies, disfunctional family, disgusting past acts, despicable associates, corruption, erratic and impulsive governing, and resulting loss of allies and respect worldwide, can't convince about 40% of America's population that they may have made a mistake. Who really is this man we elected?

<u>Friedrich</u> Trump, Donald's grandfather, arrived in New York in 1885 from Kallstadt, Germany. He spent some years in the Seattle area, opened brothels in various mining towns, building some on land he didn't own or rent, and with good luck, made money by buying and selling property at the right time. In the Yukon, he made lots of money with his New Arctic Restaurant and Hotel (and brothel), charging high prices (in gold dust) until selling the whole operation before a reformist mayor got elected. Going back to Germany and gaining a wife, Elizabeth, he moved back to New York, which was beginning to expand quickly. Sensing that the near Manhattan rural areas were next to be populated, he bought a house in Woodhaven in Queens. Over the next few years, he bought other houses and vacant land there, just before the Queensborough bridge went in. He bought more land and in 1915, the Inter-borough Rapid Transit was finished. So, he had a knack for anticipating and buying areas which would soon see dramatic increases in value. Friedrich made lots of money in this way until he died in the flu epidemic in 1918.

<u>Fred</u> Trump, Donald's dad, worked construction in high school and was educated at the Pratt institute in engineering. In the 1920's, he began building and selling single-family homes in Queens, making good money in these boom times. He didn't lose much in the 1929 depression, and stayed afloat by managing a grocery store until 1934. The Lehrenkrauss Corporation, a mortgage company with $26 million in loans on 40,000 houses, failed in 1934. It had to begin auctioning off its properties and departments. Fred Trump put a winning bid on their mortgage-servicing department, giving him a stream of income from payments, and also alerting him to houses about to be foreclosed upon.

The same year, congress passed the National Housing Act, which established the FHA, with its government-backed private mortgages. This was a method of jump-starting the economy. It was beneficial to homeowners, who now had access to safe capital. It was also good for banks and builders, who now had access to government-guaranteed money. It gave them capital, while transferring the risk to the government. This was also the beginning of institutionalized red-lining, and depriving integrated and black neighborhoods of loans.

**In 1927, Fred was arrested at a Ku Klux Klan rally. In 1936 he landed his first FHA contract, which provided $750 k in mortgage insurance, for him to build a 450-home row house in Brooklyn. This led to other government-backed developments in Brooklyn and Crown Heights. By the next year, Fred had built 2000 homes this way.
In 1941, Fred believed the coming war would increase and accelerate profits on housing, convinced potential investors of this, and ended up being right as he built new developments in Brighton Beach.**

This began a period when Fred landed big federal contracts to build housing. He was paid by the Office of Production management to build 700 houses in the Brooklyn Navy yard, then subsidized by the National housing Act to build 1300 apartments in Norfolk, VA. He began buying up and renting huge government-subsidized apartment

complexes, where he earned the reputation for being a slumlord by ignoring complaints about no hot water, air conditioning, elevator service, swimming facilities, insect and rodent infestation. When Fred eventually showed up his Gregory Estates, he was arrested, denied a license to operate in Maryland, and forced to promptly fix and sell the property.

In addition to being a notorious slumlord, Fred was a segregationist. He received $ 9 million in FHA-backed loans to build Shore Haven, a 1344-unit all-white building for veterans. He built another building in Brighton Beach, with federal subsidies and mafia labor. By 1952, federal investigators charged him and large developers like him of being "real estate profiteers", making enormous profits from loopholes in the wartime housing laws.

Despite being blacklisted and fined for his shady practices, Fred continued the pattern of getting government subsidies or funding to do giant "urban renewal" projects. In Brooklyn he was FHA-subsidized to clear 20 acres of poor residential and manufacturing area to do the Brooklyn Civic Center. In Coney Island, using FHA funds again, he displaced 900 families to build Trump Village in 1961. He cheated on every angle possible; over-charging NYC, setting up shell companies to own his construction equipment, then renting it back to himself at inflated prices. He made multimillions.

By the mid 70's, government subsidies for affordable housing were drying up, to be replaced by tax breaks and vouchers. Also, the Fair Housing Act outlawed racial discrimination in housing, punishing landlords and realtors who continued these practices. During this time, Trump was investigated by the federal government, using "testers". Black testers applied to live in Trump's apartments. Many times, these testers were either told there were no vacancies, or quoted extremely-expensive rents. White testers would then apply for the same apartments, finding vacancies and much lower rents. In 1973, the US sued Fred, asking $100 million in damages. After using his lawyer Roy Cohn (Joseph McCarthy's council in the 50's) to stall for 2 years, Fred settled, promising to advertise in black newspapers and stop discriminating against welfare recipients. He did none of these things and was was charged with contempt in 1977. During the trial, Fred allowed his son Donald to begin running his business permanently.

Donald Trump, Part 1: The Neoliberal Playboy

Donald's first deal was to sell the Cincinnati veteran's housing, Swifton Village, to a REIT (real estate investment trust). REITs treat housing as an investment which pays dividends to shareholders all over the world, instead of as an individual investment for a homeowner. In recent years, REITs have increasingly targeted subsidized and rent-controlled housing, bought it, and closed the rent gaps (gentrified).

Railroads and industries along rivers in New York were failing in the mid-70's, and Donald sensed a deal. He bought these huge plots of land at a bargain and proposed commercial and real estate development, which would require financing and dramatic zoning changes from NYC. The head of the Planning Commission, John Zuccotti wanted to retain some of this land as manufacturing and rail service, and so disapproved of Trump's plan. Mayor Abe Beame was an old friend of Fred Trump's. He proclaimed, "whatever my friends Fred and Donald want in this town, they get." Without Zuccotti's approval, Beame couldn't make good on his offer. When Zuccotti stepped down in 1977, Beame quickly approved Donald's projects, and convinced City Hall to pay Donald $ 833k to include a convention center. Donald then bought upper East Side train yards, and with City subsidies, was approved to build "Trump Place": luxury condominiums. Instead, he sold the development rights (not the land) to a Hong Kong development company for $338 million.

In 1975, Donald bought the delapidated Commodore hotel, next to Grand Central Station, wanting to replace it with the high-rise luxury "Grand Hotel". To afford it, he needed City financing. To qualify him, the City had to reclassify Donald's hotel as an "industrial project", and then declare its neighborhood blighted. Then, Trump would sell the land for $1 to the Urban Development Corporation (UDC), a state entity which had the power to override land use, zoning and tax arrangements. Because the property belonged to UDC, a state entity, UDC would pay the taxes to itself, while leasing the property to Donald at a small fee. The size and duration of that fee would be determined by Trump ally Mayor Beame. The size of the fee should be dependent on how profitable the hotel was, but Beame had his department define profit narrowly as money "actually received". This meant that Trump could deduct any improvement, upkeep and maintenance costs before reporting profit. In this way, he received twice the standard tax break he might have gotten, had his project actually qualified as an "industrial project" in a "blighted community". So that this illegal deal for an unqualified property didn't attract attention, the UDC created the Business Incentive Program, which now provided public subsidies to private projects, and Trump's Grand Hyatt became the program's first recipient.

In 1983, the Trump Tower was approved, with lots of tax breaks and incentives for Donald. To be constructed at the site of the Bonwit Teller department store, Donald wanted permission to build Trump Tower to 58 stories instead of the allowed 12 stories, and to get huge tax breaks. To manipulate the Planning Commission, he offered Bonwit Teller a conditional lease in the new tower, which allowed it twice the floor space it had in the old building, assuring those jobs would be retained. He also had a hideous mock-up made of his new building, if he were held to 12 stories. He also invoked a density bonus allowing him an additional 20 stories, worth $530 million, in return for building a public atrium in the entryway, and putting two gardens on upper floors. This was all approved. Finally, Donald applied for a huge tax break, which was denied by the Housing Preservation and Development. Donald sued and won a $20 million tax break. Donald also convinced one of the HPD members to resign and

become one of Donald's political fixers. In 2004, Donald received another $164 million for this same project, qualifying for another city fund; the "Industrial and Commercial Abatement" program.

At the same time Trump received another $13 million tax abatement for 421-units of luxury housing in Trump Plaza. His talking points were that the Plaza would create jobs, attract wealth and raise local property values, displacing middle-class residents to gentrify poorer neighborhoods.

In financially-struggling Atlantic City in the 1980's, Trump proposed a giant luxury casino, again requesting large tax breaks and zoning changes. To finance this, Atlantic City got a $353 million bond, which gave Trump all the money he needed, plus an additional $5 million fee. If the casino went bankrupt, it held no risk: the city and its tax payers would stand behind the bond.

During the early 90's, Donald had a huge amount of debt, and the economy went through a recession, property values were dropping, and business lagged. As Donald fell behind on his payments, instead of foreclosing or demanding payment, his creditors became afraid Donald was too big to fail, because so many jobs and city income would be lost. So they renegotiated his loans at lower rates instead.

Donald Trump, Part 2: The Deregulated Swindler

During the late 1990's and 2000's, Trump went from building to branding. Appearing to be the epitome of success, he sold his brand name all over the world. He specialized in industries that were undergoing deregulation, like airlines, for-profit colleges, and multi-level marketing schemes. All of them failed, but because Trump had not spent his own money, but that of investors, he walked away with cash and everyone else lost money.

Two pieces of deregulation were useful to those selling or lending money for real estate. In the 1980's, Reagan worked with Salomon Brothers, an investment bank, to cut regulations on home mortgages. Mortgages were bundled into mortgage-backed stocks and bonds. This distributed the risk for mortgage backers, spreading it among thousands of investors, and gave the investors income from the mortgages. In 1999, Clinton pushed congress to repeal the Glass-Steagall Act, which eliminated the boundary between commercial and investment banking. Now, even subprime (high-interest, high-risk) mortgages could be bundled and sold on the stock market. By 2006, artificially-low interest rates and a housing bubble made this big business. About 70% of financial transactions were based on these home mortgages, which were punitive to homeowners making the payments. Home prices skyrocketed, wages paled by comparison, and to continue adding customers, mortgage companies took on mortgages with lower rates with high risk and took on more debt than was prudent. Then the crash came in 2007.

Trump Mortgage was begun in 2003: a middle man between borrowers and lenders. It employed disreputable sellers, many of whom had been fired from other mortgage companies. Trump Mortgage promised high profits in a short time. It was split into two offices. One was for wealthy contacts, funneled to high-end commercial and residential properties. The other, "the Boiler Room", was for working class people. Boiler Room brokers would cold-call people and either try to get prospects to invest in a property with a sub-prime mortgage, or refinance at dubious rates. The company brokered $1 billion in predatory loans, but only lasted 18 months after its chief executive was found to have fabricated most of his resume. Most of the high-level managers then left and the company was sold.

In 2008, Donald was running Trump University, which promised attendees that they could profit from the misfortune of others. One of his ads read,"Foreclosures rose 94% in 2007, and I am confident they will keep rising....an incredible opportunity for you to make legendary real estate deals.... investing in foreclosures could make you a millionaire in a few short months from now."

<u>Donald Trump, Part 3: President of the Real Estate State</u>

Now this man is our president. The day before Trump's inauguration, Michael Cohen, Trump's fixer said," Trump will be a boon to real estate, especially in New York City." Trump's first appointment was Ben Carson to Housing and Urban Development. This man had no experience managing public housing, distributing housing subsidies, or challenging housing discrimination. Carson called the fair housing laws, the ones used to prosecute Fred and Donald, were examples of "the history of failed socialist experiments in this country." Enforcing or even valuing anti-discrimination laws was unlikely with Carson.

Under Trump and Carson, HUD's budget was slashed, with public housing taking the biggest hit. They have also introduced legislation that would increase rents and deny repairs for subsidized and public housing, terminate housing vouchers for 250,000 low-income households, and cut funds for block grants and assistance funds that support low-income housing development.

As head of the treasury department, Trump chose Mnuchin, a Goldman Sachs alumni and hedge fund manager, specializing in developing mortgage securitization programs (sub-prime mortgages sold as stocks and bonds). He then ran OneWest, a predatory lender which is <u>still</u> aggressively foreclosing on properties. Mnuchin was called the "Foreclosure King." At treasury, Mnuchin oversees the Low-Income Tax Credit (financing affordable housing) and policing large cash real estate purchases.

Trump's senior advisor is his son-in-law, Jared Kushner, whose background is in real estate schemes and turning rent-stabilized housing into luxury units. To do this, he was famous for harassing low-income tenants who wouldn't leave.

As president, Trump has given tax cuts to the very wealthy, including real estate investors, weakened enforcement on, or eliminated, regulations, allowed NYC investors permanent revenue streams through tolls and fees, and because he is president, has personally benefitted from his own investment.

Never has the Real Estate State been so powerful as now. What can we do to stop it?

Chapter 5: Unmaking the Real Estate State

Landowners have always had more power than non-land-owners. But this power difference has increased rapidly in the last few decades, with the cities' push towards gentrification and the fast rise of the financial/insurance/real estate (FIRE) economy. Mega-developers like Trump have driven this acceleration and benefitted most from it, as they have turned our cities into luxury products.

Given the federal and state restrictions on cities, and given that financing new public facilities, maintenance, and solving problems is left to the cities, it's easy to see why planners might support gentrification and the real estate state as a way to increase the tax base.

However, there are city planners who don't agree with this model, and hope to change it to something more beneficial to the general public. But what tactics can be used successfully? Anthropologist Fernando Coronil has commented," the left has no map, but it has a compass". That is, leftist planners have lacked a vision, but they knew which way to turn. They do know that planning today is too controlled by the real estate state, which rapidly gentrifies, displaces working class residents, prevents settlement by future migrants, kills the city cores and turns public improvements into private profits.

There is no one successful method to reverse this trend, but it will never change just because it's the right thing to do. It will require long-term organization by the residents of working class neighborhoods, confrontation with investors and developers, as well as city governments who support them. While it's briefly useful to identify what residents think is <u>wrong</u>, it's more important to have <u>concrete plans for how to change</u> cities to make them affordable, accessible and enjoyable for all residents.

Some ideas are:

- **Use inclusionary zoning only in wealthy neighborhoods. Traditionally, inclusionary zoning has meant that wealthy developers, and then their renters,**

have invaded and rebuilt poorer neighborhoods for luxury housing, causing displacement. Inclusionary zoning in wealthy neighborhoods would bring lots of resistance from home-owners.

- **Rent-controlled apartments were a popular idea in the early 1900's, as a solution to huge renter strikes by people being priced out of their apartments. It had the support of manufacturing capitalists, because lower rents meant less demand for higher wages. Since then, rent control programs have been allowed to retire with sunset clauses, and some cities have created loopholes for developers to buy rights to remove affordable housing units and replace them with luxury development. Re-instituting rent-control for affordable units could be a significant way to prevent gentrification and displacement.**

- **Another idea is to protect middle-class enclaves, coops and public housing, and rent-controlled apartments, which have traditionally been the first targets for luxury developers. In these neighborhoods, create "community preservation districts", which require that any demolition or zone change must happen only through a public approval process. This would preserve the built environment, and prevent zone changes that encourage developers to rapidly gentrify. For future working class people, it would preserve affordable housing and the unique character of their neighborhoods.**

- **A strategy mentioned earlier is to create "non-speculative urban housing" areas. Here, a land trust is set aside by the city, which can build houses and amenities on the land. People buy the houses and live there. When it comes time to sell, they are allowed to sell the house for the original price plus whatever inflation has occurred since its purchase. In this way, the homeowner has a nest egg that keeps up with inflation (like a bond), their payments actually build their equity instead of disappearing as rent, but land speculation can't cause rapid gentrification.**

- **Instead of cities encouraging rising land values and donating public assets to private developers as incentives, the new focus would be residents' right to stay put, reduce evictions and displacement, and to build a land pool for non-speculative housing. Whenever a city takes possession of land or property, it should go into public use. When a house owner fails to pay taxes or mortgage payments and it goes into foreclosure, instead of allowing banks and speculators to absorb the equity and raise the price of the house, the city could offer to buy the house and add it to the land trust. House flippers and REITs might not like this.**

- **Going even further, cities, states and the federal government could get back into the affordable housing business. Currently, most public housing money comes in the form of tax incentives for higher-end developments, with much less going to subsidies for very low-income housing, and almost nothing for public housing.**

One idea is to buy out failing mortgages, renovate those that are worthy and make them into less expensive public housing by virtue of the fact that no profit is made. Low rents would partially reimburse the city. Some cities might even manage low-or no-interest financing for home-buyers below a certain income threshold. This may be beyond the capability of small cities.

- **Real estate taxes pay for needed public services and institutions, such as schools, sidewalks and playgrounds. Sometimes this means wealthier towns, or parts of town, get better public services than poorer ones. Right now, taxes are one tool the real estate industry uses to control cities. They do this by offering to build public facilities as part of a development, in return for large tax breaks.**

  Instead, cities can restructure their taxes to support affordable and public housing. Tax vacant apartments, buildings and land to prevent warehousing, land speculation, money laundering and glutting the market. Tax banks when they foreclose on a home, to be certain they do everything in their power to work with the homeowner first. Luxury fees can be charged to apartments or condos that are much more expensive than surrounding units, to prevent, or compensate for, gentrification of poorer neighborhoods. Or tax non-primary houses, to discourage empty housing. Dramatic increases in land values due to new nearby public facilities should be taxed, since the increase in value and profits would be publicly produced, and should benefit the public, and not be reaped only by lucky landowners.

- **Encourage light industry to return to the urban core. Industry wants the workers to be able to live nearby in affordable neighborhoods, and so competes with the real estate investors as an influence on public policy. Include labor and environmental controls to insure livable wages and un-compromised environment.**

<u>Guiding Principles</u>:

To guide planning decisions, specially over the long term, certain values and goals should be decided by public consensus. Like:

- **<u>Public Stewardship-Motivated Planning</u>. This means more publicly-managed infrastructure (housing, hospitals, rails), more public access to urban spaces like parks, plazas and government spaces. Democratize planning so that residents and workers have the ultimate say over the built space: which buildings are preserved or demolished, transportation, how different spaces will be used. The city should be controlled by those who build it, not by those who buy it.**

  Now, instead of development choices being limited to either, private-investor-

constructions with unexamined effects on current residents (traffic, pollution, displacement), or having no new development, cities can plan beauty and stability.

- **Socialized Land** **It's the norm for us to have a system where homeowners and wealthy landowners and developers have huge control over economic, legal, spatial, social, and cultural decisions. This is really a feudal state. The term land-lord originates in feudal times.**

  Socialism is about preserving land, but not as a commodity, as private property is used today. It's not abolishing the concept of property, but unmaking the rules that create capitalist private property, which benefit relative few people. From its beginning, America's history is, among other things, one of taking land away from others: genocide, imperialism, colonialism, laws biased towards the wealthy and institutionalized racism. Publicly-owned land, which is not available as a commodity to private speculators, makes it likely that its use benefits everyone.

  This seems a radical concept, but parks, water systems, sidewalks, community gardens, public housing, libraries, transit systems and municipal buildings are already public property in the US. Practically, not all land will be socialized.

Reordered Regionalism:

But a larger amount of public land will require more public decisions, and less duplication of effort. Regions could be defined and planned according to which areas would be a best ecological fit, self-sufficient, and have resistance to capitalist control, or economic or political fiefdoms. This is a big idea, which is vague and disturbing to many. How can it be managed?

Where manufacturing capital has dominated, such as in the late 1890's until the mid-1900's, issuer about equality and fairness in production processes were worked out in conflicts between unions and manufacturing owners. In a real estate state, only diligent, organized, strong tenant unions and anti-gentrification groups will overcome unfair housing practices. Sometimes rent strikes, eviction blockades and anti-foreclosure occupations are necessary. The main goal is to make stable housing and rents a political issue, shifting power away from the real estate state.

Although neighborhoods object to up-zoning, with its introduction of bigger, perhaps less-aesthetic and denser buildings, the least tolerable effect is gentrification and displacement of residents. The effects of urban up-zoning covered in this book illustrate that, in the current system, up-zoning usually means replacement of working-class neighborhoods with luxury housing. Sometimes this doesn't even mean an increase in density of humans, since many of these upscale places are not primary homes and are unoccupied for much of the year.
A NYC group of activists, called "NYC is Not for Sale" has 5 goals:

- **<u>End homelessness in NYC</u>: Rapid rehousing, seizure of long-term vacant properties, moratorium on evictions**

- **<u>Universal Rent Control</u>: Apply this to all rentals. Effect a phased roll-back of rents to 20% of tenant income**

- **<u>Transfer Distressed Buildings to Tenant Ownership</u>: Use a receivership process or eminent domain to capture slums and create tenant ownership through coops, mutual housing associations or community land trusts**

- **<u>Repair and Expand High-Quality Public Housing</u>: (in NYC). Full funding for the NYC Housing Authority, and full repairs for all NYCHA buildings, including enhancements like community centers and art spaces.**

- **<u>Democratize Development</u>: Institute direct election of community, or sub-area planning boards with veto power over development decisions. Until these boards are up and running, a moratorium of up-zoning.**

Attempting these changes could bring dramatic improvement to public spaces, and housing, and increase residents' sense of ownership and pride in their neighborhoods. At worst, they could create endless meetings with no real product, "participatory theater" where people's opinions are ignored, or even spark polarization of people with differing ideas.

All consciousness is contradictory. One person can have simultaneous opinions that contradict each other, or can be different personalities depending on who they are with. Planners are forced into this role. The must simultaneously please the interests of people they are to plan for, and those who hired them. They must create useful public spaces in a private real estate market. To create a political environment that doesn't demand the impossible for planners, the rest of us have to take power away from real estate state.

The capitalist system is very resilient, because those in power always have much to gain by keeping it the way it is, and they can hire experts to do this work. Those who want change usually have altruistic social goals as their motivation. They are unpaid, and have to do all their community work in their spare time, after they're home from work and family time and maintenance tasks are over for the day. It takes sustained effort, long-term commitment, and organization of large numbers of people. Yet such organizing has shown long-lasting success in some cities. A system that works for most people in a city is necessary and possible, as many past groups have shown. The alternative is ever-worsening income inequality, increasingly inadequate housing and intolerable conditions for most renters, and a nation ruled by a few real estate giants, whose concern is only money.