The potential of alternative housing initiatives to 'transform' the housing sector: Examples from New York City and Berlin

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Abstract: *Most major cities around the world are faced with a housing crisis, as real estate has become the dominant sector of the economy. The purpose of this paper-in-progress is to review selected affordable and integrated housing initiatives from New York City and Berlin to consider how they can be supported, scaled up, and sustained to resist the financialization of the housing sector, and potentially, lead to a transition toward de-commodification of housing. Despite the differences between the two cities in terms of scale, history and socio-economic context, the majority of residents in both cities are renters, unlike the rest of the country, and both have a legacy of working-class activism that led to the establishment of successful collaborative affordable housing development and programs in the second half of the twentieth century. After a brief review of the current affordable housing crisis, we provide an overview of some past and recently proposed low income and integrated housing models. We consider their potential and limitations in terms of sustainability and scaling up. The methodology is based on a review of previous studies, newspaper and agency reports, and interviews with housing experts, activists, and local government representatives.*

Introduction:

Most major cities around the world are faced with a housing crisis, as real estate has become the engine of the capitalist economy. Madden and Marcuse argue that housing policy is based on the *myth of the benevolent state* since housing programs have always facilitated the goals of the real estate capital rather than meeting the needs of those who need support the most: "Historically the state has used the housing system to preserve political stability and support the accumulation of private profit"(Madden and Marcuse 2016, 120). In his recent book, Sam Stein goes a step further to point out that as "[r]eal estate developer Donald Trump becomes first a celebrity and ultimately a president," we now live in a "real estate state, a political formation in which real estate capital has inordinate influence over the shape of our cities, the parameters of our politics and the lives we lead" (Stein 2019, 5).

Local government policies and planning interventions facilitate the gentrification process. With the relative decline of the manufacturing sector, municipalities have become dependent on real-estate tax revenues to provide the urban services they are responsible for. Stein (2019) argues that even though city planners play a key role in developing schemes to meet the demands of and create investment opportunities for real estate capital, they also have the capacity to devise strategies to dismantle and weaken the control of real estate capital over cities. Yet,"[n]aming alternatives ... is much easier than enacting them, as the political conditions in New York and elsewhere make such actions difficult at best" (Stein 5/28/2019).

The purpose of this study is to review selected affordable and integrated housing initiatives from New York City and Berlin that serve the needs of very low-income residents who are faced with displacement. We explore how they can be supported, scaled-up, and sustained to resist the *financialization* of the housing sector, and potentially, lead to a transition toward de-commodification of housing. After a short review of de-commodification of housing and the gentrification processes, we first provide an overview of some past and current proposals for low-income and integrated housing provision. We then consider their potential and limitations in terms of sustainability and scaling up. The qualitative analysis is based on information gathered through a review of previous studies, newspaper articles, and agency reports, as well as interviews with housing activists, planners, and staff from both municipalities. This paper, however, reflects only the first phase of this study and, for logistical reasons, is focused mainly on New York City. Since we are still in the process of conducting interviews and research on the case of Berlin, a more in-depth analysis of the selected experiments and their potential to make an impact on the housing conditions in these cities will be the next phase of our study.

NYC and Berlin are both faced with an affordable housing crisis. Despite the differences between the two cities in terms of scale, history and socio-economic context, the majority of residents in both cities are renters, unlike the rest of the country, and both have a legacy of working-class activism that led to the establishment of successful collaborative affordable housing development and programs. And recently, Berlin has been successful in pushing for more radical measures to address these issues.

In Berlin and other German cities, citizens have begun large protests against rising housing costs. Berlin, a city in which 85% of people rent their homes - has been at the center of this fight. After 2008, for-profit corporate landlords started buying up hundreds of apartment buildings in Berlin, and since then, housing costs have doubled. On April 6, 2019 - 40,000 people marched through the center of Berlin in support of a referendum for nationalizing large landlords that own more than 3,000 units and to demand the expropriation of approximately 200,000 rental units. If the protesters are able to gather 190,000 signatures by next February, the referendum could take place in mid-2020. If successful, it could set a legal precedent for housing as a human right.

Background: Commodification of Housing

David Madden, the co-author of "In Defense of Housing: The Politics of Crisis" argues that homes have become commodities – which is a key driver of inequality in the City. Madden defines housing commodification as the moment when "all possible uses of residential space are subordinated to economic exchange, i.e. when housing's existence as real estate comes to dominate its ability to function as home" (2019, 1). Specifically, Madden describes three related dimensions of residential commodification:

Starting in the 1970's, commodification was set into motion with the de/re regulation of housing - particularly the weakening of rent regulations and the privatization of social housing by municipal governments. A few decades later, commodification was aggravated by the aggressive financialization of the housing sector by private equity firms and real estate investment trusts (REITS) for whom luxury real estate became a new investment vehicle. Indeed, housing was redefined as a means to generate financial returns rather than providing for a person's home or shelter. Finally, the globalization of the housing market and the exponential increase in foreign real-estate ownership in large cities has been mired in corrupt practices - including tax evasion, money laundering, and the consolidation of illegal assets. Since 1990, the EB-5 Immigrant Investor Visa Program has allowed globally mobile elites to purchase US visas with real estate investments in the United States. This program has been plagued with fraud, corruption and cronyism.

As a result, luxury housing has become a tool for speculation which is more sensitive to global financial trends than to local housing needs. Indeed, at a time when affordable housing is increasingly hard to find – much of this "investment housing" remains vacant.

It is important to note that the luxury housing trend is accompanied by the simultaneous disinvestment and exploitation of existing affordable housing stock for working class and low-income residents by corporate landlords. In many global metropolitan centers, including New York, London, and Berlin, housing investors purchase existing affordable housing – and then push for exponential rent increases. New landlords often seek to displace low-income tenants with aggressive tactics including lack of building maintenance and other harassments – in order to increase their profits. Most often, the victims of housing commodification are low-income people of color who end up being displaced from their neighborhoods and/or forced into overcrowded housing.

Madden (2019) concludes, like Stein (2019) and others, that housing commodification is much more than a neoliberal economic instrument, and that its impact on cities is deeply political - exacerbating racial and class tensions. Indeed, commodification has caused increasing housing precarity, insecurity, and unaffordability - especially for working class and low-income households.

Affordable Housing Initiatives in New York City (NYC)

Alex Schwartz (2006) argues that housing for the lowest income households must be heavily subsidized; it is not possible without support from the State. There is a myriad of affordable rental or homeownership programs in New York City. Some of these are remnants of past programs that were created in response to demands of strong working class movements, and account for the majority of current affordable housing stock in New York City. Summary Table 1 groups some of these strategies and programs under five categories. These range from measures to regulate the market by building the capacity of housing advocates, legal protection of tenants and prevention from landlord harassment, as well as rent controls. The city has been losing not only unregulated low-rent units in low-density neighborhoods, but also thousands of rent regulated units through the loopholes in the current rent law. As the state's rent stabilization law is up for renewal in June, currently there are nine rent-regulation reform bills that are being considered at the state level to stop this trend. The bills aim to prevent landlords from raising rents after improvements to the apartment or building, to end vacancy decontrol and the vacancy bonus, to make preferential rents permanent until vacancy, to extend time for tenants to file rent overcharge complaints, to ensure rent control and rent stabilization parity, and to expand the emergency tenant protection Act to all settlements across New York State (Brown 2019).

More radical measures to prevent speculation and preserve long-term affordability and access to land and housing involve de-commodification or taking properties out of the market. These include public housing, community land trusts, mutual housing associations, limited equity cooperatives. New York City Housing Authority (NYCHA) is the largest and most successful in the country where residents pay 30 percent of their income for rent. There are 326 NYCHA developments around the city, accommodating more than 400,000 people, and an additional 235,000 people receive rental assistance through NYCHA's Section 8 Leased Housing Program (https://www1.nyc.gov/site/nycha/about/about-nycha.page).

Income-restricted limited-equity cooperatives are a type of affordable housing where members buy shares at below-market rates and receive tax abatements and other public subsidies but there are restrictions on resale prices. Through limiting the resale price to the cost of initial investment plus interest and a small profit, affordability of the unit can be preserved in the longer term. While New York city can be considered the cooperative capital of the country, not all cooperatives serve low or even middle- income households. In fact, the first cooperative in the city was built on Fifth Avenue for elites. The first generation of low- and moderate-income housing cooperatives were built during the first half of the twentieth century by trade unions and from the 1950s to 1970 through the United Housing Foundation and the state's Limited Profit Housing Companies Law, or Mitchell-Lama program.

The second wave of low-income housing cooperative development started in the 1970s, when New York City inherited more than 11,000 abandoned, foreclosed properties. Urban Homesteading Assistance Board (UHAB) was established then to help the tenants of those buildings stay in their homes through their conversion into limited-equity cooperatives. The first ones were created through "sweat equity" with tenants contributing their time and labor as down payment. Later, Tenant Interim Lease (TIL) Program transferred properties to tenants once they demonstrated their capacity to manage it. In the 1990s, through the Third Party Transfer Program of such properties, Housing Development Fund Corporation (HDFC) cooperatives were created. Despite some building based restrictions and flip sale tax to control speculative sales, gentrification related market pressures have led a lot of HDFC coop units to be sold, leading to increasing the purchase price of such units despite the income limitations.

A number of alternative pilot projects the City has created in response to persistent demands of housing advocates have not received adequate resources or support. Community Land Trust program is one of these. A community land trust (CLT) is community-governed nonprofit organization that holds ownership of the land to ensure permanent affordability of housing units on it. Housing or other (commercial, etc.) buildings on the property can be sold or rented to low-income residents. A CLT with a Mutual Housing Association on it would provide tenants affordable housing without equity but with long term security of tenure, and ability for democratic governance and control of their building. In 2017, the City, with funding from Enterprise Community Partners, created the CLT Capacity Building Program. In addition to the two existing CLTs, Cooper Square CLT that was established in 1994, and the East Harlem El Barrio CLT that is in formation, eight community based organizations were selected to participate in peer-learning exchange and explore strategies for developing a CLT.

Another strategy to preserve existing low income housing is to regularize and incorporate illegal basement conversions into the market. The challenge is to preserve their affordability while improving their safety and quality. The citywide BASE Campaign and the East New York Community Plan (that was prepared in response to the city's rezoning of the district) finally led to a pilot program in East New York last year.

Given the targeted number of units in Mayor De Blasio's Housing Plan, creation of new affordable units, rather than the preservation of existing subsidized low-income apartments, has been the major focus of New York City (Elmedni 2018). In fact, the legal definition of what is 'affordable', as it is used in the development of new housing is highly controversial. The calculation of 'area median income' is based on the median household income of the New York metropolitan region, which is not only higher than that of the City, but is often double or triple the median household income in the district it is located in.

Every mayor of New York City since the 1980s came up with an ambitious affordable housing plan, following Mayor Koch's model. His success was based on the fact that NYC already owned 100,000 units of *in rem* housing and foreclosed properties that the city had inherited. Working with nonprofit and for-profit developers, his plan succeeded in producing 180,000 units of affordable housing. Without the same amount of publicly owned property, later mayors focused on rezoning to increase density allowances and give away development bonuses as well as substantial tax breaks to attract developers. For instance, former Mayor Bloomberg rezoned 40 percent of the city. The justification for partnership with and significant giveaways to private developers has always been to achieve scale. Even the 'progressive' Mayor de Blasio administration relies mainly on market-based solutions to reach its goal of creating 300,000 affordable units by 2026, and has already rezoned about half of the 15 targeted neighborhoods, the majority of which are low-income communities of color.

Moreover, a number of innovative strategies and capacity building programs provide tools to support existing and create new affordable housing, as well as organizing for that purpose. Non-profit housing research and advocacy organizations, such as the Furman Center and the Association of Neighborhood Housing Development (ANHD have taken advantage of the City's Open Access Data System to develop databases, inventories and interactive maps working in partnership with housing activists. These tools help local organizers identify landlords' holdings, location, and status of subsidized housing, alert them to vulnerable properties, etc. in their neighborhoods. Such sources of information build capacity and level the playing field. Another example is ANHD's *Anti Displacement Toolkit* that provides a comprehensive inventory of programs and policies that housing and community activists can use to fight residential displacement.

Innovative strategies are also critical in financing, reducing the costs of developing new and preserving affordable housing. For instance, the cost-effective building technologies used by large design/construction/development companies can be adopted. Efficiently manufactured and prefabricated building components and/or new construction materials would lower costs, and lower the carbon footprint.

Land prices significantly contribute to the cost of new housing - and vacant lots are especially scarce and expensive in rapidly densifying cities. In response to this lack of affordable land, developers have recently started to build large additions on top of existing buildings and to creatively adapt and enlarge older structures. Advances in high-rise construction technology and prefabrication have supported this trend.

This trend of building large additions or adaptations of older buildings is especially promising for publicly-owned properties - since the public sector may sell or lease their land/or air rights at prices that favor the production of deeply affordable housing. For example, housing advocates have identified huge unused airspaces above municipal firehouses - which could potentially be developed as deeply affordable housing in every neighborhood. Similarly, these advances in building technology and lightweight prefabricated building components may make it possible to create large additions to currently existing public housing.

Some community based organizations and environmental justice organizations have started initiating climate change related strategies, such as weatherization of existing affordable units, to reduce maintenance costs. UPROSE has recently up a community-owned energy cooperative.

Summary Table 1.	**NYC**	**NOTES**
I. REGULATION OF THE MARKET – to even out the playing field through tenant protection & landlord control		
Rent control	NY State rent stabilization law protects about a million tenants	State rent stabilization law up for renewal in June - 9 reform bills proposed to expand it and close loopholes
Taxation and Land Value Capture	To get public or community benefits from private development	Inadequate example: Hudson Yards Project on the West Side of Manhattan
Tenant protection measures	Those targeting tenants: Right to legal council, etc. Those targeting landlords: Certificate of No Harassment, etc.	Some measures passed during De Blasio administration
Capacity building and information access to level market inequalities	ANHD, Furman Center, Displacement Alert Project, etc.- provision of inventories, interactive databases and maps for housing advocates and community activists	Nonprofits took advantage of the city's open data system to create tools for advocates
II. TAKING LAND/PROPERTY OUT OF THE MARKET – to preserve affordability and prevent speculation		
Public Housing and Section 8 programs	New York City Housing Authority (NYCHA) best/largest in the US - administers NYCHA developments and Section 8 program	Administration in deep financial trouble; serious maintenance problems
Subsidized housing with term limits (Mitchell Lama, etc),	Flip taxes to prevent sales and privatization of coop units	Expiring term limits
Limited Equity Cooperatives and HDFC units (Housing Development Fund Corporation)	Income limits and resale restrictions preserve it for low income households; flip-taxes and building based regulations to prevent speculative price increases of HDFC units	Management and financing issues need technical and management support; HDFC resale price increases
Community Land Trust (CLT)	Only 2 in NYC; 8 community based organizations received support for peer learning technical learning to create CLTs	High land prices and limited public land requires consideration of other options for access to land/property
III. LEGALIZING INFORMAL HOUSING – to improve safety and quality of existing low income housing.		
Squatters	Allocation of occupied *in rem* housing to squatters in East NY -Self-help finishes; 99 year lease	One shot, not continued Mutual Housing Association of NY created
Illegal basement conversions	East NY pilot program & citywide BASE campaign to improve safety & supply of legal affordable units	Risk of price increase as a result of regularization
IV. DEVELOPING NEW AFFORDABLE HOUSING – to increase the supply of affordable housing		

Market based strategies - incentives to private or non profit developers (rental or private ownership)	Mayor's 10 year Housing Plan: Rezonings (8nghds) & Mandatory Inclusionary Housing (MIH) (options for different levels of affordability) Goal: 300,000 affordable units by 2026	MIH only in upzoned areas; insufficient quantity of units and/or sufficiently affordable units
Non Profit Organizations (rental)	Created with city and/or private foundation funding; often on public land	Often insufficient maintenance $
Faith-based organizations' initiatives (private ownership)	Nehemiah Housing program (revolving housing fund of East Brooklyn Congregations and South Bronx Churches) on public land in partnership w/ HPD	Nehemiah Housing was allocated land and infrastructure subsidy- one-shot
V. APPLICATION OF INNOVATIVE COST REDUCTION/FINANCING STRATEGIES		
Financial tools	Proposed Public Bank (ongoing campaign); Socially responsible investments by faith based organizations and trade unions (retirement funds); proposed "Robin Hood Tax", etc.	Proposed strategies
Innovative use of architectural and planning techniques	Density/ air space techniques to reduce construction costs	Strategies used by private sector but can be adopted by public or non-profit sector
Other (greening) strategies	Lower utility and maintenance costs; creation of weatherization programs; Community-owned energy coops; etc.	Limited innovative examples

Conclusion:

Clearly, affordable housing crisis cannot be solved simply by increasing the number of residential units, as New York City's rezoning and Mandatory Inclusionary Housing Program attempts to do. Nor are a few technical tools or innovations sufficient to address this complex and political issue in isolation from all the interrelated issues. Affordability is very much related to access to living wage jobs, transportation, and community services, and in short how it is integrated into the city. Gentrification is not limited to residential areas, but commercial strips are also gentrified. Displacement of businesses that cater to low-income residents further makes it difficult for low income households to afford to remain in their communities. In contrast, luxury housing such services are often integrated into the development. In fact, improved City services generally follow such developments, improving the quality of life in the neighborhood whereas low-income communities fear that such improvements will be followed by gentrification and displace them. And finally, given that New York City is among the top 10 cities vulnerable climate change sea level rise, innovative and collaborative approaches are necessary to build community resilience and equitable ways to adapt to impacts of climate change. Therefore, even if planners may have the technical capacity to devise ways to dismantle to control of real estate capital, building coalitions and linking to social change movements are necessary for a more systemic transition to de-commodification of housing and to "remake our cities from the ground up, and gain control over our homes and lives" (Shiffman 2007; Stein 2019, 12).

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