

## Creating Affordable Housing: How Koch Did It

by Jonthan Soffer

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Photo by [Anthony Catalano](#) In his third and last term, Mayor Ed Koch, shown here at a parade in Brooklyn in the mid 1980s, focused on finding ways to build affordable -- but not necessarily low-income -- housing in the city.

*In 2002, Mayor Michael Bloomberg announced a [plan](#) to increase affordable housing in the city, a plan that, [whatever its success](#), has become a hallmark of his administration. In embarking on the project, Bloomberg was taking a page from one of his predecessors, Ed Koch. As New York emerged from the fiscal crisis in the 1980s, it faced a shortage of housing. Koch set out to address that, using new strategies and innovative financing.*

This excerpt from the new book, [Ed Koch and the Rebuilding of New York City](#), by Jonathan Soffer (Columbia University Press), explores the thinking behind the Koch housing plan, the obstacles it encountered and the successes that made Bloomberg look to it as a model some 15 years later.

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## The Housing Crunch

They realized that New York was facing an affordable housing crisis. Between 1978 and 1981, the number of apartments renting for \$200 a month declined by 43 percent, with 67 percent of renters spending more than 35 percent of their income on rent. And in Koch's first term, 81,000 units of housing, mostly at the lower end of the scale, disappeared.

"At that time, the city population was growing, the jobs were growing, but there was no housing being created for all sorts of reasons, and this was the critical linchpin to the whole city economy," Biderman recalled.

## The New York Way

The new housing program was very much in the tradition of the public agencies, workers cooperatives and public-private partnerships that had been building housing for low- and middle-income people in New York since the 1920s. The most unprecedented element of the Koch plan was that, while it would be financed with cross subsidies from luxury projects, and from state entities such as the [Battery Park City Authority](#), the bulk of the money would come from the city's capital budget.

Public housing had a bad name in many parts of the country because it was often badly managed by political hacks, and it was seen as a dumping ground for the poorest of the poor. But 20th century New York had a [long tradition of public housing](#) that was well maintained by civil servants. The [Housing Authority](#) continued to provide quality housing, even during the fiscal crisis, when money for maintenance was increasingly hard to come by.

But Koch had little interest in building new high-rise projects. Housing officials understood that one reason for the relative success of New York's public housing was adequate expenditures on maintenance, and they were loath to undertake any housing project that would permanently increase the expense budget. So while the Koch plan was generous with capital funds, officials hoped that private and nonprofit ownership would shift most maintenance expenses to private

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owners. The city also aided this goal with tax subsidies designed to subsidize maintenance and improvements.

### Putting Meat on the Bones

The scale and complexity of the various programs that made up the Koch housing initiative were breathtaking. The plan had four main goals: gut renovations of all suitable city-owned vacant buildings; moderate renovation of all occupied city-owned buildings; promotion of below-market-rate loans and tax breaks to encourage owners of low and middle-income housing to renovate; construction of new homes for owner-occupants. The units would be located all over the city but concentrated in the South Bronx, Harlem and central Brooklyn.

In New York, supporting affordable housing is, in theory, as safe an issue as opposing littering. In practice, the mayor got flak for his program from both the left and the right. The right wanted an unregulated private housing market, arguing that market forces would lead to construction of more affordable housing.

At the same time, Koch's housing program came under fire from housing advocates on the left who had become more concerned about redistribution and homelessness than about class and racial integration. They deplored Koch's decision to build significant amounts of middle-income housing, demanding that the needs of the poor come first. Bonnie Brower, the executive director of the [Association for Neighborhood and Housing Development](#), argued that the Koch housing program did not sufficiently address the needs of low-income households. "If they want to build middle-income and upper middle-income housing, let them at least call it by its right name, and let us deal with it on its merits," Brower commented.

The Koch housing program, though, was primarily an economic development program, not a welfare program. Koch aimed to rebuild areas devastated by abandonment and neglect into neighborhoods that were viable and self-sustaining without continuing cash subsidies or maintenance expense that would have to be paid from the expense budget. Deputy Mayor Stan Brezenoff wrote, "We cannot preserve the city's long-term health if we do not address the needs of the middle class by putting public resources into creating housing for this group. If we don't, who will be here to fill the jobs and pay the taxes that support services and housing creation for the poor?"

Low-income subsidy projects cost more, which meant fewer renovations could be undertaken with the funding available, leaving more holes in the fabric of neighborhoods. An program

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relying entirely on subsidies also would tend to create ghettos of low-income families who had the least social stability, a particularly questionable idea in 1986 at the height of the crack epidemic.

Housing commissioner Paul Crotty was impatient with complaints from "ideologues and advocates" that most of the housing was aimed at middle-income residents who could afford to buy housing in the \$25,000 to \$40,000 range or pay equivalent rent in proportion to their income. He kept telling them, "Not every program can meet all the income targets There's lots of notes on this organ; you have to hit all the notes."

### Repopulating New York

Such a complicated set of programs, with so many sources of funding, posed daunting obstacles to construction. "The hardest thing to get built is housing," a frustrated Koch told the press after a year and a half of trying to cajole the bureaucracy into building buildings. Complicated financing and regulation, the impact of scandals, and the need to create effective bureaucratic channels between a hodgepodge of agencies all militated against his will to build.

Until the mid-1980s, New York's housing stock did not grow significantly. In 1983, for example, the addition of 11,251 newly built or renovated units was offset by the loss of 11,133 units through demolition and conversion to nonresidential uses -- a net gain of only 118.

Nonetheless the Koch administration policies and an improving economy began to turn the shrinking city into a growing one. Once the recession ended in 1984, losses of housing slowed to a trickle, and the combination of private and public construction led to a net gain of 37,000 units by 1987, boosting public confidence in Koch's new expanded housing program.

After 1986, there was much more local control over the kinds of projects that were built, because the housing initiative was using mostly city and state money. Local control and the continuing destabilization of neighborhoods had made construction of affordable housing popular again.

The program shifted the goals for government housing programs from a welfare model primarily interested in housing the poorest to a more racially and income diverse affordable housing model, presaging a similar shift in public housing projects (as Nicholas Dagen Bloom points out

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in his book [Public Housing That Worked](#) ). "We definitely wanted to have a mix. ... It's a combination that we strove for, including the working poor and a little bit of the middle class," Biderman recalled.

### Finding the Funds

Cobbling together the complicated financial package to do this took significant politicking at the state level. Most of the money came from the city's capital budget, after the legislature freed up billions in borrowing capacity by creating a separate [Municipal Water Finance Authority](#) for the enormous

[third water tunnel project](#)

. More money came from various state agencies that had surpluses or that owed the city money, including the refinancing of

[Municipal Assistance Corp.](#)

(MAC) bonds, a \$200 million payment in lieu of taxes from the World Trade Center (less than Koch had hoped), \$3.2 billion in increased borrowing by the

[Housing Development Corp.](#)

and approximately \$400 million from the Battery Park City Authority, which was borrowing against anticipated funding from the World Financial Center. Interestingly Koch saw the transfer of Battery Park City Authority Funds to low-income housing as a way to justify state subsidies for a luxury downtown development.

Progress was slow for the first two years following the initial announcement of the housing program in January 1985. The fallout from the [Parking Violation Bureau scandal](#) of 1986 made the task of creating new shortcuts around bureaucracy even tougher. Auditors and prosecutors monitored every city transaction, subpoenas disrupted the normal work of agencies, and anti-corruption procedures increased paperwork in a system that was already drowning in it.

By the end of 1987, the city had managed to increase both direct and indirect capital budget support for housing, though turning that money into occupied units was more difficult than Crotty had anticipated. Almost immediately, the transportation department was able to start upgrading streets and infrastructure near affordable housing project sites. The greatest holdups were the bureaucratic hurdles involved in disposing of city property. The housing commission could provide city-owned land for only about 3,000 new units.

The Reagan administration, which by 1984 had cut federal budgetary authority for housing to one third of its 1980 levels, actively disliked government housing construction programs. Reductions in federal aid to cities began under the Carter administration, but conservatives hastened the process. Federally funded gut rehabs and new housing starts in New York City

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plunged from 6,500 in 1983 to fewer than 500 by 1988. The only assistance Washington offered Crotty was the badly conceived and ideologically driven voucher program.

### What They Built

The public-private hybrids that actually constructed much of the housing under the plan did not always work smoothly. Some were disasters, such as [Tibbets Gardens](#), the failed four-year effort with the [Real](#)

[Estate Board of New York](#)

to build housing in the Kingsbridge neighborhood of the Bronx. The Manhattan real estate professionals were used to working on a large scale and "just couldn't adapt their overhead and their whole method of operation, including the nature of the subcontractors that they used and the cost of those subcontractors, to the environments that we were working in," Biderman explained.

Others flourished. From the [Mid-Bronx Desperadoes](#) to the well-heeled Rockefeller-sponsored [Housing Partnership](#)

, nonprofits managed to transform the streets of once decimated neighborhoods. Andrew Cuomo's

[Project Help](#)

, which built transitional and permanent housing for homeless families, was one of the most successful, in part because it benefited from the generous funding that the son of a sitting governor was able to obtain. Despite the difficulties and delays, Koch's program of decentralized public investment stimulated private developers in the Bronx to build new structures on undeveloped land within a few months of this initial announcement.

City projects also improved in quality during Koch's third term. Deputy Mayor Robert Esnard, an architect by profession, believed that aesthetic appeal and amenities were key to successful public housing construction, even for the homeless. He convinced the prominent architecture firm, [Skidmore, Owings, and Merrill](#), to design apartment blocks that each contained 24 units of transitional housing for homeless families, with counseling and recreation facilities on the first floor and the apartments above. The first one, an unobtrusive three-story hundred-unit building at 346 Powers Ave in the Bronx, was completed in 1990, with 10 more sites under construction or approved by the Board of Estimate. The firm earned nothing for the design itself.

New York Times architecture critic Paul Goldberger [described](#) a prototype as "an impressive building, at once sensible and humane," noting particularly the apartment design of "eight single rooms around double-height living rooms."

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The housing commission's programs did more for homeless families than single adults, who needed more intensive social services. In a 1992 interview, Biderman said, "We almost came to the point where we eliminated the [welfare] hotels [as temporary housing for homeless families] altogether but unfortunately, since then, they have begun to grow again."

### Red Tape

Housing advocate Kathryn Wylde [now president of the [Partnership for New York City](#), a business group] chafed at the relatively slow pace of construction, especially during those first two years. Wylde argued that New York's bureaucratic delays and paperwork made the cost of delivering a manufactured house to moderate-income buyers in New York 30 percent higher than for the same house in New Jersey. But the Koch administration argued that progress was remarkable given the slow paper flow through primitively computerized agencies, the distraction of subpoenas and the proliferating new safeguards against corruption.

Koch and Crotty began to take Wylde's complaints more seriously when the Daily News in an editorial probably inspired by Wylde, described the "nightmarish" and "Kafkaesque" bureaucracy required to build new housing in New York City. To drive home the point, the News illustrated its editorial with a diagram of 35 pieces of paperwork required to complete an apartment rehab, nothing that "printing the diagram for a major project -- say, a new apartment house -- would require a Playboy-style centerfold." Crotty challenged the accuracy of the diagram, which, he said, "confused the approval process with the construction process."

Still, bureaucratic absurdities abounded. "Different agencies didn't want to be pushed into different things ... so we were always in a state of mini-war with agencies," Biderman remembered.

Financing sometimes failed to materialize, and in July 1986, when Koch and Crotty announced the second phase of the MAC housing plan, it came out at the press conference that only one 16-unit building on Eastern Parkway in Brooklyn had been completed under the first phase, with a second building underway on Staten Island. Instead of the 800 units for \$20 million first contemplated for phase one, the project had been scaled back to 450 units with a budget of \$15 million.

One area that scared the bureaucrats was the innovation of public-private partnership, which

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sometimes crossed then-sacred legal boundaries between public and private. Deputy housing commissioner Charles Reiss, speaking at a 1984 conference, called the Housing Partnership's New Homes program "the hardest and most difficult to get going, and to follow through to construction and occupancy" of all the city's housing ventures.

City bureaucracies were woefully limited by rudimentary computers. In an age with only primitive word processors, Reiss cited as the primary obstacles to housing construction the glacial production of legal papers, a process that "seemed to take longer than the actual construction of the houses." Reiss also feared that housing built on vacant city land in bad neighborhoods might not be marketable, creating a huge budgetary scandal.

The 1986 city corruption scandals made it harder to give away city property for fear of impropriety, even for the laudable purpose of building affordable housing. The administration responded by setting up a high-level committee under Esnard to value the land for each project. Housing activists and developers complained that the committee greatly increased their paperwork, but such painstaking preparation in the first two years of the housing initiative paid off.

"This was one of the major public works programs, which was never tainted by scandal, kickbacks, shoddy work. And to get that done we had to have all the right systems in place. And it took time. But once they were in place, it definitely began to move," according to Biderman.

By fiscal year 1988, the pace of construction began to pick up. Housing completions went from 12,763 in FY1987 to 15,388, a 17 percent increase and the most since 1976, with nearly two third of the units in the outer boroughs. Between FY 1987 and FY 1990, annual expenditures under the housing program went from \$62 million to \$340 million.

In the early 1980s, Koch was widely mocked for putting window detail of Venetian blinds and potted plants on abandoned buildings overlooking the Cross-Bronx Expressway in a vain attempt to make them look better. By the 1989 mayoral campaign, Koch was able to break ground on a project to renovate those same buildings, and the mayor traveled to the Bronx to remove the first decal himself. By the time Koch left office the following January, the housing program alone had renovated 3,000 apartments, with 13,000 more under construction and design work started on an additional 20,000.

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"My plea is to the next mayor: Don't undo the housing efforts of the Koch administration," wrote Willa Appel, executive director of the [Citizen Housing and Planning Council](#) shortly after [Koch's defeat](#)

in 1989. The Dinkins and Giuliani administrations continued to build housing under Koch's 10-year plan, using the bureaucratic pathways he had bushwhacked, though Dinkins increased the subsidies and numbers of apartments built for the poorest families. Giuliani eventually decreased annual capital expenditures to \$235 million in 1998, about one third of what Koch had spent at the program's peak. In the previous 10 years, New York spent a total of \$4.4 billion on the housing program -- a step forward but less than needed.

More than two decades after the program was announced, Koch's initiative has generally been viewed as the greatest success of his 12-year mayoralty. The housing he built did not end homelessness but did help rescue New York. Vacant abandoned houses are no longer a common sight, and the value of homes in the city remained more stable than in most other areas of the United States during the general housing contraction that began in 2007.

In total, between 1987 and 1993, more than 100,000 units were renovated or constructed. Overall, however, the cost of housing in the city remained high and would continue to increase, in part because the population increased from 7.5 million in the Koch years to more than 8 million in 2008.

In 1998, Bronx Borough President Fernando Ferrer invited Koch to the Bronx to see the fruits of his success. Times reporter David Gonzalez was present and [rhapsodized](#) that as a result of Koch's 1-year housing plan, "entire blocks have come buzzing back, with children and families living in new townhouses and renovated apartment buildings."

Koch has frequently been criticized, sometimes with justification, for being a crisis-oriented mayor -- governing through short-term responses to the headlines. But his major strategic decisions -- the restoration of New York City's credit and the 10-year housing plan -- were exceptions that put the city on an upward curve for the next generation.

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