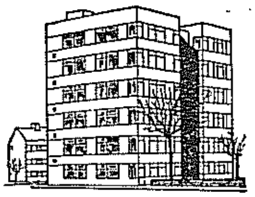

New York's Apartment Crisis

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MORE APARTMENTS were built in New York City just before 1963 than in any other period since the end of World War II. Eager to beat a new zoning ordinance which was to mean more costly structures, New York developers jumped in at the deep end and deliberately built more flats than the market could stand at that time. Built to the old zoning standards, these blocks have poorer natural lighting and amenity open space than their less numerous later competitors. In 1965 the tenants market was so great that rent-free periods of two months or more were being offered to those willing to take leases of three years or longer. But the tide has turned.

According to Nicholas Pileggi, writing in *New York* magazine, 30 September, 1968, the flat hunting situation has become so acute that concessions of conscience, income and pride have resulted in surgeons postponing operations, housewives returning to work, hippies having their hair cut and families destroying their pets.

How has this come about? In the first place, of the city's 2.1 million private flats, about 1.4 million come under rent control. The four million controlled tenants rarely move, and now constitute nearly the only remaining middle-income residents in Manhattan. The uncontrolled tenants who moved into the 700,000 boom year flats now face their first major rent increases. Studio apartments at \$180 a month are being raised to \$225, while rents for three bedroom apartments are going up from \$520 to \$625, and present occupants can no longer meet the rents.

A Texan recently arriving in New York complained that for \$145 a month he could find only a single unfurnished room in a dilapidated tenement. In his home town, Waco, the same rent would have financed a two-bed-roomed air-conditioned flat with plenty of light, an open courtyard and a swimming pool. According to the president of one of New York's largest real estate firms, "a family man earning \$35,000 a year has it tough living in Manhattan."

While the developers of the boom-period built flats are now doing well, the owners of the rent-controlled properties are less fortunate, and it has been estimated that 12,000 buildings have been left to decay. New development has slowed down greatly on account of rising costs, and investors favour office and commercial development. Chairman of the New York Planning Commission, Donald H. Elliott, has rightly commented: "The historical system of private ownership is just not working." There are good reasons for this, as one economic journalist has shown.

Writing in *The Christian Century*, 23 October, 1968, Elizabeth Read Brown explained that slums are forming faster than new units are being built and that slums are one of the most profitable investments in the property field. This is because tax assessments are lowered as buildings deteriorate. In addition, in May 1968, it was estimated that there were fourteen million vacant sites in urban areas in the U.S.A. As the City Comptroller of St. Louis, John H. Poelker, has declared,"a new vigour to the city's redevelopment efforts" is required by taking the profit out of slums. He referred to "many rotting buildings in premium locations in the downtown area where the tax on property in no way reflects the value of the land." Former Chancellor of the University of Chicago, Robert Maynard Hutchins, says that the remedy for slums is absurdly simple: tax the land, not the buildings.

Drawing some of the threads together, Elizabeth Brown proposes that if subsidised housing must be continued in order to meet the needs of the poor, Congress should make all subsidies conditional upon reform of the local property tax. She points out that in countries where site values are taxed five beneficial results can be seen: less land is held out of use, industries are attracted, building activity increases, job opportunities are greater, and home ownership becomes easier. All these results can be obtained without subsidy of any kind. All that is required is one pilot scheme to set the U.S. on the path of tax reform.

New York City's plight (28 per cent of its population are not able to meet market rents) can be tackled only by lowering land prices, removing the tax disincentive from improvements, and sparking off a major building boom. Unless a fundametal approach is adopted, the New York situation could call for panic measures in the near future.