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First, the Buffalo; Then, Rental Housing

By Daniel Rose

The "Alice-In-Wonderland" quality of discussions about housing (in America in general and in New York City in particular) would be amusing if we were dealing with fantasy.

The fact is, however, that the hundreds of thousands of New York housing units abandond by owners are real, and the thousands of new unbuilt rental units are not.

That fully tax-paying, privately financed rental housing is vanishing from American life is a loss to the public; that it is doing so without serious analysis or public discussion is a severe charge against those public officials, civic leaders and journalists whom the public looks to for guidance.

In one area of the country after another, economic and political factors are discouraging lenders and developers from creating new rental units, while owners of existing buildings are increasingly anxious to convert them to co-ops or to condominiums.

If current trends persist, rental housing will go the way of the buffalo — virtually extinct except for a few examples for schoolchildren and tourists to indicate what once all but covered the earth.

The problem is simple and straightforward: Neither lenders nor developers believe that the rental income flowing to such housing will be permitted to rise to levels sufficient to pay real-estate taxes, mortgage-debt charges and actual maintenance costs, let alone leave something over for profit.

In our inflationary world, legal controls on income without similar controls on expenses mean de facto expropriation; and lenders and developers are coming to realize that they are being asked to play in a "no win" game.

Lenin once spoke with contempt of the mass public when he wrote that they shouted "bread, bread" and accentuated their demands by burning the bakeries. What would he have said of New Yorkers who bemoan the scarcity of new apartments yet stand quietly by as residents of Co-op City willfully destroy the Mitchell-Lama middle-income housing program by refusing to pay the true costs of their housing, as demagogues encourage rent strikes that invariably end in building abandonment, and as cash-shy New York City political leaders claim as a victory permission to divert to housing maintenance $100 million in Federal funds desperately needed for other local purposes.

It is instructive to note that the $100 million is being spent on buildings seized for their failure to contribute real estate tax revenues to city coffers.

New York City owns 35,000 foreclosed apartments. By the city's own estimates, that number is expected to rise to over 75,000 apartments in the next two years. Yet editorial voices have been raised only about means of returning those foreclosed buildings to private hands; no one is asking about possibilities of keeping them from foreclosure in the first place.

One would think that New York's experience with rent controls and excessively severe regulations would be a frighteningly effective lesson for the rest of the country, yet such is not the case. In one new political jurisdiction after another, rent controls are being proposed as a solution to today's political problem, without reference to tomorrow's housing problem.

At some point, when apartment-hunting middle-class voters find themselves without access either to the expensive condominiums of the rich or the subsidized units of the poor, they will translate their demand for fair market rental housing into effective political pressure. In the meantime, the pipeline empties, the existing inventory shrinks and everybody loses.

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