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THE REGION - Pro & Con: Landlords, Tenants and Rent Control; Should Any Low-Income Housing Be Left in Private Hands?

Author: Alan Finder

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LEAD: WHEN New York City landlords lobby for rent increases from the city's Rent Guidelines Board, they often argue that low-income tenants do not pay enough each month to meet basic operating costs. Tenants in turn usually tell the board, which sets maximum increases for rent-stabilized apartments, that landlords are earning enough - and if they aren't, perhaps they should leave the business.

WHEN New York City landlords lobby for rent increases from the city's Rent Guidelines Board, they often argue that low-income tenants do not pay enough each month to meet basic operating costs. Tenants in turn usually tell the board, which sets maximum increases for rent-stabilized apartments, that landlords are earning enough - and if they aren't, perhaps they should leave the business.

The debate, an enduring one in New York, has been heightened in the last two years as the city, faced with an acute shortage of housing for middle-income and poor people, has begun investing hundreds of millions of dollars in new or rebuilt housing. Can private owners provide low-income housing? If they cannot make a profit from apartment buildings in poor neighborhoods, should the city take them over? As for new housing, should government subsidies go to private developers?

Alan Finder, a reporter on the metropolitan staff of The New York Times, asked these questions of Bonnie Brower, who is on leave as executive director of the Association of Neighborhood and Housing Development, a citywide coalition of community groups, and John J. Gilbert III, president of the Rent Stabilization Association, a major industry group representing landlords. Excerpts from the interviews follow. JOHN J. GILBERT III: A Need for Entrepreneurs

THE median rent of all rental housing in New York is approximately \$352 a month. The amount of money it costs to operate rental housing owned by the city exceeds that amount by approximately \$20, somewhere in the range of \$370 to \$375. You have a situation where half of all rental housing in New York rents for less than what city officials acknowledge it costs them to run, and that does not include dollars that go to taxes, to insurance or for making a profit.

The bottom line in the debate over whether privately owned housing should survive comes down to a very simple point. If all of the privately owned rental housing is transformed to public ownership, the City of New York would not have a tax base. It could not put policemen and firemen on the street, could not provide for the homeless, could not create any of the social programs that the city provides for in its \$25 billion budget.

I think what we have to do is to accept the fact that rent stabilization and rent control are subsidies, and we have to acknowledge that that subsidy should be targeted. There are over 1.8 million units of rental housing owned privately; 1.2 million of those are regulated either by rent control or rent stabilization. Peat Marwick Main & Company, a big-eight accounting firm, has for the first time quantified what the tax loss is to the City of New York annually because it chooses to regulate rents of higher-income people: \$370 million a year. A Criterion of Need

What would it cost the city to subsidize the rents of all those people who now pay more than 30 percent of their income for rent? The answer, according to Michael Stegman of the University of North Carolina, is \$320 million a year. If you acknowledge the fact that rent control and rent stabilization are subsidies, and you then choose to target that subsidy to those people who truly need it, you can finance that simply by taking the subsidy away from people who don't need it.

Ms. Brower will focus on the fact that if the kitchen is too hot, then get out - if you can't collect enough rent to pay your taxes, to pay

your insurance, to make a little profit, then get out of the business. The bottom line is that tenants will be hurt in that.

The strength of providing affordable housing in this town has been the Mitchell-Lama program, with over 100,000 units either in low-and moderate-income co-ops or in regulated rentals that have been provided by private owners, built by private people, people who know how to build housing, people who know how to manage housing. It's been described by the Mayor, the Governor, by legislators, as one of the most successful programs ever to provide this housing on a wide scale.

When you look at that model, that's what's being used in the new programs today. You need the entrepreneurial spirit, you need the entrepreneurial wisdom of private owners to build this housing and to manage this housing. If you don't have it, it's going to fall down and it's not going to last. **BONNIE BROWER:** Profits Add Unnecessary Costs

It is becoming increasingly clear that the impact of escalating housing costs and a shrinking stock of affordable housing is being felt by ever expanding groups of people. We can no longer say that the only segment of our society that needs public assistance in housing is the very poor. We have to reassess whether the traditional free-market housing sector is working to provide and maintain housing for most people.

What we have to do is to identify and use the nonprofit or public options that are open to us. In terms of financing, we have to use direct public subsidies to create more low- and moderate-income housing.

In terms of production, there are a variety of different capacities that we can draw on. There are nonprofit, community-based groups that have long but unrecognized housing production track records. The Housing Authority at this point also has untapped production capacity, because no new public housing is being created.

When you factor in private ownership, you introduce a cost that is not necessary for housing, and that is the profit to be derived simply by virtue of ownership. That's a factor that doesn't belong in housing for people whose incomes can't cover anything other than operating and maintenance costs. **New Forms of Ownership**

In mutual housing association ownership, a private, nonprofit entity that can be organized in a number of ways retains ownership of land and buildings. It frequently returns the responsibility of management and control of day-to-day operations to the people living in the buildings or hires nonprofit managers or even for-profit managers.

There are a variety of other options. A number of nonprofit community-based groups in the city have management firms, which manage rental housing as nonprofit entities. Another possibility is limited or no-equity tenant cooperatives, where the tenants don't derive profit if and when they have to leave the buildings. Then there is public management.

I think ultimately housing for people of limited and modest incomes has to come into some form of social ownership, either through the outright purchase of such buildings or by developing systems where private owners can donate the buildings and get tax write-offs initially.

I think that's a slow process by definition. But when you have a choice of either continuing to impose rent surcharges on the lowest-cost housing in order to make those buildings "economically viable" for their owners - and thus having the housing stock affordable to low- and moderate-income people literally disappear before your eyes - or transforming or converting that housing into nonprofit housing stock, to me the option is very simple. You have to go with the latter.

There isn't profit to be made off low-rent housing, and it's time we acknowledge that, instead of perverting a system around maintaining private ownership.

CAPTION(S):

Photo of abandoned city-owned buildings being renovated in the South Bronx (NYT/Jim Estrin)

By ALAN FINDER

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