Neighborhood Responses to Abandonment & Gentrification:
A Case Study of the Lower East Side

by

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B. ARCH., The City College of New York, CUNY (1987)

Submitted to the
Department of Urban Studies and Planning
in partial fulfillment of the requirements
of the degree of
Masters in City Planning
at the
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May 1989

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ABSTRACT

This thesis studies how the various neighborhood organizations and the residents of a community in the City of New York, the Lower East Side, have been addressing the pressures of Abandonment in the 1970s and Gentrification in the 1980s. Case studies of neighborhood organized programs to mitigate the impact of abandonment and gentrification are studied to analyze the dynamics of the community. The HOMESTEAD PROGRAM and the CROSS SUBSIDY PLAN, solutions to abandonment and gentrification, respectively, show the commitment of the community in trying to preserve the neighborhood for the low and moderate income households.

The Cross Subsidy plan, developed by the Joint Planning Council, positively uses the strength of the real estate market to propose housing for the low and moderate income people. It has three parts: rehabilitate abandoned city-owned properties for the low and moderate income households, establish an enforcement unit to check tenant harassment, etc. and special zoning to promote future low-income housing in the neighborhood. The Council has been negotiating with the New York City housing department, Housing Preservation and Development. However, the organization's commitment towards housing and its efforts to be self-sufficient have partly delayed the plan from being implemented.

The Cross Subsidy Plan can benefit the Lower East Side community if the Council chooses to differentiate between the immediate housing need and the future housing need for the low and moderate income people. The plan can be better executed if the council implements the rehabilitation of the low and moderate income units now to fulfill the immediate housing need and the enforcement unit and special zoning afterwards for the future.

Thesis Supervisor:  Langley C. Keyes  
Title: Professor of City and Regional Planning
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A critical part of this thesis was based upon interviews conducted with the individuals involved in the development of the Lower East Side. I am grateful to all the people who took their time out to meet with me and help me understand the different issues concerning the community. I want to thank: Lisa Kaplan, JFC Council Member; Carol Watson and Howard Brandstein, LESCAC staff; Mary Macarthy, editor and Marlis Mombert, photographer, the Quality of Life Magazine; Walter Roberts, Project Manager of the Cross Subsidy Plan at the HPD.

Finally, I want to thank Ayesha Malhotra, V.S. Mani and Rupa Chanda for their support and assistance in the preparation of this thesis.
## TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>6</td>
</tr>
<tr>
<td>Chapter I-- History of the Lower East Side</td>
<td>11</td>
</tr>
<tr>
<td>Chapter II-- Abandonment and Gentrification</td>
<td>19</td>
</tr>
<tr>
<td>Chapter III-- Responses to Abandonment &amp;</td>
<td>43</td>
</tr>
<tr>
<td>Gentrification</td>
<td></td>
</tr>
<tr>
<td>Chapter IV-- Cross Subsidy Plan</td>
<td>66</td>
</tr>
<tr>
<td>Conclusion</td>
<td>91</td>
</tr>
<tr>
<td>Appendices</td>
<td>95</td>
</tr>
<tr>
<td>Bibliography</td>
<td>100</td>
</tr>
</tbody>
</table>
# LIST OF ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AHOP</td>
<td>Artist's Home Ownership Program</td>
</tr>
<tr>
<td>CB</td>
<td>Community Board</td>
</tr>
<tr>
<td>CD</td>
<td>Community Development</td>
</tr>
<tr>
<td>CLT</td>
<td>Community Land Trust</td>
</tr>
<tr>
<td>CSS</td>
<td>Community Service Society of New York</td>
</tr>
<tr>
<td>DCP</td>
<td>Department of City Planning</td>
</tr>
<tr>
<td>HDFC</td>
<td>Housing Development Fund Corporation</td>
</tr>
<tr>
<td>HPD</td>
<td>Department of Housing, Preservation &amp; Development</td>
</tr>
<tr>
<td>HUD</td>
<td>U.S. Department of Housing and Urban Development</td>
</tr>
<tr>
<td>JPC</td>
<td>Joint Planning Council</td>
</tr>
<tr>
<td>LES</td>
<td>Lower East Side</td>
</tr>
<tr>
<td>LESCAC</td>
<td>Lower East Side Catholic Area Conference</td>
</tr>
<tr>
<td>LEU</td>
<td>Local Enforcement Unit</td>
</tr>
<tr>
<td>MHA</td>
<td>Mutual Housing Association</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>NSA</td>
<td>Neighborhood Strategy Area</td>
</tr>
<tr>
<td>PICCED</td>
<td>Pratt Institute Center for Community &amp; Environmental Development</td>
</tr>
<tr>
<td>RAIN</td>
<td>Rehabilitation in Action to Improve Neighborhoods</td>
</tr>
<tr>
<td>RFP</td>
<td>Request For Proposal</td>
</tr>
<tr>
<td>RFQ</td>
<td>Request For Qualification</td>
</tr>
<tr>
<td>UHP</td>
<td>Urban Homestead Program</td>
</tr>
<tr>
<td>XSP</td>
<td>Cross Subsidy Plan</td>
</tr>
</tbody>
</table>
INTRODUCTION

GENERAL BACKGROUND:

The Lower East Side (LES) has historically been a community of transition, a community which has changed with the growth of New York City. Today, it is a neighborhood that is trying to save itself from falling prey to speculators and developers. Like many other poor sections in New York City, LES faced abandonment [1] between 1950 and 1970. At present, it faces a high real estate game that is occurring in the city. This game has resulted in gentrification [2] and displacement.

The LES has historically been a community for the low and moderate income residents. Gentrification has made it difficult for these lower income groups to reside in this area. Many private landlords and home owners are trying to benefit from the increase in real estate value. Some have


made renting of apartments by the low and moderate income
families difficult, often by doubling the rents. Others have
turned their buildings to developers who have in turn sold the
apartments as condominiums, at market prices.

To check abandonment, i.e. prior to gentrification,
community organizations formed programs in order to mitigate
the deterioration of the neighborhood due to abandonment.
Their focus was on saving the remaining housing stock from
crumbling down. Programs such as the URBAN HOMESTEAD PROGRAM
(UHP), originally developed by the Department of Housing,
Preservation and Development (HPD), were undertaken. The
UHP's aim were to give ownership to tenant members who through
"sweat equity" [3] rehabilitated the tenements. It also aimed
at encouraging ownership among the locals of the LES.

To check the impact of gentrification, which occurred in
the late 1980s, the neighborhood housing advocate group, the
Joint Planning Council (JPC), proposed a three-part strategy
in 1984, which after much modification was approved by the
HPD. This program is known as the CROSS SUBSIDY PLAN. Under
this program, the city will sell parcels of city-owned land in
the LES at market rate to the developers. The money from the
sale will be used to rehabilitate city-owned vacant structures
for low and moderate income housing in the LES.

3 Sweat Equity is referred to the process when the
residents and the tenants of a neighborhood contribute their
leisure time to rehabilitate building to live there.
The JPC has had many disagreements with the HPD over the need for more affordable housing for the present and the future. However, in addition to focusing on this primary goal, the JPC has concentrated on other issues such as the application of special zoning to curb market-rate housing, which the JPC considers as essential to providing more affordable housing. It wants the implementation of the primary goal and the secondary issues now to secure the future objective of permanent affordable housing in the LES.

AIMS:
The thesis looks at the LES as it has developed, i.e., the changes in the neighborhood that have led to the present confrontation between the city and the community. These changes which resulted from economic, historical and social factors, have given the community and the JPC the strength to organize projects such as the Homestead Program and the Cross Subsidy Plan to protect the LES from the pressure of abandonment and gentrification. This paper studies the extent to which these programs have united the neighborhood so far and examines their ability to preserve the neighborhood for the low and moderate income community in the future.

Both the Cross Subsidy Plan and the Homestead programs are trying to preserve the neighborhood and encourage the residents to own property and bring pride back into the community. In the case of the Cross Subsidy Plan, the JPC has
geared the project towards securing permanent low and moderate income housing not only for the present but also for the future. This thesis studies the community strength that has enabled the JPC and various other community organizations in the LES to fight against the HPD and the political forces of the city. The paper also examines how JPC's focus on securing future housing for the poor has created a stalemate between the city and the neighborhood.

FRAMEWORK:

Chapter I provides the historical background to the LES. It describes the changing characteristics of the inhabitants of the neighborhood from the early 1800s to the present.

Chapter II focuses on the changes that have occurred since 1950. It discusses the settlement of new immigrant groups, like the Hispanics and the Asians as well as the settlement of artists. The neighborhood, during this period, went through a swing from being abandoned by the homeowners to being the object of interest of speculators and developers. The chapter describes the impact of both abandonment and gentrification on the neighborhood.

Chapter III studies the implementation of the various programs by community organizations to address abandonment and gentrification. It shows how these organizations united the residents of the LES to fight against the city and their programs which the community did not consider to be in its
interest. The chapter describes the homestead program run by a community group and its implementation. In addition, it also comments on a three-part plan that was proposed by the JPC to address the pressure of gentrification in the LES.

Chapter IV explains the formation of the Cross Subsidy Plan and the changes it has undergone since the introduction of the JPC's three-part plan. It also examines the reasons for these changes and the form these modifications have taken. The chapter also discusses the reasons for the HPD's involvement in the plan. It also examines the disputes over some issues relating to the Cross Subsidy Plan between the city and the community, and describes their different view points.

**SOURCES:**

This thesis is based on several interviews with JPC members, the HPD staff, the Homesteader's organization, some LES residents, and several community activists. Magazine and newspaper articles were used to provide the historical background on gentrification and displacement in the neighborhood. Second hand data for the paper was obtained from various papers published on the LES.
CHAPTER I
HISTORY OF THE LOWER EAST SIDE

This chapter provides the historical background to the LES starting from the early 1800s to the present. It describes the period of mass migration from the European countries and its impact on the housing condition in the LES. It also describes the development of the character of the neighborhood.

HISTORY:
New York City has been a point of entry for refugees from all over the world, welcoming the new people into the "land of opportunity." Most of the newly arrived immigrants settled in the five different boroughs of New York City and the rest went in search of jobs in the other neighboring states. New York City was dotted with many immigrant settlement neighborhoods. One such neighborhood in the borough of Manhattan was the Lower East Side (LES).

From the early days of the City's history, the LES has been a residential neighborhood. Its economic and ethnic character has changed with the various stages of the city's growth. During the 17th century the LES was an ideal residence for those who worked in Manhattan where the administrative and commercial activities were performed. Its proximity to the seaport and the trading area had attracted different
professional, cultural and ethnic groups, like the Dutch and Sephardic Jews to reside there.

**FROM 1800-1930, A TRANSITIONAL NEIGHBORHOOD:**

In the early part of the 1800s, the LES was an affluent neighborhood. It was a neighborhood where business people, administrative officials and even prominent people like George Washington, the then newly elected president, lived for short periods of time. But shortly after 1840, the character of the neighborhood started changing. The migration to the United States of America from the different European countries took place. This was the starting ground for different new groups of immigrants. They came to the country for various reasons for example, to free themselves from the political, social and economic oppression in their homelands and start afresh in the United States.

By this time the character of the LES was no longer residential only; the LES had become a place where the newcomers came in search of jobs. The ethnic backgrounds of these new immigrant groups included the Irish, Germans, Chinese, German Jews, Ukrainians, Polish and Italians. The jobs were mostly low-skilled and low-paying. The proximity to the neighboring areas like the financial and administrative areas in the downtown, the industrial and commercial area in Greenwich, and, later on, the Midtown made the LES an ideal residential locality for the immigrants. Industrial work was
available readily to the immigrants and the garment industry, located in the downtown, was the largest employer in the LES. Its proximity to the downtown area and to the industrial garment district made it an ideal residential location for the immigrants. This increased the demand for housing in the neighborhood.

**HOUSING CONDITION:**

Historically the LES has been a mainly residential neighborhood and especially, over the decades, it had become a neighborhood that housed many low-income families at low rents. Tenements were the main housing stock during this period of mass influx into the neighborhood. Dumbbell tenements, i.e. shaped like dumbbells, covering 20-25 feet wide by 100 feet deep building lot and containing 4 four-room units per floor, [1] were the standard housing units. To accommodate the large number of incoming people, families were cramped into the tenements. This led to high density settlement in the LES as compared to the rest of Manhattan. The population density per square mile in the LES was 234,080, in Manhattan was only 73,000 in early 1910.

As a result of this overcrowding, the living conditions were poor. People lived in cellars, in rooms without natural air and light, and in the corridors of the buildings. The

immigrants needed shelter at low rents. The availability of low rent housing, coupled with the proximity to their work places, made the LES the prime choice of the immigrants.

The chief concern of the refugees was to somehow earn their living and save money. They attempted to save a major portion of their earnings for the future and spent little in order to better their present living standards. They saw little need to invest in their "shabby" abodes. To them the neighborhood was a place to make a start for the future that lay ahead in the U.S.A. and not a place to stay permanently—it was a transitional neighborhood. As their economic condition improved, they fled to the better parts of New York City and the newly formed suburbs in the other boroughs. They had little incentive to stay in the LES. Thus, being caught in this "turnstile" motion, the LES did not benefit from the economic prosperity of the immigrants. It remained the neighborhood for the newer influx of immigrants.

1930 TO 1950 PERIOD:

After the 1840s, not much housing development in the LES occurred. The only addition to the housing stock was the construction of 24,000 low and moderate income public apartments in the locality. Part of the reason for the neighborhood's stagnation was that it did not receive the benefits of the city's economic and physical growth. The construction of new roads and mass transit systems like the
Lexington Avenue subway line ran along the western border of the LES. The area was little disturbed by these changes and thus remained isolated. The expansion of the city was towards the west and the north and in the other boroughs. Furthermore, not much was invested in the region. It would not have been profitable since it had become a home for the poor and the destitute with low-paying or no jobs.

By the 1930s, the condition of the neighborhood had further deteriorated. The condition of the tenements was becoming less attractive to people with higher income. The outgoing immigrants were being replaced by Blacks from the South and later by the Puerto Ricans. They came to the LES because the housing rents were affordable in comparison to other parts of the city. Also, the other neighborhoods were predominantly white middle-class, the Blacks and Puerto Ricans would have faced discrimination there. A neighborhood like the LES that had been welcoming people of different ethnic backgrounds throughout the city's history was more accepting of the new ethnic groups. The late arrivals in the LES were not as lucky as the previous immigrants. A falling demand for labor at this time, and the lack of affordable housing elsewhere limited the residents' mobility to the other neighborhoods.

1950 TO THE PRESENT:

In the 1960s the neighborhood due to the lack of proper maintenance, and lack of interest on the landowners' part, the
housing situation had worsened. Vacant land replaced the buildings that once stood there. More buildings were falling prey to arson and were burned to the ground. Many buildings were boarded up due to illegal evacuation of tenants and failure to meet the city's building codes. The neighborhood looked uninhabited and this made it attractive for the homeless and the drug dealers to take shelter here. In addition, it attracted a newer kind of people -- the "flower children," also known as the Hippies. By this time the LES had become a haven for drug addicts, the junkies.

However, from the mid 1970s onwards to the present, interest in the LES has been regenerated. Artists, young urban professionals, developers and homeowners are the new groups taking part in the neighborhood's development.

The present social, political and economic situation of the LES has been heavily influenced by the entry of this new wave of people, many of whom are first time homeowners. This group of people and their input into the housing stock is mentioned in greater detail in the subsequent chapters.
MAP 1.1

Location of the Lower East Side
FIGURE 1.1
The Flow of Migrants to the Lower East Side

19th CENTURY

Migration to the U.S.
European Settlers from 1840 onwards

- Irish, 1840
- Germans, 1860-1870s
- Chinese, after 1849
- German Jews, 1880s & 1890s
- Italians, 1890

20th CENTURY

- Blacks, Puerto Ricans, 1940
- Hippies, 1960s
- Artists, early 1970s
- "Yuppies," 1980s
CHAPTER II
ABANDONMENT AND GENTRIFICATION

This chapter focuses on the changes that have taken place in the LES from the 1950s to the present. It studies the settlement of new ethnic groups in the LES at a time when the neighborhood experienced abandonment followed by gentrification. This section examines the reasons for these changes and their consequences on the neighborhood and its inhabitants.

POST-1950 PERIOD:

Post-1950, the LES had become a low-income neighborhood in New York City. A period of decline followed an earlier period of mass immigration, when people came in flocks to set up residences (at least temporary) in the LES. Economically well-off people left the neighborhood and a fewer number of people in-migrated. Those immigrants who did arrive in the neighborhood were poor and unemployed, and were living on welfare. The ethnic mix of the neighborhood during the post-1950 period comprised of mostly Hispanics, Blacks, Asians and Whites.

By the mid-1960s the economic condition of the LES had deteriorated. The consequences of the poor economic conditions, were felt from the latter half of the 1960s onwards and took the form of mass abandonment, and
dilapidation and loss of housing stock, services and social structure. However, by the late-1970s the neighborhood started attracting a new group of professionals, the artists. Their introduction into the neighborhood characterized certain parts in the region as "arty." As the demand for housing and space for work among this professional group increased, the landlords started charging higher rents. This increase in the rent of the tenements affected property value in the LES. Speculation on property value escalated the price of these buildings.

By the end of the 1970s and the early 1980s, the neighborhood had fallen prey to developers and speculators just like the rest of the city. Pressure from developers and speculators led to gentrification, displacement and mass unification of the neighborhood. Thus, a neighborhood which had suffered a loss in its population in the mid-1960s, was being re-populated by new professional groups by the mid-1980s. While the total population in the LES from 1980 to 1985 increased by 3.29%, it declined by 10.54% from 1960 to 1970. Table 2.1 shows the percent change in the population from 1950 to 1985 in the LES.
TABLE 2.1

Total Population of the LES (1950-1985)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Population</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>215,692</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>193,771</td>
<td>-10.16</td>
</tr>
<tr>
<td>1970</td>
<td>173,331</td>
<td>-10.54</td>
</tr>
<tr>
<td>1980</td>
<td>154,800</td>
<td>-10.69</td>
</tr>
<tr>
<td>1985</td>
<td>159,900</td>
<td>+ 3.29</td>
</tr>
</tbody>
</table>


ABANDONMENT

ECONOMIC CONDITIONS IN THE MID-1960s:

During the late 1960s, New York City underwent a change in its economic structure. Heavy industries were replaced by new industrial and service sector activities which were operated by new automated technology. At this time, the LES was a working-class residential neighborhood. In the mid-1960s, about 80% of the neighborhood residents worked in the business and industrial districts of Manhattan. However, with these economic changes, the skills of the residents became unsuitable for the jobs available in the city. Few older industries, like the garment industry, remained in the city to hire workers from the neighborhood. [1] There were few

1 Manufacturing jobs decreased by 90,000 between 1958-1968. The largest decline were in apparel, food processing and construction. Harry Schwartz, Planning for the Lower East Side, (Praeger Publishers, 1973), p. 188.
low-skill jobs available for the new residents of the LES and thus, many became unemployed. Table 2.2 shows the occupational breakdown in the LES in 1970.

**TABLE 2.2**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Managerial</td>
<td>12,457</td>
<td>18.8</td>
</tr>
<tr>
<td>Craftsman</td>
<td>5,213</td>
<td>7.9</td>
</tr>
<tr>
<td>Service, Clerical &amp; Sales</td>
<td>29,464</td>
<td>44.5</td>
</tr>
<tr>
<td>Operatives &amp; Laborers</td>
<td>15,050</td>
<td>22.7</td>
</tr>
<tr>
<td>Unemployed</td>
<td>4,072</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,256</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Harry Schwartz, Planning for the Lower East Side, p. 183.*

The new residents, i.e. the Blacks, Puerto Ricans, and Chinese, were working in low-skilled and low-paid jobs. The unemployment rate was 10% and 41% of the households were receiving public assistance (around 30,000 people received public assistance in 1967). [2] The paucity of money affected these new residents' living standards, and many lived in substandard housing. Moreover, the economic changes were accompanied by changes in the family structure. Single and small-sized family households increasingly replaced large families.

---

ABANDONMENT DURING THE MID-1960:

Abandonment of an entire neighborhood occurs when public and/or private parties act on the assumption that long-term investment in the neighborhood, whether in maintenance and improvements or in new construction, is not warranted. It is only a matter of time before residents of an abandoned unit or an abandoned neighborhood are displaced. [3]

The building owners of these tenements, which were mostly privately owned, in the LES were unable to attain higher rents from their economically depressed tenants during this period. This gave them little incentive to maintain the structures or to pay property taxes. The owners saw little opportunity to earn profits from owning and maintaining housing. This resulted in abandonment. The conditions of the tenements started to deteriorate, due to the lack of proper maintenance.

As the housing conditions worsened and became uninhabitable, the tenants started leaving their residences. As more of them left, more tenements became unused and this quickened the pace of dilapidation and abandonment. The neighborhood fell prey to abandonment "gradually, block by block and building by building." [4] It appeared like a scarred community; the abandoned buildings were patched with


wooden boards and cement blocks. Nearly 6,800 residential units were lost to abandonment and an estimated 66,800 units were occupied in 1970. [5] After the buildings were abandoned by their owners and the residents, illegal settlement and usage of the buildings became common. These abandoned tenements were being misused for purposes such as serving as storage areas for drug dealers. Some of the abandoned buildings had become a shelter for the homeless people. During this period of mass abandonment, the New York City started acquiring these properties because of the owners failure to pay property taxes. These properties are referred to as the IN-REM properties. Table 2.3 shows the Land Use pattern in the LES in 1969 and 1986.

**TABLE 2.3**

Land Use on the LES (1969 & 1986)

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Number of Acres</th>
<th>% of Total Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>347</td>
<td>3,142</td>
</tr>
<tr>
<td>Commercial &amp; Industrial</td>
<td>91</td>
<td>970</td>
</tr>
<tr>
<td>Vacant Land</td>
<td>6</td>
<td>491</td>
</tr>
<tr>
<td>Vacant Buildings</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>557</td>
<td>397</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,016</strong></td>
<td><strong>5,000</strong></td>
</tr>
</tbody>
</table>


FIGURE 2.1

Vacant land and Buildings
The neighborhood had become a haven for drugs and other illegal activities and became an unsafe residential area. The City reduced many of its services, because of its lack of interest in maintaining the neighborhood. The deteriorating conditions of the roads, footpaths, along with the housing structures made the LES appear physically unattractive to any interested new-comer.

The social structure in the LES was also being affected by the economic conditions. People of this neighborhood were forced to witness the deterioration of their community. Since many of the residents were new immigrants, like Hispanics, Blacks and Asians, they were less familiar with the city and how to take advantage of the political process for their own benefit. Thus in the early period, right after settling, they remained passive and faced the consequences of economic and physical abandonment by the owners and the City. They did not organize themselves into a community to check degeneration of their neighborhood.

ETHNIC CHARACTERISTICS:

In the post-1950 period, the ethnic mix of the LES had changed as a result of the in-migration of new groups of people. The chief immigrant groups were the Hispanics, the Asians and the Jews. Over the years, these ethnic groups gave the LES a distinct character, which is seen even today. This character, as mentioned later, enabled the neighborhood to
unite and help renew the LES.

Apart from the older ethnic groups, a large number of Puerto Ricans arrived in the LES after 1950. Their flow stabilized over the years. Their cultural, social and religious lives altered the nature of the neighborhood. Like the previous immigrants -- Italians, Ukrainians-- the Puerto Ricans carved out a niche for themselves. They mainly owned grocery stores in the neighborhood. In the mid 1960s, another flow of immigrants --the Chinese-- settled in the LES. Many drifted to the existing Chinatown community in the downtown area and others settled at the border of the LES and Chinatown. Table 2.4 shows the ethnic breakdown of the neighborhood.

### TABLE 2.4

**Ethnicity in the LES (1950-1980)**

<table>
<thead>
<tr>
<th>Year</th>
<th>White</th>
<th>Nonwhite</th>
<th>Puerto Rican</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>190,248</td>
<td>12,024</td>
<td>13,690</td>
</tr>
<tr>
<td>1960</td>
<td>117,121</td>
<td>25,813</td>
<td>50,837</td>
</tr>
<tr>
<td>1970</td>
<td>83,330</td>
<td>41,031</td>
<td>48,970</td>
</tr>
<tr>
<td>1980</td>
<td>46,629</td>
<td>51,236</td>
<td>56,924</td>
</tr>
</tbody>
</table>


*Note: Nonwhite includes Black, Chinese and other ethnic group.*
These new groups of people in the community settled in their new neighborhood with little incentive to leave since other family members also resided there. Unlike the earlier immigrants, the new immigrants were restricted to the LES partly due to the increased rent and real estate values elsewhere in the city. Another factor, that caused the new immigrants to remain in the LES, was their lack of familiarity with the city, how it functioned, and its setting, as had also been true with the earlier immigrants. Each group tried to stay within its community, with its own people who spoke the same language, shared the same values, culture, and religion. They wanted to make a new home for themselves and their children. According to LES community organizers, these immigrants had knitted their lives around their family, friends and relatives and their church, in contrast to the residents in the other part of the city who focused mainly on attaining better jobs with higher salaries. This phenomenon was particularly striking among the Puerto Ricans, which gave the LES a distinct Hispanic character. [6] The Puerto Ricans, like the previous immigrants, were unskilled and this made them less qualified for the new type of service and automated jobs. Due to the lack of proper income to meet the basic living expenses, families and friends took refuge with their relatives in the public housing

projects in the LES. [7] Thus the tenements became overcrowded.

SETTLEMENT OF ARTISTS IN THE 1960S:

During the late-1960s, the neighborhood also attracted Hippies, albeit only for a short while. Unlike the other residential groups, the Hippies did not affect the social context of the neighborhood. They were only a transitional group that took advantage of the deteriorating physical conditions of the LES. The reason for their arrival to the LES is not clear but it can be assumed that the neighborhood provided them housing at an affordable price. They were attracted by the cheap rent; the low quality of housing not with standing. Thus, the hippies preferred living in the LES, since it had become isolated by this time. Their philosophy of detachment from material wealth could be practiced amidst the rubble of the LES.

Following the hippies, in the 1970s, artists came to the neighborhood. They too came in search of affordable, low-priced tenements. They were displaced from the SoHo, which bordered the western part of the LES, due to gentrification. By the end of the 1970s and early 1980s, several small art

7 New York City Housing Authority recorded increasing use of the building utilities in the public housing. This showed that more number of people were living in the units. Displacement pressures in the Lower East Side, (CSS Working Paper, 1987), p. 5.
MAP 2.1

Lower East Side and its surrounding neighborhoods
galleries and boutiques, emerged along the border of the LES, Greenwich, and SoHo and also in the East Village (the area covering from Avenue A to D and between Houston and 14th streets, refer to Map 2.1). Tenements that were left in disrepair by their owners attracted higher rents from newcomers. For example, while a person who had been living in a rent controlled apartment for many years paid only $115 a month, the newcomer paid $700 a month for the same apartment. \[8\] Such differences in rent prices became common in the LES. Since there was an incentive for the owners to demand higher rents, they also started investing money in maintaining the buildings.

In the 1970s, the LES was predominantly made up of poor, low-income residents. The ethnic mix was mostly White and Hispanic (refer to table 2.4). Even though the neighborhood was facing abandonment, there was a flow of artists, young students, and young professionals from the SoHo and the suburbs, but was slow. Following is a breakdown of the household according to the ethnic background, age and income. It shows a strong co-relationship between the ethnic background and the household income and the neighborhood character. According to this study, conducted in 1969, low-income is defined as a family earning between $4,000 and $6,000 annually; moderate-income, between $6,000 and $12,000

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annually; middle-income, between $12,000 and $16,000 annually.

. Low-income, middle aged, elderly White Household: are those households without school children; have been residents of the LES before 1950 and majority of them live in tenements. They represent 15,000 to 20,000 households.

. Moderate & Middle-income white Household: are the newest arrivals, the young families without school age children; live in tenements, new cooperatives. They are 12,000 to 15,000 households. Artists fall in this category.

. Low-income, young and old Puerto Ricans, Blacks, Chinese Household: are the new immigrants, residing ten years back; 40% live in public housing and the rest in tenements. Out of 67,000 total households in the LES estimated 20,000 to 25,000 fall in this range.

. Moderate & Middle income young, older Puerto Ricans, Blacks, Chinese Household: are the new growing middle class; live in cooperatives, public housing and rehabilitated tenements; are two wage earning family. They constitute 6,000 households.

. Moderate & Middle income aged White Household: are attached to the community; live in rentals and cooperatives. They represent 10,000 households. [9]

This distinct difference of identity between households created barriers within the community. The Hispanics called the neighborhood "LOISAIDA", a Spanglish name for the Lower East Side, and identified it with a struggling community. The other name given to the area was the "Alphabet City," which identified it with the arty and affluent. [10]


The struggling community residents considered the artists a threat and a sign of possible danger for them and for their community. This transition from a struggling neighborhood to an arty and affluent residential area (with art galleries and increased rent) made the locals unite and take part in the preservation of their neighborhood.

**GENTRIFICATION**

**DEMOGRAPHIC CHANGES SINCE 1970:**

According to the 1980 census, gentrification was still not very visible in the neighborhood. The median household income in the LES was $8,782, which was much lower than what it was in Manhattan, $13,905. The rate of poverty was 32.8% (50,774 population), higher than the poverty level of 20% in the city (285,657 population). The deteriorating housing conditions and the demolition of housing had reduced the housing stock by 7.5% by 1980. The above statistics indicated the depressed economic condition in the LES. [11]

Yet the neighborhood at the same time was increasingly attracting the professional groups -- the artists -- in the mid and the late 1970s. From this period onwards, the neighborhood characteristic started changing. This change was a slow process and was not evident in the 1980 census of

the LES. However, the signs of neighborhood change were evident in a few census tracts. (refer to Appendix 1) The median household education level was lower than that of the rest of the city. [12] But from the beginning of 1980 onwards, the changes in the neighborhood character were significant (see Map 2.2). A survey conducted by the Community Service Society of New York (CSS) in 1984, found an increase in the number of adult college-educated people. The education level among the residents in the above sixteen age group after 1979 was 58.7% as compared to 35.2% among the residents prior to 1979 (see Table 2.5). These changes in the LES were a strong indication of the occurrence of gentrification.

**GENTRIFICATION:**

As mentioned in the introduction, gentrification is a process by which working-class neighborhoods become inhabited by middle and upper income groups and thereby, increasing the property value. The term applies to the housing market. It causes change in the social and physical character of a neighborhood. Gentrification is often measured by changing socioeconomic characteristics, such as income group, household size, education background, racial mix and the type of profession. The physical characteristic is observed by the

12 Ibid., p. 7.
MAP 2.2

Type of Change: 1970-1980
<table>
<thead>
<tr>
<th>CHARACTERISTICS OF HOUSEHOLDS</th>
<th>BY LENGTH OF RESIDENCE IN THE LOWER EAST SIDE</th>
<th>(IN PERCENTS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LENGTH OF RESIDENCE ON THE LOWER EAST SIDE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ALWAYS</strong></td>
<td><strong>PRIOR 1970</strong></td>
<td><strong>SINCE 1979</strong></td>
</tr>
<tr>
<td><strong>Black</strong></td>
<td>1.4</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Hispanic</strong></td>
<td>30.1</td>
<td>29.2</td>
</tr>
<tr>
<td><strong>Asian</strong></td>
<td>50.0</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>White</strong></td>
<td>13.5</td>
<td>63.2</td>
</tr>
<tr>
<td><strong>EDUCATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>0-8 Years</strong></td>
<td>26.1</td>
<td>18.3</td>
</tr>
<tr>
<td><strong>9-11 Years</strong></td>
<td>14.8</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>12 Years</strong></td>
<td>35.2</td>
<td>18.3</td>
</tr>
<tr>
<td><strong>13-15 Years</strong></td>
<td>12.7</td>
<td>16.9</td>
</tr>
<tr>
<td><strong>16+ Years</strong></td>
<td>11.3</td>
<td>35.2</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>$0-$9,999</strong></td>
<td>69.4</td>
<td>33.6</td>
</tr>
<tr>
<td><strong>$10,000-$19,999</strong></td>
<td>23.9</td>
<td>43.0</td>
</tr>
<tr>
<td><strong>$20,000+</strong></td>
<td>6.7</td>
<td>23.4</td>
</tr>
<tr>
<td><strong>AGE OF OLDEST HOUSEHOLD MEMBER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>12-24</strong></td>
<td>6.9</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>25-34</strong></td>
<td>15.1</td>
<td>21.5</td>
</tr>
<tr>
<td><strong>35-44</strong></td>
<td>15.8</td>
<td>26.4</td>
</tr>
<tr>
<td><strong>45-64</strong></td>
<td>37.7</td>
<td>31.9</td>
</tr>
<tr>
<td><strong>65+</strong></td>
<td>23.3</td>
<td>13.9</td>
</tr>
<tr>
<td><strong>HOUSEHOLD TYPE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Single</strong></td>
<td>22.8</td>
<td>42.4</td>
</tr>
<tr>
<td><strong>Unrelated Adults</strong></td>
<td>4.8</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Families, no Child</strong></td>
<td>22.8</td>
<td>17.3</td>
</tr>
<tr>
<td><strong>Families, Child present</strong></td>
<td>33.8</td>
<td>15.3</td>
</tr>
<tr>
<td><strong>Single Parent, child present</strong></td>
<td>15.9</td>
<td>16.7</td>
</tr>
</tbody>
</table>
improvements made on existing structures. It can also be based on the number of conversions from tenements to cooperatives and condominiums in the neighborhood. Another important indicator of gentrification is the growth of the real estate market, represented by the entry of speculators, private developers and some times public agencies.

The changes in the neighborhood since 1980, have been associated with the emergence of the new group, the "YUPPIES" --the young upwardly mobile, urban professionals, who have received college education and earn more than $20,000 annually (1980). Many are single, unmarried people, often living together with unrelated adults. Among the YUPPIES, the married couples tend to have fewer children. Unlike the suburbanites, who live in single family houses away from the city, the life style of the yuppies attracts them to life in the city. [13]

THE YOUNG URBAN PROFESSIONALS:

The YUPPIES settled in the LES for various reasons. The proximity of the area to the downtown Wall Street area, the Midtown, and Greenwich village and the low rents in the LES as compared to the rest of the city. They "... were willing to take their chances with a desperate building." [14]


Many young professionals were also finding their home in the adjacent neighborhoods of the LES, like the Greenwich, the SoHo, and Cooper Square. They were the new professional groups, following the artists, to come and settle in these neighborhoods. At the same time, the real estate values were increasing in the New York City and the LES became a prime speculative territory due to the influx of YUPPIES.

THE CHANGING MARKET:

By the end of 1970s, the LES had become a reservoir of abandoned buildings. Unlike the low-income residents of the neighborhood, the young professionals could afford to pay higher rents and were also capable of owning their own apartments. The developers and landlords seized the opportunity to renovate these vacant buildings and sell or rent them at higher (market) price to the young professionals. Thus, the derelict buildings that had been worthless a few years earlier, were commanding high value. For example, a five-story tenement at 270 East 10th Street was sold for $5,706 in 1976, which was later re-sold in 1981 for $130,000.

[15] Rents for the renovated apartments were between three to five times more than the average rent in the neighborhood ($150-$225 per month).

FIGURE 2.2

Neighborhood Outdoor Cafe

New Market rate Development
The sudden change in the value of the buildings and the land made the LES an attractive area to invest in. Nearly 65% of total housing stock was privately owned in the neighborhood (see Table 2.6). For profit the owners were selling these private properties to the market. The low-income tenants regarded this as a possible threat to the community and its people.

### TABLE 2.6
Residential Buildings in the LES (1979)

<table>
<thead>
<tr>
<th>Ownership type</th>
<th>Vacant</th>
<th>Occupied</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private</td>
<td>70</td>
<td>492</td>
<td>562</td>
</tr>
<tr>
<td>City-owned</td>
<td>201</td>
<td>98</td>
<td>299</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>271</strong></td>
<td><strong>590</strong></td>
<td><strong>861</strong></td>
</tr>
</tbody>
</table>


The landlords who had showed little interest in taking care of their buildings during the 1970s, were now repairing them to rent the apartments at a higher price. Often the greed for more money encouraged the landlords to use illegal tactics to rid their buildings of low-income tenants. Thus the immigration of higher income groups and the escalating real estate values created pressures on the low-income residents in the LES. A study conducted by the CSS in 1984 identified the various eviction tactics used by the landlords to evict the low-income tenants from their buildings. They were:
1. Excessive rent burden: More than half of the household paid 30% of the gross income towards rent, whereas 25% is the rule of thumb.

2. Overcrowding: In 1984, 22% of the household lived in overcrowded condition. Higher rents forced them to "find shelter illegally with friends and family..."

3. Deterioration: Buildings faced maintenance problems. Most of the respondents complained about the problems with basic building services (heat, hot water, electricity). There was in many occasions deteriorating buildings were sold for profit.

4. Suspicious fire: Fires of suspicious kinds in the buildings were reported by 12% of the respondents. This was one of the methods adopted by the landlord to evict tenants.

5. Warehousing: 16% of respondents indicated that the landlords had purposely kept vacant apartments off the market. In some cases the landlords paid drug addicts to live in these apartment to harass the tenants.

6. Tenant Harassment: Owners or managing agents would harass the tenants and have forced relocation. [16]

The reasons for employing such tactics was to evict the low-income tenants and either turn over the properties to the private developers or rent the apartments to the higher income households, after renovation. The turnover of the properties from one developer to another was high and during each exchange the property value increased sharply. For example, the Christodora building, a landmark of the LES, was sold in

---

1983 by one developer to another for $1.3 million, earning a profit of 2,000%. [17] Such incidents and their impact on the character of the neighborhood and the emergence of the new upwardly mobile young professionals, signified gentrification.

CHAPTER III

RESPONSES TO ABANDONMENT & GENTRIFICATION

This chapter studies the programs carried out by the city and the neighborhood organizations to address the two different challenges, viz; abandonment and gentrification, faced by the LES. It analyzes the role of the city and the city programs that were implemented to save the neighborhood from urban blight. Programs run by the various neighborhood organizations to deter abandonment and their impact on the community residents are also mentioned in this chapter. The chapter focuses in particular on the homestead program and the community land trust which was operated by a community group, for affordable housing. The chapter also discusses briefly the JPC's role in the LES and its goal of saving the neighborhood from the pressure of gentrification.

CITY ORGANIZATIONS:

Like other poor sections of New York City, the LES was faced with abandonment in the 1970s. The City started reducing its services in these neighborhoods. The quality of infrastructure had begun to deteriorate. The City was in a poor financial state during this period. It had little interest in spending money on public housing projects for the low and moderate income people. The landlords' lack of interest in building maintenance resulted in abandonment.
While the property owners abandoned their properties, the City acquired a large number of these properties, referred to as IN-REM properties. The Department of Housing, Preservation and Development (HPD), the city's housing agency, maintained these properties. (see Appendix 2 for the HPD's structural organization) But due to its weakened financial situation the City did not consider it feasible to maintain these acquired properties that were in poor condition and housed only a small number of occupants. First, it proposed shutting down these city-owned buildings. Second, it proposed to renovate them and made available for low-income people, over a period of few years. The City faced resistance from the LES community. Despite resistance, the City implemented the first part of the plan. However, the second part did not materialize.

During the same period, the demand for low-income housing increased. Aware of the need to house the low and moderate income people, the City developed programs to upgrade the poorer neighborhoods by disposing the city-owned properties to the residents of the communities. Furthermore, since the City was short on funds, it was not willing to provide much monetary support to these residents and wanted to have little on-site and off-site supervision.

The HPD developed programs such as the Sweat Equity program, in the early 1970s. The Sweat Equity program provided financing to the prospective tenants at one percent yearly interest, up to thirty years for gut rehabilitation of
the city-owned abandoned buildings. Under this program low and moderate income households participated by contributing their labor. However, the process was long and required long term commitment from the tenants. By the end of 1970s, the program was transformed into the Urban Homestead Program (UHP).

**URBAN HOMESTEAD PROGRAM:**

The Urban Homestead Program was initiated in July 1980 by the HPD. The idea behind the program was to:

...give organized neighborhood residents with technical skills the opportunity to renovate, manage and purchase deteriorating city-owned multiple dwellings. [1]

The program provided limited assistance, up to a maximum of $10,000 per apartment towards renovation cost of the vacant city-owned buildings (consisting of at least three and no more than twenty units), in the form of a grant to the prospective homesteader. The homesteaders were the residents of the neighborhood where the buildings under the program were located. After the renovation, the HPD sold the buildings to groups of homesteaders at $250 per apartment. These homesteaders were required to operate the buildings under

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Article XI of the Housing Development Fund Corporation (HDFC) as a low and moderate income housing cooperative. The co-op ensured the future affordability of the low and moderate income housing and also reduced the HPD's responsibility of maintaining the buildings.

Since the inception of this program, twenty one buildings, representing 176 units, have been rehabilitated and sold. Eleven of these buildings, were located in the LES. Currently, under the program, out of twenty eight buildings, four buildings are located in the LES. [2]

However, according to the community organizers, the program has faced difficulties in attracting the low-income people of the LES. The organizers contend that the people lacked the administrative knowledge to administer the contractual work required for homesteading. In addition, the homesteaders were required to find financing to pay the difference between the total rehabilitation cost, approximately $60,000 per apartment x number of apartments, and the grant ($10,000 per apartment). In the LES the median family income was $10,727 in 1980. [3]

Because of the poor

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2 Interview with the Deputy Director Eloise Carrigan of Division of Alternative Management of the HPD, April 7, 1989. This department is responsible for operating the Urban Homestead Program.

3 Interview with the Lower East Side Catholic Area Conference staff, Carol Watson, March 26, 1989. It has modified the HPD's UHP to help the poor people of the LES.
economic standing, banks often refused to lend money to these groups of homesteaders.

In fact, in the LES the sweat equity and the UHP attracted "a lot of middle-class people... whites from Yale", as homesteaders. [4] Many of these homesteaders ideologically believed that

...they were saving the neighborhood for low-income tenants through co-oping-showing low-income people how it is possible to own their building. [5]

Because of the homesteaders' characteristics, the poorer residents of the LES suspected that the project would introduce gentrification into their neighborhood. Since the poorer residents of the LES were unable to generate financing and did not receive long term commitment, they were less capable of completing the program.

The homesteaders of the LES were first-time home owners, whose median family income was $12,433 (1979). According to the UHP guideline, they were eligible, as long as their "...annual household income did not exceed six times the projected annual maintenance charges." [6] approximately

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5 Ibid.

$3,000 per year per unit in a building. [7]

Even though, the UHP program was designed to help the low-income people of poor neighborhoods like the LES, according to the community organizers, the program was not designed "properly to sort out the poor and the needy" from the community. [8] The community organizers contended that the resident immigrants, who represented 51% of the residents in the LES, like the Puerto Ricans, Blacks and the Chinese, and the households on welfare and social security, which was nearly 40% of the household in the LES (according to 1970), did not benefit from programs such as the sweat equity or UHP. The programs were designed in a way that made them less attractive to these LES groups. Furthermore, the City in designing the programs, did not consider the difficulties these people would face in joining them.

The people of the LES had received little support from the Koch administration. The residents felt that the administration was willing to help the poor neighborhoods only to a limited degree and was more interested in supporting private developers in gentrifying the neighborhood.

7 Average maintenance cost/apartment, according to the LESCAC program is $250/month. Therefore, maintenance cost will be $250 x 12 = $3,000/year. The Homestead building is required to have a minimum of 3 units and a maximum of 20 units. Hence, the minimum maintenance cost/building will be $9,000 approximately and, the maximum will be $60,000 approximately.

8 Interview conducted with the Lower East Side Catholic Ares Conference Staff, March 26, 1989.
NEIGHBORHOOD ORGANIZATIONS:

During the mid 1970s, neighborhood organizations in the LES, developed programs in order to mitigate the effects of abandonment on the low-income people. Many of which were still in operation in the early 1980s. Organizations such as: Adopt-a-Building; Coalition Housing Development Inc. (renamed from Coalition for human housing); Cooper Sq. Development Committee; Pueblo Nuevo, mobilized tenants to make them aware "...of their rights as a resident of the LES..." and thus "...demand their rights to remain in the LES form the city." [9] The type of tenants they were serving were poor low-income young and older Puerto Rican, Black and Chinese households (20,000-25,000 estimated households) those on welfare, those who were victims of abandonment and needed housing but were unable to attain it.

These groups have now been in operation for more than a decade. The aim of these and other such organizations has been to help upgrade [10] the neighborhood for the poor residents and provide housing for them. They visualize their services as an alternative to the city's neighborhood improvement programs. These community groups serve different

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10 Upgrading is a process where "physical improvement by incumbent residents takes place at a substantial rate with no significant change in the socioeconomic status or characteristics of the population." Phillip L. Clay, Neighborhood Renewal, (Lexington Books, 1979), p. 7.
parts of the LES, helping the tenants to form management groups. Following is the definition of some of the neighborhood organizations and their role.

DEFINING THE ORGANIZATIONS & THEIR ROLE:

Adopt-A-Building is a housing group founded in 1970 by a group of Harlem churches, rehabilitates city-owned properties in the LES and manages them as low-income cooperatives. The program receives funds from the city's housing improvement and from Housing and Urban Development and other federal programs. Adopt-a-Building emphasizes "job training, neighborhood organization, program planning and neighborhood development planning." [11] When federal funding was generous in the 1970s, the program secured employment for 98% of the neighborhood residents in the rehabilitation of buildings, after a job training period.

Coalition Housing Development, Inc., was formed out of the Coalition of Human Housing about ten years ago. It became one of the many active groups in housing in the LES. Its role in the neighborhood has been to manage low-income housing for the LES residents in the area between Houston Street and 14th Street and between Avenues A and D. It deals directly with the complaints of the residents, educates the tenants, and deals with incidents of tenant harassment in these low-income

buildings, which are under its jurisdiction. It also supervises the tenant organizations.

Cooper Sq. Development Committee serves a similar purpose as the Coalition Housing Development, in the LES. It too provides management services and supervises tenant organizations in low-income housing in the region between the Houston Street and the 14th Street and between Bowery Street and 1st Avenue. Currently, it is working with the HPD in developing new zoning guidelines for future affordable housing in this region.

Pueblo Nuevo is responsible for providing management services to the area bordered by Delancey Street and Houston Street and Forsyth and Columbia Street. One of its achievements in 1984, was the construction of apartment buildings consisting of 171 new apartments, which it manages. [12]

ADDRESSING ABANDONMENT:

The aim of the organizations described above, during the mid 1970 period was to prevent the people of the LES from being displaced. Displacement was occurring as a result of abandonment by property owners. Because property owners were investing less in managing and maintaining the buildings, the condition of the housing was deteriorating and consequently

12 Ibid., vol. 7, no. 2, March-April, 1984, p. 5.
displacing the residents. Those who could afford a better quality home, left these units, but the poor who were unable to find an alternative, remained in these deteriorating units, became homeless, moved in with other families. Thus, the strategy adopted was to mobilize the tenants to take interest in their buildings. The emphasis was on Tenant Management. This required taking over the role of the landlords in the latter's absence, i.e. collecting the rents, maintaining the buildings, etc.

At the same time, in 1979, the LES was also facing the pressure of HPD's cost efficiency program, "consolidation." This program called for shutting down the "most deteriorated and the least occupied" in-rem buildings in New York City. The tenants in these buildings were required to move to in-rem buildings in better condition. The HPD's reason for carrying out the project was first, to reduce the cost of maintaining buildings which were in poor condition, with few tenants, and second, to rehabilitate these vacant buildings for the future low-income residents.

Even though consolidation was considered a good thing [13] by the above mentioned four housing groups of the LES (there were about 340 in-rem properties in the neighborhood), they felt that moving tenants without their involvement in the plan would be considered a threat to the community and its

13 Ibid., vol. 2, no. 2, Summer, 1979, p. 3.
people. These four organizations mobilized the low and moderate income tenants to fight against the program. The overall emphasis of the list of demands prepared by the groups was 'Tenant Participation'. [14] Eventually some of the in-rem buildings were boarded-up but they remained vacant for an extended time period. Today in the 1980s the consolidation is still occurring but not as rapidly as earlier.

These housing groups did not limit their activities to tenant organization and participation only. They were also concerned with the LES as a neighborhood. Following consolidation in the summer of 1979, the neighborhood showed its unity by demanding its right as a designated Neighborhood Strategy Area (NSA). By being designated as the NSA, the Community Board (CB) #3, which represented the LES community, would be eligible to receive Community Development (CD) grants for the neighborhood in order to address problems like affordable housing, economic development, etc. [15] The members of the housing advocate groups mobilized the neighborhood residents to show their support for their CB #3. Furthermore, to convince the City of the neighborhood's commitment towards the LES, the community organizers encouraged the residents to join the public meetings and support the CB #3. Today, the neighborhood has NSA status.

14 Ibid.

15 Ibid., no. 4, December, 1979, p. 5.
The various neighborhood management groups had initiated tenant management and tenant participation in housing maintenance and management. Through such programs the residents were mobilized in taking interest in the buildings and in their neighborhood. This had united the residents to fight for affordable housing and had made them aware of the possibilities of housing ownership. Thus, the goal of attaining ownership and developing housing cooperatives was possible to achieve.

As mentioned earlier, the HPD had initiated a sweat equity program and later the UHP to help low-income people own their house and to improve the deteriorating housing stock in the poor neighborhoods. However, the community organizers of the LES did not see the programs as helping the poor people in their neighborhood in receiving ownership of city-owned buildings. The housing advocate group, the Lower East Side Catholic Area Conference (LESCAC), contended that the these programs benefitted the higher income groups in the LES, not the low-income residents. Thus, the LESCAC and the like, Habitat for Humanity, and the Hispanic Housing Coalition, designed programs specifically to help the low-income residents rehabilitate the city-owned buildings and form cooperatives as homesteaders.
HOMESTEAD PROGRAM:

The LESCAC started a homestead program in 1982. The LESCAC homestead program was an extension of the HPD's UHP to fit the social and economic characteristics of the community. It was framed around the LES and its people. The Homesteading program, according to Howard Brandstein of the LESCAC, is a process

...enabling community residents to participate in the rehabilitation of a vacant, City-owned building. Once completed, the building is owned and managed cooperatively by those who participated. It means hard work, usually on weekends, to remove much of the old interior form (or "gut") a building and to prepare it for new heating and electrical systems. [16]

A program such as the homestead program required commitment from the participants for an extended period of time, i.e. a minimum of five years at the least. The fact that such a program could be devised implied that the neighborhood was becoming more committed to the idea and organized than previously was in the earlier period of abandonment. The residents were more aware of the problems in the LES and were serious about their duties towards the neighborhood.

This commitment from the LES residents made it possible to achieve ownership and formation of co-ops. According to the LESCAC organizers homesteading is more than just

rehabilitating buildings. It is a way to strengthen the community and the cooperative movement in the LES. It is ...

...a process that connects community residents to buildings and land, establishing a physical space for community, social and political life. [17]

LESCAC's definition of the homestead program is similar to that of the UHP by HPD. Every homestead building, including those under the LESCAC's program, needs the approval of the HPD and certificate of occupancy from the City and is required to abide by the HPD's UHP 'Request for Proposal' (RFP). The difference lies in the role of the organizers in the program. The LESCAC helps the homesteaders by providing technical assistance. These following services were not provided by the HPD for its program. [18]

1. Fund raising, identifying the funding sources and making contacts ad proposals.

2. Communicating with the government and private agencies on behalf of the Homesteaders.


4. Seeking architectural services through Pratt Institute or other organizations.

5. Preparing cost estimates for construction.


7. Providing regular reports on fund raising efforts on behalf of the Homesteaders.


According to the HPD, these services were the responsibility of the group of Homesteaders. They required understanding of the New York City building codes and the ability to perform the role of a professional contractor. To accomplish such administrative chores along with generating funds required full time commitment from an individual Homesteader. Considering that the people of the LES were poor, less-educated and did not have English as a first language, such administrative work would have been difficult to accomplish. This would have hindered the project's completion. Therefore, the LESCAC sees its services as a way to help and encourage low-income residents of the LES to participate in the homestead program.

The LESCAC program is for the residents of the neighborhood; 80% of the residents who have benefitted from the LESCAC program earn a median income of $10,720 (1987). Elderly and handicapped people have also benefitted from this program. Approximately seventy residents have received housing through the LESCAC homestead program. [19] Since the demand for housing is immediate, by providing technical assistance to the homesteaders, the waiting period is shortened. The HPD's program covered more than five years, as

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19 Around 6 buildings were completed under the LESCAC program. I have assumed around 12 units/building. Under the HPD's UHP 11 were completed in the LES, including the 6 buildings completed under the LESCAC.
compared to the LESCAC's program, which was completed in less than five years.

The project starts with LESCAC helping an interested group of local residents in becoming Homesteaders. It will help identify a city-owned (in-rem) building in the LES for the interested group. After the HPD's approval is received and the $10,000 per apartment renovation cost is granted to the homesteaders, the LESCAC provides the difference between the total renovation cost, an estimated $60,000 per unit x number of units, and the received grant, through fund raising and other means. The tasks of organizing the working teams in the different stages of renovation and selecting contractors for the major building systems, are carried out by the LESCAC. While the Homesteaders work on gutting out the interior and completing the building, the LESCAC carries out the administrative tasks.

To discourage people from abandoning the membership and their responsibilities as homesteaders after joining, the LESCAC has established check points at various phases of the program to evaluate the commitment of the Homesteaders. For example, if a member has been absent four times without an excuse in six months then the membership is forfeited and any money put into the project by the member is not refunded. Homesteaders are required to pay a membership fee of $20 to $50 per month for current expenses. Each member needs to put in 60% of his/her sweat (work time) into the project.
After the building is certified as a habitable unit by the HPD, it is sold to the homestead group. According to the HPD's, UHP requires the formation of the HDFC by the individual building homesteaders. The HDFC is responsible for maintaining the building.

COMMUNITY LAND TRUST:

To further ensure the future low and moderate income housing stock in the LES, the LESCAC established a community land trust. The LESCAC required that the land on which the homestead buildings are situated be sold by the HDFCs to the Rehabilitation In Action To Improve Neighborhoods Community Land Trust (RAIN). This land trust is a coalition of homesteaders; a collective ownership of land as a way to insure that their buildings are available to low and moderate income residents in the future.

Neither the LESCAC nor the people of the LES visualize housing as a commodity by which to make profit. Rather they see it as a basic necessity. Thus to reduce the profit incentive among the homesteaders, the resale terms have been designed to be unfavorable. For example, if a family decides to leave the homestead co-op it has to sell its assets to its HDFC. In return the family receives expense cost ($20-$50 per month) paid during the construction phase + maintenance cost ($250 per year) paid as a co-op resident + any capital investment made in the apartment during the family's
occupancy. This repayment is not adjusted for inflation.

The LESCAC homestead program has taken the above mentioned steps to ensure that the ownership remains with the low-income people residents of the LES. This is because a large portion of the LES is still privately owned, and there is a possible threat that private landlords might displace the low-income people and abandon the buildings or sell them to private developers for profit.

The LESCAC program justifies the success of the program because it believes that the people, mainly the Hispanics and low-income people, will remain in the community for an extended period of time since their roots are in the community, unlike the previous immigrants of the LES. The LESCAC and the other housing organizers’ reason for supporting the future affordable housing in the LES is that the economic condition of the residents is not likely to change for the better.

Currently the LESCAC is assisting nearly four homestead groups. It has also been involved in designing a model of collective ownership of land as a way to insure future low and moderate income housing to address the increasing pressure of gentrification in the neighborhood. The LESCAC has given the UHP a more formal configuration and has assisted the low-income people of the LES in forming cooperatives and more important, giving housing ownership.
FORMATION OF AHOP:

During the late 1970s the concept of cooperatives was becoming an attractive alternative for many low and moderate income people. Among the residents in the LES, the artists also expressed interest in forming their own co-op in the neighborhood for artists only. As more artists moved in the LES, the Artist's Home Owner Program (AHOP) was formed in 1980 with assistance from the HPD. The program involved rehabilitating seventeen city-owned unoccupied buildings for 120 artist's lofts. The groups of artists would receive low-interest loans to purchase and rehabilitate the buildings. The HPD would provide a grant of $50,000 per building as renovation cost. The buildings would be sold to the group of artists and run as co-ops.

The aim of the program was to protect the artists from being displaced by the booms in real estate market and to help the neighborhood recover from the urban blight. This notion was a political issue for the community. The community under the leadership of the several homestead organizations and other housing organizations, united to fight against the City.

The project did not win the support of the LES residents. The community considered the provision of artist housing in a neighborhood, with housing shortage for low and moderate income people, as representing lack of interest and sensitivity by the City in helping the poor. Furthermore,
they feared the replication of the gentrification that had occurred in the SoHo following the settlement of an artist community.

**IMPACT OF PROGRAMS ON THE LES:**

The LESCAC Homestead program encouraged self-help method of rehabilitating the abandoned structures in the neighborhood and owning them as co-ops. More attempts were made in forming housing co-ops and saving the existing housing stock from being demolished in the area. But the impact of the programs were slow in affecting the economic and housing conditions of the neighborhood, as seen from the 1980 census. These projects focused on uniting the residents, making them aware of their rights as the residents of the LES, and helping them attain housing. In the early part of the 1980s most of these projects, like the Homestead program by the LESCAC (in 1982), were implemented. As these projects became successful and slowly changed the area from an abandoned to a livable residential neighborhood, the LES began to attract outsiders, like young urban professionals, college students, artists, etc.

By 1980 a wave of higher income groups, the yuppies, were residing in the LES. The neighborhood had barely attempted to stop the impact of abandonment, when the pressures of gentrification set in.
RESPONSE TO GENTRIFICATION:

As the neighborhood began to establish a sense of community with the help from various neighborhood organizations, it was upgraded, and consequently attracted people from outside the LES. Real estate and rents were increasing in Manhattan and the LES still had affordable rent. Middle-class whites and young professionals, first-time home owner, came to the area in search of housing in the 1980s. The real estate groups followed these new groups of people into the neighborhood and started buying properties from the private landlords. This led to an increase in the rents and a displacement of the low-income people from the tenements.

This Gentrification process gained speed from 1980 onwards. The central issue was no longer abandonment and its effects on the neighborhood, but ways to mitigate the effects of gentrification. Prior to gentrification, the condition of the housing was deteriorating. In 1980 3,869 dwelling units, or 6% of the total units, lacked complete plumbing facilities. About 15% of the inhabited units were overcrowded, i.e. more than one person per room. With the increase in real estate value and the demand for housing, the rent paid by the residents increased. In 1980, nearly 43.4% of the households paid more than 25% of their income for rent. [20]

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During this period the City did not have plans to deter displacement in the LES and made no attempts to stop the process of gentrification. The neighborhood residents and the organizers regarded this silence from the City as a way of showing support for the real estate developments. Thus, to address the issue of gentrification, displacement, and the deteriorating housing conditions, the united housing neighborhood group, the Joint Planning Council, proposed a scheme, currently referred to as the Cross Subsidy Plan, to the New York City in 1984.

**JOINT PLANNING COUNCIL:**

The Lower East Side Joint Planning Council (JPC) is a housing advocate group, that has been serving the community for the last twenty years. The JPC represents thirty member groups (see Appendix 3). It includes community development organizations, churches, settlement houses, tenant organizations, block organizations, and recreational, and cultural clubs. The purpose of the organization is to "...coordinate and support all of the member organizations in their fight for better housing and a rational environmental plan for the Lower East Side... The member organizations of the Joint Planning Council will establish housing priorities..." [21] for the entire community. The role of the

21 "Principles and Structure of Lower East Side Joint Planning Council."
JPC for the past years has been to represent the community and the local groups for the production of low and moderate income housing in the LES.

In 1984 the JPC prepared a plan for the neighborhood. The plan was based on a house study that had conducted in consultation with the Community Service Society of New York (CSS) and the Pratt Institute Center for Community & Environmental Development (PICCED). The plan consisted of three-parts. It called for

1. the use of the vacant city-owned buildings for low and moderate income housing.
2. a special community preservation district, that would use zoning tools to protect and increase the stock of affordable housing.
3. the formation of a Local Enforcement Unit to prevent further deterioration of housing, protect tenant rights.

In response to the JPC's plan, the City proposed another plan in 1984. Since then the HPD and the JPC have been working together to formulate a "desireable" plan. Though the scheme has not been implemented yet. It has run into several disputes between the City and the neighborhood, which have been a major cause of the delay. The following chapter studies the plan in detail.

CHAPTER IV
CROSS SUBSIDY PLAN

This chapter studies the Three-Step Plan proposed by the JPC and how it was transformed into the Cross Subsidy "80-20" plan and later into the "50-50" plan. The chapter mentions the goals the JPC and the HPD will achieve by implementing the plan. Because of the difference of opinions and goals set by the City and the neighborhood organizations, along with the misunderstanding between them, the approved plan has been delayed in being implemented. The chapter analyzes the possible reasons why the City ventured into this plan and also, the reason why the JPC worked in conjunction with the City, inspite of the fact that they are on poor terms with each other.

THREE-STEP PLAN:

The JPC, its member organizations and their constituents worked together to come up with the document "This Land Is Ours: A Strategy for the Preservation and Development of Affordable Housing on the Lower East Side," in March 1984. The purpose of this document was to provide secure living conditions for the low and moderate income residents "who have traditionally found a home here." [1]

FIGURE 4.1

THREE STEP PLAN

Proposed by the JPC
March 1984.

1. use of city-owned property
2. designate Special District
   . establish monitoring process
   . anti-displacement rule
   . inclusionary housing rule
3. form Local Enforcement Unit
   establish a community land trust

↓

CROSS SUBSIDY PLAN

Approved by the City
July 1984.

use of city-owned land
80% market-rate units
20% low-moderate units

↓

NEW CROSS SUBSIDY PLAN

Approved by the Commissioner
September 1987.

1. use of city-owned property
   50% market-rate unit
   50% low-moderate unit
2. form Local Enforcement Unit
3. designate Special District
   form Mutual Housing Association
The JPC and its member organizations considered privately-owned housing's increasing rent levels and their conversion from housing low-income people to higher income groups as the most important problem in the LES. To address this problem along with the pressure of displacement due to gentrification, the JPC recommended a three-step plan. They were:

1. use of city-owned property for low and moderate income housing;
2. designating the LES a Special community preservation district;
3. forming a local enforcement unit.

**STEP 1:**

One of the objectives of using the City-Owned Properties in the neighborhood, i.e. the available resources, was to curb the impact of higher rent on the low and moderate income tenants. To guarantee a permanent home for these people of the LES, the strategy was to rehabilitate and build new affordable low-cost housing, using the city-owned, in-rem, buildings and lands.

According to the 1980 figures, the New York City owned 207 vacant buildings (3,672 dwelling units) and 220 vacant plots in the LES. The members of the Council and the community considered providing housing for the poor as one of the duties of the city. Therefore, all the in-rem properties located in the LES would be utilized appropriately by housing the low and moderate income people of the LES. Instead of spending money
on providing temporary housing for the homeless, that amount could be channeled towards providing permanent homes for the poor.

**STEP 2:**

Another step proposed by the JPC was declaring the Manhattan's Community Board #3, i.e. the LES, as a **Special Community Preservation District** (the neighborhood was also designated as the Neighborhood Strategic Area). Apart from the city-owned properties, 73% of the total housing in the neighborhood was privately owned. The pressure of gentrification had already been affecting the affordability of these dwellings. As mentioned earlier, some of the landlords had sold their properties to the private developers for profit and others had displaced the low-income tenants for higher-income tenants. Therefore, the implementation of the zoning laws was suggested to prevent displacement of the poorer tenants and to

...preserve the unique character of the LES as a neighborhood where low and moderate income people will always have a place and to guarantee that a reasonable share of all new apartments rehabilitated or constructed be affordable to our low and moderate-income people. [2]

The first objective of the Special Community Preservation District was to ensure that no residents of the LES would be

2 Ibid., p. 5.
illegally displaced from their buildings. A monitoring process would be established that would keep account of the housing activities and the changes. If a private owner converted a unit from a low and moderate income to a market-rate unit, then the owner would be responsible for replacing that unit on the same site or within 600 feet of it. The owner would be also responsible for finding relocation for the tenants and paying the relocation cost if he decided to renovate the property or build new housing.

The second objective of the Special Community Preservation District was to guarantee future affordable low and moderate income housing in all new development, especially market-rate, in the LES. Any new construction or renovation of housing would require 20% of the units be reserved for the low and moderate income residents. This strategy was proposed by the JPC because there were large number of private properties in the neighborhood over which the city or the JPC had no control. Therefore, to ensure that these private properties would not overlook the low and moderate income people's need for housing, the implementation of the Special District was recommended by the Council. This strategy was referred to as the anti-displacement rule.

The third objective of the Special District was to increase the affordable low and moderate income dwellings in the neighborhood by offering extra floor area to the developers. This bonus would be permitted only if the developers provided
higher proportion of low and moderate income units in the new buildings. This was referred to as the inclusionary housing rule.

STEP 3:

For the supervision of the existing and the future low and moderate income properties in the LES, the JPC proposed the formation of the Local Enforcement Unit (LEU). The LEU would guide, monitor and enforce the neighborhood preservation strategy, the anti-displacement and inclusionary housing goals. The JPC principles describes the functions of the LEU as follows:

1. The LEU will have the police powers to enforce the provisions of the Special District. All necessary approvals of development plans and commitments for low and moderate-income units, awards of specific density bonuses, replacement housing location, relocation plans, and rent levels must be obtained through LEU.

2. In addition to monitoring developer's commitments and practices in projects which require LEU approval under the Special District, it will also enforce tenant protection regulations regarding evictions, displacement and harassment, rent control and stabilization, all housing related code compliance and housing discrimination throughout the community.

3. The LEU will help to facilitate developer's proposal which have met the requirements of the Special District. As an incentive, fast tracking methods will be used to reduce processing times at the Community Board, City Planning Commission, and the Board of Estimate. [3]

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3 Ibid. p. 1F.
Furthermore, to ensure the continued affordability of the housing that will be created through using the city-owned properties, the JPC proposed a formation of a Community Land Trust (CLT). Under the CLT all the city-owned properties, and the future city-owned properties in the LES would be registered. The CLT would be a federation of the cooperatively owned buildings. The function of this CLT would be similar to the RAIN, as mentioned in the previous chapter. The principles of CLT would be empowering; the residents would be controlling the housing and land, to integrate the homeless, the working families and families on public assistance and, to assure permanent affordability of housing.

The three-step plan was to be implemented in different phases. The JPC proposed that in Phase I, 200 units of cooperative housing. The estimated cost would be $7 million, $35,000 per unit. The financial breakdown given by the JPC proposal for the phase I was as follows: [4]

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Dept. of Housing &amp; Urban Development Grant</td>
<td>$ 2,000,000</td>
</tr>
<tr>
<td>City and State Matching Grant</td>
<td>$ 2,000,000</td>
</tr>
<tr>
<td>Private Consortium Loan and Grants</td>
<td>$ 3,000,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 7,000,000</strong></td>
</tr>
</tbody>
</table>

4 Ibid., p. 27.
In Phase II, 1,000 units would be rehabilitated and the home ownership model would be applied. The cost would be $37 million. The plan submitted in 1984 by the JPC, wanted to rehabilitate the city-owned properties in the LES in the subsequent phases, financed by the funds raised. Following the completion of a phase the CLT would acquire the buildings and the land from the City. The tenants would be required to pay a monthly sum of $269. [5]

Therefore, to safeguard and protect the LES's historical, cultural and social character as community for the low and moderate income people; to give stability thorough economic integration; to enhance the housing opportunities the JPC and its member organizations approached its Community Board (CB) #3. These three-steps were approved by the CB #3 in June 1984. For the enforcement of the plan the JPC needed the approval of the City. The JPC has been represented by the CB #3 in its dealing with the City.

CROSS SUBSIDY PLAN:

In July 1984 Mayor Koch and Andrew Stein, Manhattan Borough Officer, officially announced a plan where for every four market rate units in the LES one low-income unit would be constructed. This was referred to as the Cross Subsidy Plan.

5 Estimated $269/month assumed debt service of $111/month, maintenance cost of $35/room/month and a J-51 real estate tax exemption. Ibid, p. 28.
(XSP) and also as the 80-20 plan. [6] The plan was formulated in response to the JPC's three part plan. According to the 80-20, XSP the City would select the private developers who would develop both 80% market-rate and 20% low and moderate income units. The city-owned land would be given to the developers, free of cost, to build market-rate housing. In return for the property, the developers would renovate the vacant city-owned buildings for the low and moderate income households. The developer would benefit from tax subsidies. From the sale of market-rate units other city-owned apartment buildings in the LES would also be rehabilitated and sold at "low-cost" to the low and moderate income people in the neighborhood.

The JPC and its member organizations did not welcome the plan. Their principal disagreement was with housing one low-income household for every four market rate units, i.e. the 80-20 plan. The aim of the JPC's three-part plan was to increase the affordable low and moderate income housing stock. But the Council did not see that happening through the 80-20 split. On the contrary, they argued plan encouraged more market-rate housing for the higher income groups. The Council

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6 The City proposed the 80-20 Cross Subsidy Plan for a neighborhood in Brooklyn in 1984. This neighborhood had two different ethnic group, the Puerto Ricans and the Hasidic Jews, both demanding housing. The city proposed 80% market-rate housing for the Hasidic Jews, who were financially well off and only 20% subsidized low-income housing for the Puerto Ricans. The construction of the low-income housing has still not begun but the market-rate housing is near completion.
members were also skeptical about the construction of 20% low and moderate income units by the developers. Their contention was that since the developers would be involved in the program more for the profit, they would not abide by their legal binds and hence, not complete the 20% low and moderate income units. The JPC had also proposed the CLT, where by the affordable low and moderate income housing stock would be protected from speculation in the future. According to the three-part plan, they had called for all city-owned land to be reserved for the low and moderate income housing. But the XSP recommended giving most of the city-owned land to the developers for free and allotting a few for housing the poor. Therefore, the JPC felt that the City did not address the key issue, i.e. housing for the poor in the XSP.

The dispute between the City and the community of the LES, regarding the 80-20 split, remained unresolved for a period of three years. During this period, the HPD and the Mayor's office did not attempt to alter their plan to meet JPC's requirements. Thus, the JPC did not want to respond to the HPD's plan. On January 1987 a change in the Commissioner of the HPD took place. Under the new Commissioner the negotiation resumed between the City and the CB #3, representing the JPC, its member organizations and the community of the LES. The Commissioner insisted that both the teams reach an agreement within six months, or he would dispose the city-owned property in the LES without the consent.
of the JPC. At the request of the CB #3, the City declared a freeze on the city-owned land in the LES from being used for other programs.

THE NEW CROSS SUBSIDY PLAN:

The new XSP proposed a 50-50 split, i.e. 50% of the city-owned properties for market-rate and 50% for low and moderate income units. The plan consisted of: utilization of the city-owned property for low and moderate income housing; formation of the LEU; establishment of a mutual housing association. These three-parts were similar in some ways to the original plans of the JPC. The new XSP met the approval of both the HPD and the CB #3, and the Memorandum of Understanding (MOU) was approved by the HPD Commissioner in September 30, 1987.

According to the MOU the developers would bid on the city-owned land for 200 market-rate units in Phase I, and the highest bidder would qualify. The proceeds from the sale of the land then would be used to rehabilitate 200 low and moderate income units in the city-owned vacant buildings. Both the groups agreed to maximize the number of low and moderate income units and the goal was set at 1,000 units by the end of all the phases. The HPD added $5 million subsidy to the money generated from the sale of the land for the renovation cost for the low and moderate income units. The use of the city-owned property for housing both the high-income and low-income was one of the parts of the new XSP.
MAP 4.1
Distribution of 50-50 units
(estimated)
To promote economic, ethnic and racial integration in the community the developed market-rate and low-income units would be distributed evenly throughout the LES. For example: more low and moderate income housing would be constructed in the western portion where the market was active and market-rate units would be promoted in the regions where there were low and moderate income units and the market was not strong. (see map 4.1) Since the funding resources were limited, both the organizations considered it more cost effective to rehabilitate units than to construct new units for the low and moderate income people. The construction cost for renovating a unit was less than the construction cost for a new unit. The CB #3 to ensure that the construction of the low and moderate income units would not be hampered due to low bidding for the land, welcomed the $5 million from the HPD.

The three-part plan of the JPC had requested the formation of the LEU and designating the LES a Special District. When the 80-20 XSP was designed by the Mayor in 1984, neither the LEU nor the Special District were in the agenda. After the negotiation was resumed with the HPD in 1987 the JPC started pushing the LEU and the Special District. To designate the LES as a Special District the CB #3, representing the JPC, needed to negotiate with the Department of City Planning (DCP). Since then the CB #3's zoning Study group have been negotiating with the DCP.
The LEU from the three-part plan of the JPC, was agreed upon in the MOU, and would be in operation from January 1, 1988. Initially the function of the LEU was not clearly defined in the MOU. It only mentioned that the LEU would be operating for the first eighteen months from the money from the sale of the city-owned properties and the balance would be put into the cross subsidy fund for the low and moderate income units. Following the eighteen months, the LEU would be financed annually through the City's general revenue. Subsequently after the agreement on the LEU, the HPD received a detailed for the LEU from the CB #3.

According to the proposal the LEU was a component consisting of two "fundamental and related concerns ... to serve the community most effectively." [7] They were:

1. enforcement of existing housing laws and building codes.

2. the provision of organizing legal or advocacy services to low and moderate income tenants.

The function of the LEU would need a different orientation to the city agency. To enforce codes the organization would require access to government; however, to provide advocacy services the LEU need to work independently from the government.

In reviewing the proposal the HPD found some similarities between the proposed LEU services and the services some of the

7 Manhattan Community Board #3 memo, May 9, 1988.
MAP 4.2
Community Consultant Contracts
community organizations were offering. Some of these organizations as mentioned by the HPD were: Asian American for Equality, Lower East Side Coalition for Housing Development, Inc., Pueblo Nuevo, It's Time, Inc., and the Unite Jewish Council. (see map 4.2) Therefore, the HPD regarded the function of the LEU as duplication of the efforts of these existing community organizations. Furthermore, the HPD regarded the maintenance and law enforcement as a duplication of their services and thus, did not need to be operated through the LEU. The HPD also regarded the access of the LEU organizers to their computerized data as unnecessary since the HPD performed the similar kind of function. Based on these grounds the HPD rejected the CB #3's LEU proposal. The City did not want to support the proposed LEU because it did not want to encourage other neighborhoods in the city to demand such exclusive services. The JPC and the CB #3 contended that the existing organizations were "...overtaxed and could not handle the case load now, much less the increasing pressure the market place was creating..." [8] The battle over the functions of the LEU has still not been resolved.

DEVELOPMENT OF THE UNITS:

A study conducted by the Pratt Institute Center for Community & Environmental Development (PICCED) suggested that

of land from all the phases would be enough to develop 1,000 units of market rate housing and would generate $49 million approximately, i.e. $49,000 per unit. The study also verified the feasibility of producing 200 low and moderate income units and 200 market rate units (assuming that rehabilitation cost per unit is $70,000) as follows:

\[
\begin{align*}
\text{from market rate:} & \\
\text{a) } & \$49,000/\text{unit} \times 200 \text{ units} = \$9,800,000 \\
+ \text{HPD cash subsidy} & = \$5,000,000 \\
\hline
\text{total} & = \$14,800,000
\end{align*}
\]

\[
\begin{align*}
\text{for low and moderate:} & \\
b) & \$70,000/\text{unit} \times 200 \text{ units} = \$14,800,000
\end{align*}
\]

According to the MOU, the sale of land for market rate housing would be carried out through Request for Proposal (RFP) and Request for Qualification (RFQ). "In each RFP and RFQ the use of the proceeds of the sale(s) should be fully explained." The RFP and RFQ should also include the minimum number of units to be constructed on each site. This plan encouraged the involvement of the developers in the production of the low and moderate income units.

The definition of the low and moderate income housing according to the MOU was a household earning less than $15,000 per year and family earning less than $23,000 per year (dollar limits to be adjusted annually). These low and moderate income units would remain permanently for this group and would be maintained as non-profit housing. The rents charged would be sufficient to cover the operating costs of the buildings.
and no cross subsidy funds would be allocated to subsidized rents. The development of the low and moderate income units would be carried out through RFQ. The MOU also suggests that if for any "reason within the HPD's control through its contractual relationship with the developer" the low and moderate income units experience delay, then the HPD would take immediate measures to put the units back on schedule.

Since then the HPD and the CB #3 have been working toward a final version of the RFP and RFQ.

FORMATION OF MUTUAL HOUSING ASSOCIATION:

The Mutual Housing Association (MHA) is a recommendation by the JPC and the CB #3 in the new XSP. It

...will develop, own and operate the low and moderate income units as a non-profit, democratically governed corporation with board membership including a majority of seats to be held by residents and future residents. [9]

The MHA will be responsible for selecting the contractors for the renovation of the low and moderate income units after the contractors have submitted the RFQs. It will be also responsible for selecting the tenants for these units. The MHA will select the qualified tenants whose income are below the city's median income ($13,905), who are the original residents of the neighborhood or were displaced from the LES.

According to the JPC and CB #3's suggestion the MHA will be financed by the HPD and will be established before the RFQs

9 Ibid.
are finalized. As of now, the HPD has declined to fund it, but the formation of the MHA is a must to carry out the RFQ for the low and moderate income units.

**PROS & CONS OF THE XSP:**

The City sees this XSP as a way to construct low and moderate income housing for the people of the LES without investing much federal funds. Unlike the earlier version, the 80-20 split, this plan encourages more economic integration and this has been welcomed by the City. The City also did not want the neighborhood to be divide into ethnic ghettos and hence, the City considers this XSP, 50-50 split, as a worthwhile plan.

However, the City has been worried that the vacant lands in the LES may not be valuable enough to attract developers to build market-rate units. Both the City and the JPC have conducted an in-house study of the market. The JPC's study concludes that there is a strong real estate market in selected areas of the LES. The City from its study declares that the strength of the market in the LES is not known and is probably not as strong as the JPC claims it to be. Therefore, in order to attract the developers in purchasing the vacant lands from the city, the City wanted to set a low bidding price. Since the JPC believes the value of the land to be high in the LES, it considers setting low-price, as a way for the City to underplay the possible success and also to dampen
the expectation from the plan.

Today the plan remains as a 50-50 split. However the involvement of the developers in construction the low and moderate income units has been removed. The HPD will be responsible for overseeing the market rate development and the RFPs. The LES community, the CB #3 and the JPC will be responsible for the operation of the low and moderate income units, the MHA and the RFQs. The RFP has been finalized where as the RFQ has not. It has taken more than one year to finalize the RFP. Both the city and the JPC hold each other responsible. The HPD contends that the members of the JPC are too demanding. Where as, the JPC wants to ensure that no "bad" and unethical developer will get the opportunity to bid for the market rate units. Therefore, the JPC wants and has made the RFP application "too rigid" for any interested developer to take part in the bidding, according to the HPD.

The RFQ has not yet been drafted by the JPC, CB#3. The complaints among the JPC members is that the HPD is purposely delaying the final RFQ. The RFP application has been officially declared, i.e. the developers can start applying for the bid. This process may take more than six months. Therefore, by the time the HPD finalizes the RFQ for the low and moderate income units, assuming that the MHA has been formed by then, the RFP will be received from the interested developers. For the time being the JPC has remained fairly quiet over the issue of the RFQ.
MISUNDERSTANDING BETWEEN THE JPC AND THE HPD:

The dispute between the community and the City, regarding the plan, still exists. Since the City and the community have been on poor terms with each other for over twenty years, each side blames the other for not allowing the plan to be executed. The HPD has expressed its difficulties in working with the JPC. It claims that the neighborhood is not united as the JPC and the other organizations present it to be. According to them, the LES has too many different community groups, ethnic groups, who are in conflict with each other and each group emphasizing its own program.

According to the HPD, when the XSP was proposed, the JPC tried to involve the various organizations it represented. The HPD considered involvement of different groups in the XSP as a hinderance. It also felt that the JPC was trying to achieve too many goals in one program. Even though the Council's aims were to preserve the community and increase the housing stock for the low-income people, the JPC complicated the plan by enforcing the LEU, the Special District and the MHA. Hence, in the City's eyes it was the JPC who was responsible for slowing the negotiation process.

Moreover, the HPD feels that the neighborhood is itself divided over the XSP. The Jewish residents have been less supportive of the plan and of the JPC. According to the HPD, this ethnic group feels that the JPC is only interested in helping the poor and hence, in creating a low-income
neighborhood that will not lead to the neighborhood's economic development, which the Jewish residents want.

However, the Council members feel that they are representing the community and its needs fairly. They contend that the XSP was designed to preserve the LES and its various programs. They also believe that the community, along with them, considers the need for low-income housing in the LES as its top priority. Therefore, they feel that by solving housing needs, they can simultaneously solve other social issues like job, health, family, education, etc. concerning the residents.

Apart from the City, the JPC was assisted by the PICCED and the Community Service Society of New York (CSS) in preparing the three-part proposal. Both independent organizations support the JPC. They feel that the three-part plan is a way to meet the housing needs for the low-income people of the LES and also a way to mitigate the pressures of gentrification. The two organizations, unlike the HPD, sees the LES as a "strong" and "united" community, that is willing to fight the City for their needs. They also consider the JPC as a representative of the community and its needs. [10]

10 Conversation with i) Victor Bach, Director of CSS November 29, 1988 and ii) Frank DeGiovanni, Faculty member of Pratt Institute March, 1989.
VESTED INTEREST OF THE GROUPS:

One may consider the involvement of the HPD as benevolent or genuine. Given that the City has had a bad reputation for not taking interest in the city's poor why did it decide to get involved in the XSP?

As mentioned earlier the City had not extensively helped the neighborhoods facing abandonment and gentrification. When the HPD was first approached by the JPC and the CB #3 with the proposal, it accepted the proposal, though the community organizers claimed that the plan was not taken seriously. Because of this the proposal was left unattended for a period of three years by the HPD. The HPD had also underestimated the community's commitment towards the program and their fight against the pressure of gentrification.

Another possible reason for the HPD to get involved in the designing and the implementation of the plan, was to be able to direct the real estate market. (this is assuming that the City was aware of the strength of the real estate in the LES) Since the neighborhood was becoming attractive to the upper income groups, chiefly the young urban professionals, the HPD also considered the XSP as a way to save the LES from the urban blight. But to give the City the benefit of the doubt---the City was aware of the problems of the LES but did not have a solution and when a plan such as XSP came into being the City genuinely wanted the plan to work.
However, it is not clear why the JPC wanted to work in conjunction with the City. For past decade the City government is despised by the people of the LES. The community has fought with the city on several occasions. The issue in the 1970's over which the community fought was Consolidation. Then the issue was AHOP (mentioned in chapter 3). The Homesteaders like the LESCAC, Habitat for the Humanities, Hispanic Housing Coalition defeated the HPD's AHOP.

In 1988 the community of the LES filed a lawsuit against the city. The issue was the Seward Park Urban Renewal area in the LES. This site has been a controversial site for twenty years. The conflict was raised when "racist tactics were used to force out low income and minority residents" [11] from their residents by the city. In February 1988, the Mayor sold the land to a "mega-developer" Sam LeFrak to construct luxury condominiums and middle income rental apartments. (see appendix 4 for the breakdown of the units according to income) The community launched a protest against the project and marched to the City Hall and held a press conference there. Meanwhile, the community

...promises to keep up a vigorous fight throughout this process. We will defeat this ill-conceived and racist proposal to build unneeded luxury housing and exclude working-class families from their historic home. [12]

[12] Ibid.
The community, over the years, has come to expect less from the City. It feels that it has to fight against the landlords, the developers and the City to survive. This feeling has remained throughout the negotiation of the XSP between the HPD and the JPC and the CB #3.

The JPC has not allowed the HPD to dictate the housing laws in the LES. When the City had proposed the 80-20 split of the city-owned land, the JPC did not allow the plan to be implemented. The JPC considered the original three-part plan as a way to address the housing problems in the LES for the low and moderate income people.

The plan consisted of special zoning district and the LEU to ensure the future of the affordable housing in the neighborhood. Therefore, for the plan to be enforced for it to have an impact on the LES, the JPC may have considered it imperative to work with the city and its various agencies. By "allowing" the City to work in conjunction with the JPC, the JPC considered it as a chance for the City to redeem itself of its past misdeeds and show its support for the low-income people of the LES. This was possible by approving the plan and by funding a plan of this magnitude. Therefore, even though the JPC would have preferred not working with the City, it needed to utilize government funds and receive government backing, to enforce the plan successfully.
CONCLUSION

This thesis has presented a study on the development of neighborhood strength in the LES. It has examined the community's determination to fight against the City in order to preserve its neighborhood from the pressures of abandonment and gentrification as well as the residents' efforts to obtain and improve low-income housing in the LES.

Groups such as the JPC became involved in preserving the neighborhood with the increased pressure of displacement caused by gentrification. The JPC proposed a three-part plan to address gentrification (mentioned in Chapter 4), and to solve the problem of housing shortage for low-income residents in the LES. However, the JPC and the HPD differed in their objectives and the means of attaining them.

The negotiation process has strained the relationship between the two groups. This has made both sides less optimistic about the plan. Both the HPD and some of the Council members of the JPC feel that the program will only be carried out till Phase I, though the HPD sees the possibility of Phase II. Other council members are even doubtful about the implementation of Phase I, because of the delay in the RFQs for the construction of the low and moderate income units.

Based on the literature and the interviews conducted, I believe that even if the community is not united, as claimed
by the HPD, it certainly considers the need for housing as a key problem. But it is difficult to verify how supportive the community is of the JPC and how united the Council is on the housing issue. It is even more difficult for a non resident of the LES to find out the truth. Even though the council member and other community organizers present the community as a united group, to what this statement is a reflection of their personal opinions is questionable.

As mentioned in chapter 4, the HPD considered the neighborhood not united. Based on the interviews conducted, some of the community organizers, even though supportive of the JPC and its plan, felt that the neighborhood residents were too involved in the problems of housing. This was partly due to the way the JPC and other housing advocate groups popularized the issue by holding public hearings, suing the city, etc. A few felt that the residents were depending on the JPC to provide housing for them. Some like the HPD, felt that even though the neighborhood appeared united from outside, it was a disjointed set of various individuals and interest groups.

It is my feeling that the Council members and other community organizers have over the years become skeptical about the success of the XSP. Because of which those who supported the JPC and its plan initially, feel other social issues like job, health, family, etc. were overlooked. These community organizers feel that the social issues are also
important in solving the socioeconomic character of the neighborhood.

A reason for the delay in the implementation of the XSP can be because of the way the community has tried to isolate itself from the rest of the city. Many residents and community organizers have expressed their resentment towards outsiders. The organizers feel no need to involve people outside the LES in solving their problems (other than Pratt Institute and CSS who have assisted them by providing market studies and in gathering information). They wish to be self-sufficient. This strikes me as one of the major drawbacks in their approach to addressing the need for housing. Council Members distrust outsiders, especially the City, and are hostile towards them.

Even though it is difficult to assess, I feel that all the three-parts, i.e. the LEU, the Special District, the MHA, has led to a slow down of the plan and has increased conflicts between the Council members. This is because the Council members were working in specific groups addressing the three-parts.

A close examination of the XSP proposed in the LES, indicates that the JPC has been too rigid in the implementation process, the agenda, and the layout of the program. While I feel that Phase I will be implemented, I see little chance of Phase II succeeding. The reason behind this statement is that the plan has been delayed and both the
groups have become wary of the plan.

If the JPC wishes to move on the Phase II, then it should try to give less emphasis to the secondary issues such as the LEU, the Special District, the MHA, which the JPC considers as an integral part of the XSP. These are addressed along with the rehabilitation of 200 units for the low and moderate income families. I believe the JPC should have implemented the rehabilitation and the construction of low and moderate income and market-rate units first, since housing is the prime need in the LES. Following this, the JPC should have resumed negotiation with the City regarding the secondary issues. These issues concern themselves with permanent affordable low and moderate income housing for the future. Thus, the community would be better served by separating the issues and by implementing the issues at a later phase.
### APPENDIX 1

Demographic and Socioeconomic Characteristics of the Lower East Side

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NOTE: Census Tract with an asterisk (*) indicate gentrification.
### APPENDIX 1 (continued)

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APPENDIX 2

Organization of the Department of Housing Preservation & Development of New York City

Office of the Housing Preservation & Development
Commissioner, appointed by the Mayor

Administration         Rent & Development         Office of Property Management
                       Maintenance
                       . emergency repair
                       . landlord complaints
                       . housing litigation
                       . inspection

Planning           Financial Services           Auction Sales

APPENDIX 3

Members of the Joint Planning Council

Action for Progress
* Adopt-a-Building
Asian American for Equality
Boys Club of New York
BRC Human Services Corporation
Chinese Progressive Association
Chinese Staff & Workers Association
* Coalition Housing Development
Community Outreach Services
* Cooper Square Community Development Committee
Friends of Tompkins Square Park
53 Stanton Tenant Association
Grand Street Settlement
Hamilton-Madison House
It´s Time
* Lower East Side Catholic Area Conference
Met Council/ East Side Branch
New York Hispanic Housing Coalition
Outstanding Renewal Enterprises
* Pueblo Nuevo Housing and Development Association
* Quality of Life Magazine
* R.A.I.N. Homesteader's Coalition
Roosevelt Park Community Coalition
St. Marks Church on the Bowery
St. Teresa's Church
Sixth Street Community Center
Solidaridad Humana
Third Avenue Tenants
Two-Bridges Neighborhood Council
University Settlement House

Organizations with asterisk (*) are referred to in the text.
APPENDIX 4
Seward Park Development
Breakdown of the housing units

1200 Apartments, Total
. 400 Luxury Condominiums.
. 640 Rentals; Annual Income from $32,000 to $58,000 required.
. 160 Rentals; Annual Income from $15,000 to $32,000 required.

LeFrak pays the City
. $20 million
. $1/year rent

LeFrak gets from the City
. $20 million
. below market-rate construction loan (approx. $96 million)
. tax break
. all sewer and street work done by the City
. 8% guaranteed profit
. right to convert rentals to co-ops in 20 years

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Dept. of Housing Preservation and Development


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