

## Rebuilding New York: It's Time to Be Honest

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To Bronx Borough President Adolfo Carrion, Jr.

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Conventional thinking placed the matter of city building mostly in the domain of the engineering, planning, and design professions. After all, they were consulted and asked to develop everything from zoning controls to engineering drawings and building plans. Clearly, the focus was the physical city.

When forces of society and the economy began to tear inner-city communities such as The Bronx apart however, the engineering, planning and design professions turned away, leaving plenty of blind spots on their image map. They were without answers in light of the collapse of the civic culture in poverty areas. Clearly, the issue became the social city.

Still today, when these professions talk about re-building New York, they shrug away from issues of the social city and neighborhoods where the drama of urban decay played itself out so catastrophically. In fact, these neighborhoods continue to be blank spots on the image map, a phenomenon to which the lack of professional expertise contributes. According to this world, the City of New York is rebuilt when Lower Manhattan is rebuilt.

This limited view must not prevail. Much has been accomplished in parts of The Bronx and other impoverished areas by grass roots organizations which developed a new way of community building. However, neither the comeback of these marginalized communities nor the re-building of New York is complete unless they and are all included in a new vision for the city. Elected officials, policy makers, and the voters will be shortchanging themselves and do great harm to the city if in the rebuilding process they allow tax dollars to be spent for the benefit of downtown's real estate development alone to the exclusion of the social city.

It is time to acknowledge that, apart from its real estate base, the city's economic future rests in both the intellectual, creative and entrepreneurial talent of its residents and its social cohesion. Our neighborhoods must provide highly qualified "human capital" in order to fuel our economic engine. Clearly, "human capital formation" is the prerequisite for healthy cities and healthy real estate

**Real Estate: it is only as sound as the city and its people.**

Word has it that the economic success of cities and real property will in the future be measured by their respective efficiency and functionality.

This statement is plausible relative to real property. Regarding cities, it is more complicated than that as both physical and social factors come into play whereby the latter are by far more problematical. Cutting edge real property indeed contributes to the efficiency and effectiveness of cities, but it is only as good and useful as the people who work in it.

With that, questions about the quality of the “human capital” arise, which in the age of the information technology is key for securing our economic competitiveness in the global market place.

In the U.S. governmental planning capacity has principally failed in the understanding of cities as places where “human capital formation” takes place. In New York City in particular, planning by central government has largely concentrated on the development of commercial real estate in response to the threat of the corporate exodus to sub-urban locations. Its complement were transportation initiatives which sought to secure a swift commute of the sub-urban labor force to the city’s two principal central business districts.

The by-product of real estate focused, Manhattan-centric development policies is a polarized city (and region for that matter) with a sharp economic and educational divide between the haves and have-nots. Particularly during the 1970s and 1980s many neighborhoods experienced total devastation. In a perverse way The Bronx became the city’s “showcase” of that.

Neighborhoods from which the white middle class fled and which were re-occupied by minorities were pulled into a rapid downward spiral by economic, social and psychological isolation of such cataclysmic proportions that the image of the entire city as an investment location was put into serious jeopardy. Still today the unemployment rate of The Bronx far exceeds that of the city as a whole. Compared to the nation it is even worse. In certain neighborhoods and among sub-groups such as young Afro-American men it can easily exceed 40%.

Not yet 20 years ago this phenomenon, which afflicted most large cities in America, was so daunting that the importance of cities in the national economy slipped in a major way. Doomsayers even predicted their demise.

Social unrest, homelessness, unemployment, family break-ups, drugs, social pathologies, municipal budgets stretched thin by social programs, and disinvestment by the private sector put the efficiency and effectiveness of cities in serious doubt. Under such circumstances even the best piece of real property stood to fail.

The questions arise as to whether economies which depend on immigration can escape these growth pains and how such downward spirals can be counter acted. Community development strategies which retain the traditional functions of neighborhoods as social support and resource systems may indeed be helpful. They seek to preserve the sustainability of neighborhoods where new generations of residents, no matter whether they are immigrants or not, would be raised with skills qualifying them for full social and economic integration.

Lately Western-European economies have become immigration dependent. That could be troublesome for them if they do not respond appropriately. They are looking to learn from our experience of inner city redevelopment as the U.S. economy and its cities have always depended on immigration and continue to do so. “Holistic” community development models which seek to set free the most essential prerequisites for the economy of the future: talent, tolerance, and technology, (three “Ts”) are of great interest to them. The planning and design professions as well as the real estate community of New York City should be keenly interested in that too, in particular at a time when we are formulating a new vision for the city.

### **The comeback of the American city.**

America's cities have made a comeback, although it is not yet clear how sustainable that is. The possibility of a relapse is directly related to the ability of keeping unemployment rates low. There is no greater danger to cities than unemployment. Poverty is much less of an issue.

The comeback of our cities is a matter of a variety of circumstances among which are:

Self-help initiatives by grass-root groups in the 70s and 80s set the redevelopment of devastated inner-city communities in motion. These groups matured to full fledged 501(c)(3)s ("community development corporations" - CDCs) which made community development a holistic "enterprise".

Central government complemented this movement by its willingness to acknowledge its failure and by delegating the rebuilding task to the CDCs. With new housing finance programs (example: Mayor Ed Koch's Ten Year Housing Program) as well as with support by foundations and intermediary organizations such as the Local Initiatives Support Corporation, CDCs had access to money while preserving their flexibility and discretionary decision making.

Seemingly intractable problems were addressed in inclusive, participatory planning processes focusing on "people and place based solutions".

The advent of the Low Income Housing Tax Credit Program and the Community Re-investment Act did not only activate the money market for these neighborhoods but also resulted in partnerships among private investors and CDCs.

Crime dropped in inner-cities which was substantially accelerated by innovative police strategies in the 1990s.

With the economic boom employment opportunities trickled down.

The private sector (retailers) rediscovered the inner-city market.

As a result neighborhoods re-emerged where people do no longer plan on leaving but where they like to live. It was not builders, architects or planners who accomplished this with top down intervention, but ordinary community members who grew up amidst squalor and devastation. They understood the myriad implications on the human psyche of life in the ghettos. They understood the workings of the social city.

They "privatized" community development as an enterprise, re-invented neighborhoods as social organizations and helped rebuilt the civic culture whose collapse was the cause of devastation in the first place.

The concept of the neighborhood as a building block of society where "human capital formation" takes place was re-invented. However, the journey is not over as the ability of neighborhoods to meet the basic human needs: health, safety and education, is still in formation. This is particularly true for neighborhoods such as those in The Bronx which have still not found a place in the psyche of New York City. Their development must continue and be acknowledged as essential to the city's efforts to rebuild. Meeting these basic human needs clearly is the precondition for family life and economic well-being. Nothing builds cities better than hope.

### **Homeownership and neighborhood stability.**

Nothing is also more critical for families than a roof over the head and a warm kitchen where a child can do homework. The neighborhood outside must provide a sense of place and function as a social support and resource system. To make this truly sustainable, the presence of the middle class is needed.

It was unrealistic to expect that middle income households would move back to The Bronx. Therefore the borough's redevelopment strategies focused on a promising segment of its population: its "achievers". To retain them as the emerging urban middle class, single-, two- and three-family home were offered as wealth building investment opportunities.

Today owned homes begin to shape the city-scape of The Bronx in increasing numbers. Over 6,000 units in homeowner housing were built over the last 15 years with over 90% of the homes bought by achievers from within the neighborhoods. Many houses were bought "off the rack", and many by buyers who were Housing Authority tenants.

Two finance programs were instrumental for their production: The New York City Housing Partnership Program as well as the Nehemiah Program of the South Bronx Churches. The Partnership program for example contributes \$25,000 per unit in subsidy. It is somewhat augmented by funds from the Borough President for the production of the more urban three-family home.

Buyers whose income eligibility is limited by the program to between \$32,000 and \$75,000 p.a. must seek bank financing for the remainder of the purchase price, which in the average lies by \$225,000 (after subsidy) for a three-family house. Land costs are diminimus as project sites are on vacant land, which the city acquired through in rem foreclosure and cleared. The development teams responding to Requests for Proposals include CDCs, which in most cases assume responsibility for marketing.

The magnitude of projects typically involves a hundred units or more at a time, providing the individual buyer with the comfort of belonging to a greater number of like-minded folk. Homeownership probably made the most important contribution to the rebirth of neighborhoods in the South Bronx and therewith to the rebirth of the entire borough.

With on-going development and concomitant neighborhoods improvements, sales prices today are either rising or subsidy levels decreasing. Even unsubsidized small homes make their way into areas where nobody would have expected them a few years ago ("Devil's Playground").

### **Lessons learned.**

The re-emergence and presence of a new middle-class has beneficial side effects:

Families stay together and strengthen the social fabric of their communities.

Buyers who know the neighborhood have low investment anxiety, making marketing relatively easy.

Homeownership builds wealth. Furthermore, it fosters entrepreneurship by creating a new group of small landlords.

Street scapes are improved and stimulate investment in neighboring property including commercial strips, which benefit from the buying power retained.

Owners are vocal and demand better municipal services. They also engage more readily in school matters.

Crime drops and public safety is enhanced.

Voter participation increases.

Obviously two themes stand out among the development policies of The Bronx: people and place based solutions and community as building block of society.

**Re-building New York must include the re-building of the social city.**

Accordingly, from the vantage point of The Bronx, the future of the city and its ability to stay competitive in the world market place is seen as dependent on its ability to produce creative talent in its own communities and neighborhoods. Likewise, in order to attract creative talent from the outside, it must have neighborhoods with diverse “personalities”, life styles and character. Thus individuals can unfold their productive and creative talents for society. Social cohesion, the other factor important to the city’s future, clearly is a consequence of deliberate community development policies of the type advocated here.

Intellectual capital is key for the information and high technology based economy and human capital formation happens in neighborhoods. In fact, according to this thinking, human capital formation is economic development.

It should be in the self-interest of the real estate community to insist on holistic, interdisciplinary community development strategies which establish the pre-conditions for the three “Ts”. Real property, no matter whether for living or working, is only as efficient and effective as the people who live or work there.

Now, as we discuss the re-building and new visions for New York City there should be no question that Lower Manhattan cannot be the only focus. Balancing between the physical and the social city is an art and the name of the game. How else could New York City’s future be guaranteed than by a highly qualified labor force which likes to live and play in its neighborhoods and work in its centers of commerce? What is wrong with this vision for New York? Is it too simplistic?