Ronay Menschel

Preservation First

I would like to begin by thanking Christine Cumming and Michael Schill and their staffs for organizing this conference. It certainly has enhanced our understanding of the issues, and hopefully will lead to a more informed and therefore more effective policy to address the affordable housing needs of this city and the region.

A central theme of the presentations today is the need to learn from past mistakes as well as past successes. As Commissioner Perine observed, there have been many mistakes made in the past. She clearly is someone who is carefully learning from the past as she shapes how we move forward.

The key issue for New York City and the region is preservation of the existing affordable housing stock. Commissioner Perine mentioned how much of that stock has been lost in past years—how far behind we have gotten because we allowed so much of the old affordable housing stock to slip through our fingers in the 1970s and 1980s. Of course, new housing construction rates also have been far short of demand.

Housing advocates had hoped that the region's economic growth of the 1990s would continue, with associated rapid growth in tax revenues. In addition, we were all looking at excess revenues from the sale of the World Trade Center and from Battery Park City to provide additional resources to address affordable housing issues. Instead, we are now confronted with a very constrained economic environment.

My sense is that Mayor Bloomberg understands the importance of affordable housing in any economic development strategy, and that is significant. And it is noteworthy that Commissioner Perine reports to Daniel Doctoroff, Deputy Mayor for Economic Development. Affordable housing will therefore be well represented in the entire policy mix. Regrettably, we will not have as many resources as we once thought we would. As Assistant Secretary Bernardi noted, the federal budget is holding up reasonably well, and that is helpful—although affordable housing for some years has not been the funding priority at the federal level that it should be.

As we consider what needs to be preserved, we have to look at housing created with public-sector dollars and private dollars. And we have to be mindful that capital has to be available to property owners—capital that they can access even in more difficult times—so that their properties do not deteriorate further. We also have to look at the incentives given to those owners to maintain their buildings.

On the federal front, we have a large portfolio of what are called "older-assisted" properties. This is one of my favorite topics. Phipps Houses has two older-assisted properties, more than twenty-five years old, in need of capital renewal. These buildings receive very hard use, as do all older-assisted buildings, at least in New York. And they have been under-capitalized by HUD through the years. The question is how to put capital into those buildings.

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HUD's Mark-to-Market program does not offer a solution for many of the older-assisted properties because it is directed at newer, federally assisted properties with rents that exceed 120 percent of an area's fair market rent. Ironically, older-assisted properties generally have a lower rent scale, and while in greater need of capital repair, they do not qualify for the program. Mark-to-Market is directed more at reducing the federal government's Section 8 burden than putting up capital for renewal. Mark-up-to-Budget holds greater promise, in that properties with lower rents can qualify, but they must pursue a tortuous process to gain HUD's approval of increased subsidies to service increased debt. I listened with some envy when Assistant Secretary Bernardi said that some rules and regulations were put aside for a $700 million community development block grant to the city. Whatever the refinancing program, HUD's lending and grant-making process needs to be accelerated.

I know that the Millennial Commission is looking at revisions to the exit tax. That may provide some opportunities and incentives to investors of twenty-five years ago to transfer their properties to not-for-profits without suffering negative tax consequences. The recipient not-for-profits can protect the properties and bring to bear new financial resources. In addition, not-for-profits are usually vested in the community for the long term and have a broad, comprehensive agenda that includes community preservation.

During John Goering's presentation on the Moving to Opportunity Demonstration, I was interested to hear that some significant results were obtained. Of course, they were realized in very extreme situations in the Chicago Housing Authority, where you had people living in terrible conditions. My response to this strategy is that it can be exercised only on a relatively small scale—this is a point Lance Freeman also made. We cannot move everybody out. We have to make our low-income communities work. That is how leadership by not-for-profits has demonstrated positive results.

This is especially true of the affordable housing program in New York, where you have the involvement of not-for-profit community-development organizations. Investments by community-based organizations are comprehensive: the organizations are concerned about education, local health care, youth development, and public safety. Their leadership brings community residents together to advocate for themselves and for individuals to be mutually supportive. We have seen that homeownership, interspersed within these communities, has proved effective again in stabilizing neighborhoods and in improving both their physical condition and their social fabric.

An earlier presentation described the positive effects that investment in a property or in new construction has had—a certain "halo" effect. Likewise, studies presented today illustrated the impact of neighborhood conditions on public safety and on children. Children's development is affected by neighborhood conditions. And as Lance said, families need social support. That support has to accompany physical changes.

The City of New York, of course, has its own housing stock in need of preservation. First, the city-managed stock needs to be brought up to standards and fully utilized. We know that many city-owned and -managed buildings are only partially occupied. A priority is to make those buildings not only more habitable, but fully occupied.

I found Glynis Daniels' description of areas with high concentrations of HPD violations—which obviously mirror the high delinquency rates—to be very interesting. To me, it suggested where the city's priorities might lie in terms of future investment: low-interest loans to private owners for repairs, third-party transfers, and the use of tax credits to help finance improvements to buildings. In addition, these are communities for which city social service investments should be designed to complement brick-and-mortar investments so as to maximize the benefits of each. The current administration realizes that it has to coordinate the work of all agencies that affect housing. So you have Deputy Mayor Doctoroff, City Planning, the Department of Buildings, the Department of Finance, the Department of Housing Preservation and Development, and even the Human Resources Administration all concerned with housing. Recently, the Human Resources Administrator called together the leaders of each agency that has an impact on the homeless and on people who receive Temporary Assistance for Needy Families to discuss this particular population's housing needs. That is the type of coordinated approach that is required and is being pursued.

Finally, I would like to comment on the issue of vouchers and their effect on production, a topic that was addressed in some of the presentations. Vouchers have very limited, if any, effect on housing production in New York City, where it is hard to find an apartment to rent using a voucher. The voucher is given to the individual, not a developer. While there is a steady flow of voucher funding by HUD, this revenue stream cannot be used to finance new housing—a lost opportunity. We need to be able to obligate vouchers to rental properties in development, just as vouchers can now be used for first-time homeownership. Hopefully, this is something that can be examined in greater detail.

In short, in times of limited resources, we have to be more ingenious and learn from the past. It is paramount to preserve what we have and to achieve higher utilization from it. In today's world, we have to look to a mix of funding sources, blending subsidies, low-interest loans, and tax credits with market rate financing. Important too is identifying early trends of tax delinquencies and multiple building code violations, and providing assistance (often modest dollars) before such deterioration overwhelms a community. Ultimately, New York City will have to devote a greater share of public resources to increase the inventory of affordable housing available to low- and middle-income people and families if it is to continue to be a city of growth and opportunity.