

**The Bronx is burning a hole in my pocket:
Why gentrification may never come (and what might happen to
lenders, landlords, renters & buildings instead.)**

By

Emmaia Gelman

Bachelor of Arts
Columbia University, 1997.

SUBMITTED TO THE DEPARTMENT OF URBAN STUDIES AND
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ABSTRACT

Bronx buildings appear to face a split possibility for their future: gentrification, as the city housing market continues to tighten; or abandonment, as inflated prices come down and leave owners in the red. This thesis takes stock of the buildings, the players and regulation, and looks at what could happen and what *should* be happening in order for Bronx communities to build the capacity to plan for the future of the housing stock. In light of the new Bronx environment, the means of preserving and regulating housing stock necessarily look different than before. They demand a more comprehensive approach to regulation that reaches investors as well as physical buildings. They demand a physical monitoring system that doesn't bank on tenants to report or landlords to self-certify, and that recognizes the social constraints on landlords and tenants as actors. Many of these gaps are bridged by community groups that can function as regulatory aides, advocates for both housing stock and property viability, and on-the-ground analysts of the shifting markets that co-regulate Bronx buildings.

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Literally every single person whom I interviewed was unreasonably helpful, gave me far more time than I would've given myself, and opened up new angles of the housing environment that forced me to reexamine my thinking. Some took a risk in talking to me (and knew it) but did it anyway. Many made themselves available for weeks after the interviews, answering my phone calls, e-mails and other pleas for more information without ever asking to be left alone. For their sakes especially, I hope I got it right, and I hope it helps.

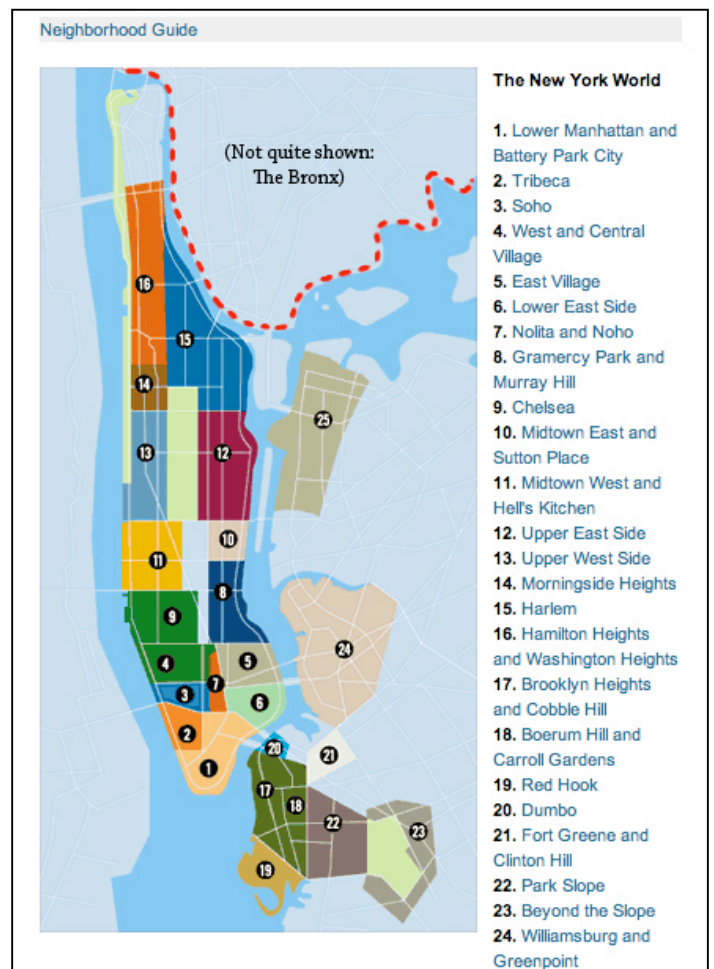
Finally, many thanks to my reader, Rachel Bratt at Tufts University; and to my advisor at MIT, Lang Keyes, who made everything work.

INTRODUCTION

The Bronx is off the radar for many New Yorkers, an unknown borough where the streets are numbered so high that a downtown-dweller might get a nosebleed. Although 1.36 million New Yorkers live in the Bronx (about 17% of the whole city) it's not at all unusual to find a lifelong resident of some other borough who's never been there; or been only for a Yankees game; or just driven through it on the way upstate. It sits at the northern end of Manhattan; on the other side of it are suburban Westchester and, shortly north of that, Connecticut. The Bronx itself is a big chunk of former farmland, now dotted with industrial sites and a mix of cityscapes ranging from endless blocks of big buildings to Archie Bunker-style houses to mansions on the forested cliffs of Riverdale (sometimes described as “not *really* the Bronx.”)

Although the Bronx has a few major shopping streets, the city's Zoo and an elaborate Botanical Garden, its charms don't draw crowds. Its clubs have incubated hip-hop and salsa groups that later went international, and its museums and theaters workshop artists who are truly up-and-coming – but rather than

becoming a cultural destination, the Bronx seems to have acted as a breeding ground for ideas and forms that only get a larger audience when they leave. Heavily residential, and populated more by



New York Magazine's 2003 Neighborhood Map... edited to show the Bronx, which didn't rate a mention.

nymag.com/realestate/articles/03/realestate2003/neighborhood_map.htm

dense family networks, organic/experimental cultural institutions and industry than commerce, the Bronx is still a hometown rather than a destination.

For a long time, the central neighborhoods of the Bronx have been heavily settled by newcomers and their subsequent generations – first Irish, Italians and Jews, then Puerto Ricans, then African-Americans migrating from the South. After the mid-1960s many others were pushed there specifically by poverty. But the housing was built before the war in a fevered rush of development, as Manhattan became more crowded and both public transportation and roads extended north in the Bronx. The new buildings were the large, solid apartments buildings that now characterize many neighborhoods. Although the original tenants were not rich, the buildings were grand.¹

The Bronx suffered a long period of decay and abandonment beginning in the 1970s, and then a long, drawn-out effort at revitalization that has lasted from the mid-1980s to the present.² The streets look and feel different than before. They're cleaned regularly, the streetlamps mostly work, the subway stations are pretty safe, taxis pass by regularly and there are plenty of people around. The outward signs of the Bronx depression are erased from many streets. In their place, some neighborhoods are pulling in arty youth to live in converted warehouses, and some of the grand old buildings are going co-op, housing people who might once have looked for a place in downtown Chelsea.³ The city has targeted unprecedented amounts of city funding at commercial development. Yankee Stadium is being torn down and rebuilt about 100 yards to the north; the project has engendered plans for a general upscaling of the surrounding neighborhood and hopes that development will trickle deeper into the Bronx.⁴ Big things are happening.

¹ Jonnes, Jill. We're Still Here (1986)

² *Ibid.*

³ Neuman, W. "Outsiders Tiptoe Into the South Bronx" *New York Times*, January 15, 2006

⁴ "Mayor Bloomberg, Governor Pataki and New York Yankees announce plans for area revitalization and new stadium in the South Bronx." New York City Economic Development Corporation, June 15, 2005

The happenings are producing the usual conflict between the new wave of development and the people who already live there; between the well-funded newcomers and the poorer locals; the usual conflict over whether it's better to improve a neighborhood even if some people are forced out, or to let it scrape along in the supposed doldrums. In a city where the gulf between rich and poor is yawning wider than ever, gentrification is a hot topic hotly contended. Real estate investors, galvanized by the city's commitment to development, seem to have made up their minds that the Bronx is headed upward. Buildings are selling more often and for higher prices than ever before in the Bronx's history. It's a path that many New York neighborhoods have taken before – which makes the familiar march of gentrification seem unstoppable.

But as in other things, the Bronx is different. The tenants of the Bronx are not the same as tenants who have been forced out of other neighborhoods: for one thing, they're poorer and have fewer places to go. The landlords of the Bronx aren't the same either. Increasingly, they're distant investors who are disconnected from the realities of the neighborhoods they're buying up. And the buildings aren't the same. They carry both their grandeur and their specific history of neglect, which makes them both appealing and more vulnerable than other pools of New York housing stock.

Add to these conditions the fact that city agencies don't have much regulatory leverage over privately-held buildings, and it seems possible that the landlords who aren't in physical contact with their buildings may not see the urgency of repairing them; and that poor tenants can neither demand repairs nor leave. It seems possible that, while landlords await gentrification that increases the real value of their buildings and supports reinvestment, the buildings may reach a crisis that threatens them both as property and as homes. Given that, already, few options exist for rehousing low income people, and that Bronx buildings house around 15% of the city's poor,⁵ the Bronx housing

⁵ Approximation based on calculations of Bronx poverty rate and NYC poverty rate from US Census data and (for subtracting public housing population) public housing unit distribution data from the NYC Housing Authority Fact Sheet.

landscape shows the makings of a housing crisis, a class conflict and a hard fall for some – if not all – of its players.

Although it's essential to know what's happening to housing stock, though, a housing *market* filled with private actors and private property is difficult to gauge. Which urban beast is waiting in the wings – abandonment or gentrification? Or is this a new kind of conflict rooted in new phenomena: regional population growth that's reached a critical point, wealth disparities that make people act in different, new ways? Are the buildings really racing toward crisis? Are the investors taking on buildings bearing the scars of decline prepared to shore them up after all? Will regulators step in to ensure the buildings' survival? Or will the poor tenants just move on in time?

This thesis looks into the somewhat uncharted ecology of landlords, tenants, community groups, regulators and mortgage-lenders to understand what's happening to Bronx housing stock, whether gentrification is really in the cards, and what the Bronx's future might otherwise look like. An understanding of this ecology should be the basis for thinking about interventions to *reorder* it, so that the city and its communities can do real planning for the future of housing as a public resource.

What's ahead

Chapter 1 sets the stage: New York City is an extremely tight housing market pushing low-income residents from Manhattan and its proximal neighborhoods – neighborhoods described by Mayor Bloomberg as “a luxury product” – into outer areas that are already full of poor tenants. The more people who arrive in New York City, the more middle- to upper-income people are viewing the poor neighborhoods as desirable too. Developers and landlords are banking on neighborhoods to gentrify, rents to rise, and poor people to move further on. But gentrification has been on the march in New York City for too long, and the Bronx is already housing of last resort for tenants pushed out of other formerly-poor areas. In other gentrifying neighborhoods, tenants have been

displaced to further-outlying neighborhoods – in some, like Palo Alto, they were pushed all the way to other cities while they struggled to hold onto jobs in the central node. But New York’s suburban cities are in crisis too, and Bronx low-income tenants have nowhere left to go. As a result, buildings largely populated by low-income tenants become pawns in the struggle over who will occupy neighborhoods.

As poor tenants’ need to stay increases, the importance of keeping their apartments in livable condition increases too – but in the absence of alternative housing, so does their tolerance for *bad* conditions. Meanwhile, many landlords are waiting for their poorer tenants to leave, waiting for higher rents to support deep repairs or deliberately pursuing “selective disrepair” to encourage tenants out.

Chapter 2 digs further back into the history of the Bronx, to identify the history of both the people and the buildings. Although the buildings were solidly made, the distress they suffered during the “Bronx depression” still affects them now. And although the Bronx doesn’t currently *look* like it’s facing abandonment – quite the opposite – it holds echoes of neighborhoods abandoned in the 1970s: over-leveraged buildings, rent rolls that barely support operating costs, the failure of regulatory enforcement, paper investors for whom real-world buildings hold little interest, tenants who are overly tolerant of decay. Is the Bronx’s slow emergence from depression really leading it to gentrification? Or, like the Bronx of the 1970s, will that hope burn out while landlords wait for an upturn that’s too slow to come?

Chapter 3 introduces three case studies to help answer these questions: three buildings that survived the depression with physical and social scars, and whose landlords and tenants have come to conflict over the future of the buildings by virtue of crises that threatened physically to destroy them. First, the tenants describe the range of approaches that they and their neighbors take to their apartments, and the many ways in which apartments have been leveraged by tenants who lack other

resources. To these tenants the buildings' physical crises came as no surprise; they had been watching the decline progress from the inside, literally. Each one understood the decline and the neglect as deliberate on the part of their landlords, but dug in and refused to be moved. Then the tenants tell the stories of the physical building crises that threatened their tenancy – and of the organizing that dramatically increased their leverage over building quality. Each involves a breakdown of building operations, on a scale ranging from fairly small to quite enormous. So Chapter 4 looks at buildings, tenants, landlords and regulators to determine how they're *supposed* to operate – and how they function instead.

In Chapter 4, the regulations that are supposed to establish working relationships between landlords and tenants, and protect the housing stock, are set out. The regulations are intended to ensure that landlords' projected uses for the buildings, like filling them with higher-paying gentrifiers, don't force current tenants out; and to circumscribe tenant actions in ways that protects the buildings as landlords' private property. They're also intended to subject buildings to physical oversight from city agencies – in short, to preserve a balance between buildings both as a commodity with many stakeholders, and as a public resource. But the case studies, in combination with other data, provide a different picture of what actually happens – how tenants and landlords both use the regulatory system to leverage power over the buildings and their future uses; how their complicated identities often impede their ability to act in the interest of preserving buildings, and how regulators themselves lack the capacity to know what's happening to buildings. And when the buildings are Bronx pre-war stock coming out of several decades of distress, the lack of controls on building quality produces – as in the case studies – existential crisis.

In the wake of this finding, Chapter 5 looks at the other regulator of building quality, maintenance strategies and the future of Bronx housing stock: the market. Tenants appear to be hanging onto their apartments and hoping to stave off gentrification that would price them out, and

some landlords appear to be holding out for the same anticipated gentrification. But the market for buildings as real estate (rather than housing) has shifted dramatically in response to US tax code changes and the local New York real estate environment, and the role of gentrification expectations in driving the market appears to be mercurial as well. While gentrification is “the story” that seems to be driving one set of investors, at least two other sets – larger real estate groups and current long-term owners – aren’t necessarily convinced by it at all. The case studies are characterized by a landlord from each group, and this chapter looks at them and *behind* them, at their lenders. The resulting picture is of a market that fosters massive neglect of buildings among at least one type of investor/landlord, and which entirely outruns the regulatory system in terms of dictating building quality. For buildings that are already vulnerable because of their histories – which are disproportionately the buildings entering the new market – this problem poses an additional physical threat.

Now that the players have each been investigated and pinned down, Chapter 6 looks at the evidence to project where this constellation of tenants, buildings, landlords, investors and regulators is headed. What happens if nobody blinks? A comparison of indicators from the case studies, data on a building that *did* partially collapse and a 1% sample of buildings recently sold on the Bronx market demonstrates pervasive risk to buildings resulting from long-term neglect – but also an enormous gap in knowledge of buildings’ actual physical condition, not to mention enforcement. Even in light of recent advancements in the city’s enforcement capacity, faults in reporting mechanisms mean that Bronx buildings still seem to be at risk, and that risk continues to escalate over time. An accounting of the factors that might influence low-income tenants’ efforts to stay in their apartments turns up evidence that many *can* stay and *can’t* leave, even if buildings deteriorate. At the same time, landlords and investors seem to lack an understanding of the real circumstances or motivations of their tenants. They may also misjudge the condition of their buildings, and miss the

danger that their properties may decline to the point where they actually lose them. For some, this may mean they've miscalculated their debt burden and operating budget; for others who never intended to operate their buildings, it may mean nothing until the building comes to crisis. Either way, buildings as housing stock and as property are threatened; interventions are urgent. Fortunately, some community advocates are planning for them now.

Chapter 7 takes stock of the nature of the risk to buildings, and looks again at what should be happening. In light of the new Bronx environment, the means of preserving and regulating housing stock necessarily look different than before. They demand a more comprehensive approach to regulation that reaches investors as well as physical buildings. They demand a physical monitoring system that doesn't bank on tenants to report or landlords to self-certify, and that recognizes the social constraints on landlords and tenants as actors. Many of these gaps are bridged by community groups that can function as regulatory aides, advocates for both housing stock and property viability, and on-the-ground analysts of the shifting markets that co-regulate Bronx buildings.

CHAPTER 1

THE SQUEEZE: NEW YORK CITY TENANTS EDGE TOWARD THE BRONX

Rental apartments are a scarce resource in New York City. It's crowded – about 75,000 new residents arrive each year,⁶ and its apartments are shared by nearly 70% of the city's population. Officially, that makes a total renter population of 5.74 million, not including undocumented immigrants, short-stayers and other numerous but uncounted New Yorkers.⁷ The total *unmet* demand for housing in 2005 was estimated at about 100,000 units (co-op and condo construction that outpaces population growth is expected to ease some of that demand in the next few years, but renters will still face deepening scarcity)⁸ and the citywide vacancy rate is about 3%.⁹ So those 5.74 million people are competing pretty urgently for apartments.

If you're a New Yorker who's working, low-income or very-low income, you're even more likely to be a renter. By the same token, your ability to compete for apartments, price-wise, is much smaller. The median New York City renter pays 31.2% of income for rent. But income disparities in New York City mean that the median renter is in very different circumstances than the poor renter. In fact, the renter at the 20th percentile earns only 1/6th of the 80th percentile renter's income. Among the poor – 99.5% of whom are renters¹⁰ – the rent-to-income ratio is 50.4%.¹¹ Those renters are competing with higher-strata renters who have, relatively, nearly limitless economic power.

⁶ Approximation based on US Census data on New York City (Population, 2003 estimate; Population, percent change, April 1, 2000 to July 1, 2003; Population, percent change, 1990 to 2000)

⁷ *Ibid.*

⁸ *State of New York City's Housing & Neighborhoods 2005*. Furman Center for Real Estate, 2005.

⁹ *New York City Housing Vacancy Survey*. NYC Dept. of Housing & Urban Development, 2005

¹⁰ *Ibid* and *NYC Housing & Vacancy Survey*, U.S. Census Bureau, Housing and Household Economic Statistics Division, 2005.

¹¹ Furman Center for Real Estate, 2005. Citywide data for wealth diversity ratios and rent-to-income ratios for low-income renters not receiving housing subsidies

A disproportionate number of those low-income renters live in the Bronx, and citywide housing pressures that squeeze low-income people propel even more renters *toward* the Bronx. Over the last decade, the pressure has increased as middle-income people are squeezed, too. Their trajectory has been toward the poor areas of Manhattan and onward to the outer boros and suburban cities.

Accordingly, pressures on the Bronx may be predicted by an inter-neighborhood effect already underway *within* Manhattan. Since 1985, for-profit developers have been incentivized by New York State's 421-a tax exemptions¹² to produce new housing where 20% of the units are initially price-controlled for "affordability" – but only for up to 25 years, depending on the duration of the abatement, before they revert to market rate. While the tax break at first insulates the units as below-market housing, it eventually releases a burst of high-priced apartments into a neighborhood.

This "80/20" development was originally concentrated in wealthy Manhattan neighborhoods, using tax certificates from affordable units to support luxury development in response to growing demand.¹³ To the extent that some developers have included the 20% affordable units in the same buildings with the 80%, it has created temporarily affordable units even in neighborhoods where none would have otherwise existed. In poorer areas facing housing-driven gentrification, though, 80/20 development has added high-income units that help tip a neighborhood. In some cases they have helped raise prices throughout whole neighborhoods, forcing poor people out. Beginning in the early 2000s, as middle class people have been pushed deeper into low-income neighborhoods, developers have begun to concentrate 421-a construction in poor neighborhoods adjacent to wealthy ones to leverage this gentrifying effect. East Harlem offers

¹² 421a exemptions provided varying returns to developers depending on location and proportion of affordable units. For 80/20 buildings, they provided a full exemption from property taxes for 20-25 years. "421-a Summary" (Fact Sheet). Pratt Center for Community Development, undated. (These rules have subsequently been amended, although not abolished.)

¹³ HPD chart describing 2004 data, reprinted in Acitelli, Tom, "Murky future for 421a tax incentives worries developers, marketers" *The Real Deal*, April 2006.

a stark example.¹⁴ There, 80/20 buildings banked on luxury amenities – workout rooms, proximity to transportation, taller construction than the surrounding area which provides city views, etc. – and soon commanded post-gentrification rents. Steep demand for middle- and upper-income housing has sped up the process, as has the harder-to-document increase in acceptance by middle class people of housing in neighborhoods that are low-income and non-white.¹⁵ The neighborhood has been fundamentally shifted in the space of about five years.¹⁶ These same factors are driving a spate of conversions of formerly affordable or “bad”-neighborhood rental apartments to co-ops and condos.

The Bronx is ripe for this treatment. It’s adjacent to northern Manhattan, where starting rents have already exceeded HUD’s Fair Market Rent calculation by almost 100%.¹⁷ High-income tenants are already anchoring there in existing housing stock, so it seems likely that newly-constructed luxury apartments could draw more.¹⁸ 421-a rules, recently revised, no longer recognize the Bronx as an area for low-income housing development, so building new low-income units in the Bronx no longer yields the tax break.¹⁹ Some community groups are rejecting the “dumping” of low-income housing there, on the theory that the deliberate concentration of poor people in Bronx housing programs constitutes undevelopment.²⁰ Bronx real estate investors are angling for a new set of tenants.

¹⁴ Gabarine, Rachele, “Residential Real Estate; 5 Market-Rate Rentals Planned for East Harlem” *New York Times*, May 31, 2002.

¹⁵ While documentation is difficult, pop culture references to this phenomenon are abundant. Some include comedian Dave Chappelle’s “Chappelle’s Show” (Comedy Central TV network) and the blog www.angrybrownbutch.com (2/27/07 entry: “*Hey white folks - it’s time to get really mad at me again!*”) One tenant organizer interviewed for this research, Willia McKeiver, also cited the shift in race/class boundaries.

¹⁶ Brozan, Nadine, “In East Harlem, Developers Find The Next Frontier” *New York Times* 8/29/04

¹⁷ HUD’s 2006 Fair Market Rent=\$1,133 for a two-bedroom apartment, while rents in Harlem are around \$2000, according to Harlem developer Frank Anelante.

¹⁸ Neuman, 1/15/06

¹⁹ “Developers - Tax Incentives - 421-a.” NYC Dept. of Housing Preservation & Development, undated.

²⁰ See Oser, Alan “Churches as Builders; A Struggle Over Sites in the South Bronx” *New York Times*, Oct. 22, 1989 (<http://query.nytimes.com/gst/fullpage.html?res=950DE3DF1639F931A15753C1A96F948260> on

Although New York City has some plans to reduce citywide housing pressures, there are essentially no city subsidies for private development of permanently-designated low-income housing. (The closest approximation, city-administered, are Low Income Housing Tax Credits.) The city's main housing plan, the *New Housing Marketplace* program which has successfully drawn for-profit developers into construction and rehab of subsidized units, aims to create 165,000 new units in the city by 2013. But few of these units are targeted at low-income residents: just a few hundred will be supportive housing, and the city's definition of affordability is specific to middle-class earners. The plan is also focused disproportionately on homeownership, which is simply out of reach of almost all of the city's low-wage workers and other poor people. Finally, the plan dovetails with the NYC [Public] Housing Authority's efforts to turn vacant portions of NYCHA properties to higher-yielding uses: the New Housing Marketplace plans to target NYCHA's "underutilized" properties for development affordable to middle-class people.²¹

Maybe more significantly, there's no direct city support for making sure that the apartments where poor and working people live *now* stay affordable. New York City's 1.7 million low-income tenants make the preservation of truly affordable housing stock an urgent matter. The number of New Yorkers with *unserved* needs for low-cost housing is also enormous, and less obvious because tenants who cannot afford even to seek housing are not necessarily counted by the market. Public housing has a 140,000-family waiting list that would require a 78% apartment turnover to accommodate,²² the city hosts 112,000 Section 8 vouchers²³ and only 47,000 dedicated (project-based) Section 8 units.²⁴ About 45,000 people who are homeless for non-mental health reasons are

5/24/07); this question is the theme of informal conversations around many low-income development proposals.

²¹ *New York's New Housing Marketplace*. NYC Housing Development Corporation, 2002.

²² "Fact Sheet: About NYCHA." New York City Housing Authority, undated.

²³ "Report of the Infrastructure Division to the Subcommittee on Public Housing." New York City Council Subcommittee on Public Housing, May 25, 2004.

²⁴ *Closing the Door: Accelerating Losses in New York City Subsidized Housing*. Community Service Society, May 2006

housed in transitional shelters or standard homeless shelters.²⁵ Additionally, the city is believed to host at least 650,000 undocumented immigrants;²⁶ most of whom are low-income or very low-income, and help make up the numbers of New York's 150,000 doubled-up renter households.²⁷ The total number of people unserved at any moment is uncounted, but clearly it far exceeds the vacancy rate for low- and moderate-rent apartments.

The enormous, unabated demand for housing citywide, and low-income housing in particular, focuses even greater pressure on the Bronx. Concentrated low-income renters there are pressed by renters being pushed out of other areas, but Bronx buildings are nonetheless viewed as “undeveloped” in terms of rent potential. The stress seems posed unavoidably to shift renters’ strategies for affording housing – from seeking out lower cost housing to hanging on ever more tightly to what they have.

Battening down the hatches in the Bronx

To date, most cities have found some equilibrium between housing and serving wealthier residents and poorer ones: either more housing has been made available, or poor tenants have found a way to move to cheaper housing within cities. But New York City, like a few other cities which may be “hitting the wall” of housing crisis, has the special problem of limitless demand: so many people want to live there, and economic disparities between the newcomers and current residents are so great, that there is effectively no brake on the transfer of housing units from low-income tenants to richer ones; and perhaps no brake on the geographic erosion of low-income

²⁵ Based on calculations using shelter data from Coalition for the Homeless and transitional housing data from *New York State Consolidated Plan Federal Fiscal Years 2006 – 2010*, Section 91.310(b)/Homeless Facilities, NYS Division of Housing and Community Renewal

²⁶ Census 2000 and *Pew Research Report on Undocumented Immigrants* as cited in Beveridge, Andrew “Undocumented Immigrants” *Gotham Gazette*, April 2006.

²⁷ *The Need for Affordable Housing*. HousingFirst!, undated.

neighborhoods. According to the NYC Department of City Planning's population director, "we may be reaching a point where the city's population gets to be so large you can't keep adding."²⁸

These factors weigh especially heavily on Bronx residents. The Bronx is the landing place of a disproportionate number of New Yorkers who are at the margins of the housing market. Rents are orders of magnitude lower in the Bronx than in Manhattan (except in a few quasi-suburban neighborhoods), but the median low-income Bronx tenant making \$27,500 per year *still* pays 52.4% of their income for rent,²⁹ and about one-fifth of Bronx tenants pay more than 60%.³⁰ More than 40% of the City's Section 8 vouchers are located in the Bronx,³¹ and in many Bronx neighborhoods Section 8 tenants alone occupy 30-45% or more of *all* units.³² The Bronx is also home to some of the highest levels of SSD recipients and HIV/AIDS Services Administration voucher tenants, both of whom are extremely limited in apartment choice by rent limits. And beyond the universe of subsidized housing, the Bronx is also the place where many very-low income New Yorkers finally fall over the edge. Between 1999 and 2003, almost a quarter of New Yorkers who entered the shelter system came from Bronx addresses.³³

Together, the housed and homeless poor of the Bronx make up 28.2% of the city's population.³⁴ The concentration of poor tenants there is not coincidental: their opportunity to live anywhere else is extraordinarily limited. Citywide, the median rent for an occupied apartment is \$900; in the Bronx, it's \$775.³⁵ To sign a *new* lease, though, is vastly more expensive. Worse, vacancy

²⁸ Robert, Sam, "Immigrants swell numbers in and near city." *New York Times* 8/15/06

²⁹ *State of New York City's Housing & Neighborhoods 2006*. Furman Center for Real Estate, 2006.

³⁰ *State of New York City's Housing & Neighborhoods 2004*. Furman Center for Real Estate, 2004. Using 2002 data

³¹ *Ibid.*

³² Furman Center for Real Estate, 2006

³³ Based on tabulations from Smith, Nancy et al. *Understanding Family Homelessness in New York City: An In-Depth Study of Families' Experiences Before and After Shelter*. Vera Institute of Justice, September 2005

³⁴ US Census Data

³⁵ Furman Center for Real Estate, 2006

rents for lower-rent apartments are even lower than for others: around 2% for apartments starting below \$800.³⁶

Virtually no regulatory intervention mitigates the spiraling decline in access to apartments for poor and working people. Citywide, New York State rent regulations hold rent on most of the city's 1.04 million regulated apartments below market rates and sets a maximum allowable increase for lease renewals each year, but the price controls expire when an apartment reaches a rent of \$2000/month and becomes vacant or is occupied by wealthy tenants.³⁷ Ongoing renewal increases, 20% rent increases at each vacancy and 1/40-of-cost increases to monthly rent for renovations diminish the supply of rent-regulated apartments. Many larger apartments with proportionally higher rents can be presumed to have reached deregulation already. Within the Bronx, rent stabilization laws tie low-income tenants to the apartments they already occupy.³⁸ The 20% vacancy increase means that a vacated apartment is vastly more expensive than an occupied one, even within the universe of "affordable" apartments. The same factors increase the value to tenants of staying in their apartments. Not only is the Bronx the last frontier for people seeking affordable housing; it is the last frontier for many who already live there. Beyond New York City, suburban Yonkers and New Rochelle have become cities of last resort for poor people who are able to detach themselves from family and work structures in New York, although this resource too is in crisis. But for those who cannot afford to leave New York, there is nowhere else to go.

³⁶ *New York City Housing Vacancy Survey*. NYC HPD, 2005

³⁷ Wealth-based decontrol: if legal rent reaches \$2000 during tenancy (instead of by vacancy increase) and the tenants had an annual household income of \$250,000 or more for the preceding two years, the apartment becomes deregulated. As rents citywide move toward the \$2000 mark, and housing pressures lead wealthier tenants to occupy apartments in poorer neighborhoods, this policy develops new implications for gentrification.

³⁸ Current rent stabilization rules produce at least a 20% vacancy increase in virtually all "typical, pre-war" Bronx apartments – while Bronx tenants' capacity to pay does not increase at all. The 20% vacancy increase necessarily draws higher income tenants from other boros into the Bronx. This creates even deeper economic disadvantage for Bronx residents, and adds to population pressures that also contribute to scarcity of low-income housing.

Fixing to stay

Since tenants can't afford to move, the availability of housing to low-income and working people is a factor not only of price-affordability, but of tenants' ability to stay in their apartments over time. In other words, the current supply of housing available to poor and working people is artificial – meaning that some uncounted (but arguably large) number of units where poor and working people live are available to that population only because poor and working people are in them *now*. As tenants leave, these units are increasingly unavailable to other low-income tenants. So maintaining the habitability of the apartments in order for tenants to be able to stay in it is an important component of affordability. Housing laws mandating “habitability” theoretically protect tenants on this front. But in reality apartment problems often become incredibly burdensome, and tenants have historically used their ability to leave as a way to escape poor conditions. Since the ability to leave is circumscribed for many Bronx tenants, habitability is more critical than ever.

The same factors that constrict tenants' housing choices (and push landlords to pursue gentrification) now increase the value to landlords of *losing* tenants in their lower-income buildings. For landlords anticipating neighborhood change, creating long-term habitability for their current tenants interferes with developing vacancies and shifting the population. To that extent, the struggle over habitability issues has much bigger implications for affordable housing.

Tenants have means at their disposal to fight: the regulatory/court system is one strategy. But just being there is another. Low-income tenants especially are figuring out how to leverage that presence in ways that *don't* look like gentrification – and in ways that may surprise landlords.

The fate of tenants is generally the focus in examinations of increasing rents and market-squeezing. In this case, though, *landlords* who are banking on gentrification may also find themselves in trouble. And because landlords may fight back by reducing habitability and tenants may fight back

by staying anyway, there's another layer of risk: to the buildings. To understand what that risk may be, it's critical to understand the past of the buildings themselves, and the neighborhoods that have shaped them.

CHAPTER 2

THE HISTORY: WHERE DO BRONXES COME FROM?

Classic Bronx housing stock has a recognizable face: quasi-Art Deco brick buildings of five or six storeys; interiors laid with tile and hardwood floors; marble walls in the common spaces and molded plaster walls inside apartments; metal-and-marble fireproof stairs. The smaller buildings are laid out in a single riser, the larger versions in a butterfly plan with a courtyard between the wings. In New York tenant parlance, the buildings are simply “pre-war.” Most were constructed between 1904 and 1941,³⁹ and the majority are approaching their hundredth year. The Bronx’s pre-war building stock comprises about 37% of its total units,⁴⁰ and much more of its low-income housing. So those buildings are the focus of this research.

The same buildings in Manhattan command high rents, in part because of their stateliness. But the history of pre-war buildings in the Bronx makes them much less desirable. In fact, although the buildings are similar to Manhattan’s most glamorous old housing stock, most New Yorkers’ sense of the Bronx does not currently include “beautiful buildings” at all.

The earlier history of the buildings matches their architectural luxury. But as a class, they fell into disrepair during the 1970s Bronx depression. While some neighborhoods were spared, many North Bronx areas and virtually all South Bronx neighborhoods were swept into the decline.⁴¹

The Bronx’s depression mirrored the abandonment, spurred by suburbanization and the energy crisis, of other inner cities. Outmigration of more affluent city residents left city neighborhoods with poorer tenants, shrinking rent rolls to support repairs and rising fuel costs, and diminishing populations to demand city services. Live-in owners left too, and their buildings

³⁹ University Neighborhood Housing Program data, procured by UNHP from Win2Data, April 2007

⁴⁰ Tabulation based on total Bronx units from 2005 US Census data, and pre-war units in relevant buildings from UNHP data.

⁴¹ Jonnes, 1986

suffered from their absence; tenant alienation increased, and the social distance between the owners of buildings and their remaining tenants – including the racism attendant in relations between the suburbanizing white population and the increasingly Black and brown urban poor – was magnified.⁴² As tenants left and took their rent payments with them, landlords began to cut corners on maintenance, and the cost of unattended repairs began to mount. Owners debated financial strategy around their buildings: rent increases drove tenants out, since the tenants who were left were the poorest who couldn't pay. Emptying buildings became targets for vandalism. But rent reductions intended to keep buildings full pushed landlords further into the red.⁴³ Even as buildings fell apart, code enforcement became impossible since landlords could not recoup the cost of repairs through rent and incurred new tax burdens for “improvements”. Additionally New York's code enforcement arm at the time, the Housing Development Administration, was an urban renewal agency focused on shrinking the footprint of poor neighborhoods rather than improving conditions in existing housing.⁴⁴

The neighborhoods soon hit rock-bottom for both landlords and tenants. In his history of Newark's parallel decline, Sternlieb describes the devaluation of buildings as so steep that landlords couldn't even milk them – because resale of the buildings, the means for recouping some of the structure's value and for capitalizing on the depreciation tax credit conferred on new owners, simply wasn't possible.⁴⁵ In response, some “investors” saw a different kind of value in the buildings, and began buying them from fleeing landlords – then burning them. A 1980 Village Voice investigative report on the massive wave of arson sweeping the Bronx found it to be a thriving business:

⁴² *Ibid.*

⁴³ Sternlieb, G. The Tenement Landlord (1966) and Sternlieb G. and Burchell, R. Residential Abandonment: The Tenement Landlord Revisited (1973)

⁴⁴ Reynoso, J. “Putting Out Fires Before They Start: Community Organizing and Collaborative Governance in the Bronx, USA.” *Law and Inequality*, 2006.

⁴⁵ *Ibid.*

“In the winter of 1978, the South Bronx was already a moonscape with abandoned, charcoaled shards. The cops who worked in the 41st Precinct no longer called their station ‘Fort Apache.’ They called it ‘The Little House on the Prairie,’ because there were so few surviving buildings or families in the area... We have spent 30 months trying to piece this story together, not merely to name these urban traitors but also to explore and explain why whole neighborhoods of this city have been put to the torch. The idea that tenants set most of the fires themselves in order to qualify for public housing—or that vandals or street gangs set them—is a myth. The fact is that landlords set the fires in order to collect insurance money.”⁴⁶

Not all landlords were callous or desperate enough to hire arsonists to divest themselves from the Bronx. But ultimately, many who couldn’t repair the buildings, pay the property taxes or sell simply walked away from them.

By 1976, the city had begun to try to take action. The City Council created both the Dept. of Housing Preservation and Development (HPD) and the local law allowing HPD to take over abandoned and tax-delinquent properties.⁴⁷ By 1982, HPD owned 33,816 *in rem* units, 40% of which were located in the Bronx.⁴⁸ By 1988, it owned 100,000 units.⁴⁹ The city was also overwhelmed by the extent of its holdings, their urgent need for repairs, and their predominantly low-income tenants. Under HPD ownership, *in rem* buildings did not fare much better (although they were much less likely than others to burn); and their suffering was extended as the City, lacking a plan for disposing of the buildings to community groups or owners who could revitalize them, simply held onto them. Michael Stegman wrote about conditions in 1982:

⁴⁶ Conason, J. and Newfield, J. “Arson for Hire: The Men Who Are Burning New York” *Village Voice*, June 2, 1980

⁴⁷ Reynoso, 2006

⁴⁸ Stegman, M. *Dynamics of Rental Housing in New York City*. (1982)

⁴⁹ Hirsch, E. and Wood, P. “Squatting in New York City: Justification and Strategy” cited in Reynoso, 2006.

“A household in city-owned housing is nearly four-and-a-half times as likely to live in dilapidated housing than is the average New York renter... Not surprisingly, a very high percentage of *in rem* units are in boarded-up buildings or on blocks with such structures.”⁵⁰

The impact on Bronx buildings was exacerbated by the long duration of city ownership. Most of the buildings that HPD owned in 1994, for instance, had been in HPD’s portfolio for nearly the entire duration of the *in rem* property-taking program. Although the city attempted physical rehabilitation of some buildings, its efforts were not scaled to the problem and had minimal impact. HPD did not begin to divest itself until 1998, when it auctioned off buildings to non-profits, and for-profit developers and developed a system for selling tax liens rather than taking over more buildings.⁵¹ By then, HPD’s properties and the buildings in the surrounding neighborhoods bore deep scars of neglect.

Bruises: The ongoing legacy of the Bronx depression

Over the course of the Bronx’s struggle, the aggregation of unrepaired problems created the conditions for widespread structural problems in the buildings. Roof leaks and plumbing breaks created a host of water-related problems including rotten supporting beams, collapsing walls, sagging floors, the rusting apart of metal-framed staircases, pervasive mold and the collapse of defenses against rats. Other decay, probably created in part by the spread of rats through the interiors of walls, included fraying and exposed electricals. The shifting of the buildings contributed to cracks in foundations and retaining walls; breaks in gas, water and sewage pipes; tilting floors and gaps in window frames and walls. The depression also brought fire, toxic dumping, vandalism, squatting (both destructive and constructive versions) and other direct abuse of the buildings.⁵² While not

⁵⁰ Stegman, 1982

⁵¹ McGowan, K. “Lien Days Ahead.” *CityLimits.org*, December 1998

⁵² Bearak, B. “Turf Wars.” *Shelterforce Online*, May/June 1994

every building suffered all of these assaults, the depression created a collective decline in the integrity of Bronx pre-war housing stock.

The Bronx depression, in addition to fostering a history of disrepair, also fostered a history of tenancy by socially and economically disadvantaged people. The presence of these tenants has had many interwoven effects – simultaneously contributing to deterioration, slowing legally-allowed price increases for privately-rented apartments and *raising* profit potential by renting to subsidy-holders and to a decay-tolerant renter population with few other options.

The Bronx disrepair, like decay in other low-income neighborhoods, was prolonged and exacerbated by residents' lack of political and economic leverage, which translated into lack of investment in the buildings, neighborhoods and people of the Bronx.

Price wars, habitability wars

Ironically, the staying power of low-income tenants was historically also a major factor in prolonging disrepair. Since this staying power persists, it shapes the current story as well as the past. Low-income tenants' unwillingness to reject substandard housing by moving out, and their alternate strategy of patching problems themselves, to make staying possible, has allowed landlords to defer repairs for reasons of economics or convenience; this has been a feature of inner-city decline in many other cities as well. Simply put, low-income tenants have a much higher threshold for deteriorated buildings than higher-income tenants; they are much less likely to leave apartments that fall into disrepair, and those who do leave later in the deterioration process. This staying power is increased by the fact that low rents charged during the Bronx depression have provided a lower starting point for regulated rent increases.⁵³ Tenants' staying power leaves buildings vulnerable to

⁵³ Until 2003, NYS rent laws stated that if a landlord charged a tenant less than the legally-allowed rent (a "preferential rent", usually offered because the market would not support charging more) the preferential rent *became* the legal rent for the duration of the tenant's stay.

deliberate “milking” practices – without fear of driving away tenants, landlords can turn the building to high-profit uses that threaten the building (as in one case described here, the landlord contracted apartments to the city’s Department of Homeless Services for use, essentially, as an extension of the homeless shelter system. The impact on building, tenants and shelter-placed residents was overwhelmingly destructive.)

Tenants’ staying power is also a factor in slowing the growth in value of Bronx apartments. Turnover is an important opportunity for landlords to raise rents,⁵⁴ and landlord advocacy organizations are vocal about the negative impact of long-staying tenants on their takings. But the effect of low-income tenants is arguably not all bad for rent rolls. On the one hand, landlords might argue that the pervasive presence of low-income tenants stops them from making improvements that *would* be worth higher rents – higher even than the inflated rents low-income tenants pay for relatively low-quality apartments.⁵⁵ On the other hand, the presence of low-income tenants has meant that the buildings primarily draw other low-income tenants to fill vacancies. Low-income tenants often pay more for apartments than higher-income tenants even when self-paying for an apartment, because bad credit, large family size or checkered tenant history limits their ability to reject overpriced apartments. Possibly more significantly, low-income tenants often carry subsidies that either support above-market prices, or mitigate the direct cost to the tenant enough to allow tenants to accept above-market rents. Since tenants often have trouble finding landlords who will

⁵⁴ Under NYS law, a vacated apartment can be re-rented at a 20% increase. Apartment renovation costs can also be claimed back through rent increases; this opportunity is closely associated with vacancies/turnover.

⁵⁵ Interview: Jim Carpenter, New York Community Bank 4/19/07; also, the website of the Small Property Owners’ Association of New York (www.spony.org) links to a Cato Institute report: Tucker, William “*Cato Policy Analysis No. 274: How Rent Control Drives Affordable Housing Out*,” May 21, 1997 (www.cato.org/pubs/pas/pa-274.html on 5/12/07)

accept subsidy vouchers, the supply of apartments available to them is also limited; in many cases, contrary to the logic of subsidies and scarcity of funds, they are price-takers.⁵⁶

Additionally, through the fatigue of small building owners and the transfer of *in rem* buildings to developers, control of these buildings has been concentrated in the hands of owners whose profit structure, constructed around multiple holdings and long time horizons, enables the use of “strategic decay.”

Coming off of the long depression, Bronx buildings are in a bad state – among its neighborhoods are four of the city’s worst five, in terms of housing quality. They are two or three times more likely than buildings elsewhere to have multiple code violations; as a measure, the average citywide is 57.8 serious housing violations per 1000 rental units; in the Bronx, its 116, and that number is disproportionately distributed to poorer neighborhoods. What’s more, the quality of Bronx housing is still *declining* faster than housing in the rest of the city.⁵⁷ As described in Chapter 1, Bronx tenants are still dealing with the depression as well. Although many circumstances have changed, the legacy of depression is still a defining feature of the Bronx landscape.

Defining Bronx change: revitalization, gentrification... another fall?

In spite of the history burdening its buildings, the Bronx is in a new condition shaped by converging currents: the revitalization of the burned-out and abandoned South Bronx, the outward push of the Manhattan housing market, the breakdown of social barriers that prevented middle class white people from moving into poor minority areas, the declining ability of rent regulation to hold down apartment prices, and other price factors.

⁵⁶ The “price-taker” condition runs counter to Stegman’s description of Newark tenants – who are willing to pay for poor conditions but not willing to accept price increases – but his model is premised on the idea that tenants can find better housing at comparable prices by moving further out of the city. Because Bronx residents’ housing choice is circumscribed by reliance on vouchers and lack of other housing, they are forced to accept both bad conditions *and* sellers’ prices.

⁵⁷ Furman Center for Real Estate, 2006

For most observers, this convergence is a clear sign that gentrification is imminent. So when landlords and low-income tenants face off over Bronx buildings, gentrification is the force over which both sides are likely to believe they're struggling. Tenants see that landlords are doing everything they can to shift poor people out of apartments – slowing down the delivery of services and repairs, billing tenants for everything from day-late rent checks to purely cosmetic renovations. Landlords long to be rid of low-income tenants whom they view as freeloaders: users who pay far less for apartments than they are actually worth, resist the rent increases allowed by law, and all the while bring down the value of the building through destructive behaviors. While tenants struggle to stay in their apartments in spite of rent increases and physical disrepair, landlords struggle to improve their rent rolls (and in many cases, their buildings), and free themselves of oppositional tenants.

But for the Bronx, gentrification is more future symbol than immediate reality. Real estate values have climbed enormously over the last decade, and some pockets of the Bronx have clearly changed hands, culturally and economically. In most of the Bronx, though, tenants, real estate investors, city officials and community groups have widely varying ideas about when gentrification might arrive, if at all.

In the interim, the players have developed strategies for waiting out the process. Tenants, for example, are increasingly doubling up in apartments as rents go up – not leaving. Landlords are making strategic decisions about when and whether to make deep renovations; for some, it makes sense to hold off until rent rolls are higher. For some tenants, it should be noted, the strategies are not working. The number of families in New York's shelter system has nearly doubled since 2006,⁵⁸ and again, it begins disproportionately in the Bronx. Some landlords' strategies are failing too. The

⁵⁸ *Charts: Homelessness in New York City*. Coalition for the Homeless, February 2007)

buildings included in case studies for this research were all held by owners who hedged too far, and ultimately lost control of their properties.

The long-run outcome is still undetermined. And although gentrification is often viewed as an unstoppable market force, the Bronx may hold some surprises. Tenants' bids to stay, and their capacity for accepting increasing crowding and poor-quality buildings, suggests that the expectation of tenant turnover may be unfounded. And some of the features of the Bronx market even resemble the precursors to earlier abandonment. Landlords' apparent plans to defer intensive renovations may be thwarted by un-ignorable structural deterioration, as described in the case studies included here. Inflated building prices and high sales volume mean that many current owners have paid a lot for their buildings, often taking on debt in anticipation of substantially higher rents, and that under current conditions they can't afford deep repairs. The conditions aren't quite the same as in the past, but neither do they quite seem to admit gentrification. So what will happen to the buildings, the tenants and the neighborhoods of the Bronx?

Since each building is populated by a set of landlords and tenants with different goals, resources and levels of engagement; and since the physical history of each building is different, getting a sense of where the Bronx is going as a whole requires looking at a cross-section of buildings' experiences over time. It also requires merging on-paper information collected by the regulatory system with the more detailed and nuanced narratives of tenants, community groups and – where possible – landlords. The three case studies presented here examine tenants' strategies, landlords' own strategies as well as their beliefs about tenants, the how the physical condition of buildings is affected by landlord strategies, and what level of knowledge and intervention is available to regulators. They also draw on investment strategies, and connect larger market patterns to the fate of the individual buildings. Later, the case studies provide context for understanding findings from a larger sample of similar Bronx buildings.

CHAPTER 3

THREE BUILDINGS

The tenants of the buildings documented for this research were all organized – eventually – by the Northwest Bronx Community & Clergy Coalition (NWBCCC), and won significant improvements. But before engaging with NWBCCC they endured long periods of decay that ultimately brought them to crisis. The nature of the decay; the means by which different kinds of landlords leveraged decay to manipulate their tenants and their properties; tenant responses to decay; and the role of the regulatory system in monitoring the buildings and enforcing housing quality all illustrate patterns occurring across the Bronx now.

The case studies center around interviews with individual tenants who spearheaded organizing efforts in their building. In only one of the case studies did the landlord agree to be interviewed. To fill in the picture, interviews are included with other landlords, landlord advocacy groups and community advocates who interacted with landlords during each case.

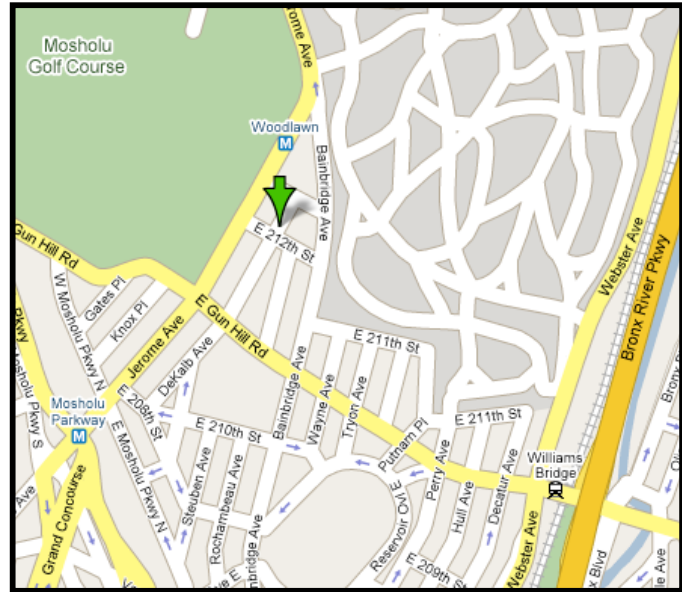
Providing insight from other angles are separate interviews with housing policy organizations, a mortgage lender with oversight of at least 450 Bronx buildings (which are mortgaged through his bank)⁵⁹ and a bank analyst/hedge fund manager who studies investment practices. Those interviews are drawn in later, in the analysis of the case studies.

This chapter introduces the buildings, the tenants and the organizing, so that later chapters may expand on their stories.

⁵⁹ Data culled from UNHP Win2Data/Building Indicators Project

3569 DeKalb Ave.

At the north end of the Bronx, where Norwood becomes Woodlawn, two- and three-family homes hold the bottom layer of the New York middle class: blue collar homeowners or their grown children. The houses begin toward the end of the subway line that runs through the Bronx into Manhattan, express to City Hall and Wall Street. The last stop is at the Norwood-Woodlawn line, where apartment buildings give way almost completely to houses. It's also the bottom of Van Cortlandt Park, the Bronx's large forest-and-field green space, and of Woodlawn Cemetery; together they cover about twice the area of Central Park.



Source Google.com

But below the park and the cemetery, the neighborhood is composed of apartment buildings centered on Gun Hill Road and Jerome Avenue. These buildings don't benefit from the lower density of the blocks of houses, or the smaller-city feel of being on the outskirts. They are old, high-density housing stock in large buildings, with no commercial or community spaces, located at the farthest reaches of the subway system. Wedged into a corner at the end of the neighborhood are two solid blocks of pre-war rent-regulated housing. In the middle of them is 3569 DeKalb.

The building & the tenants

3569 DeKalb is a five-storey walk-up, divided into two sections in the tenement style. In total, there are 59 apartments. Constructed in 1926, the building appears – now that it has been intensively renovated – to have the features of the solid New York building stock of that era. In

other neighborhoods, buildings like this are architecturally appealing and may be candidates for gentrification in the near term. But this building continued to decay and amassed hundreds of violations, including lead paint; rotting beams; and exposed and illegal electrical wiring.⁶⁰ (An otherwise mild-mannered housing organizer described the building as “a complete shithole.”⁶¹)

The tenant who organized the building, Gus, is a professional and self-paying (unsubsidized) tenant. But he describes himself as the exception. In his estimation, in the years before 2003 just 10% of the tenants worked and were self-paying. The other tenants were “mostly on welfare and Section 8... And there were a lot of apartments who were involved in drugs.”⁶² Others were supported by SSD and the NYC HIV/AIDS Service Administration.

Many tenants were using their apartments as income-stretching resources by doubling up or building up arrears as far as possible before eviction. Asked if rents were high, Gus answered:

“I can’t say it was expensive or cheap, because to anyone living in that building, I don’t know how they could afford it. Their income was a little higher than minimum wage, so their take-home salary probably amounted to the rent. A studio apartment was \$650. I don’t know how they exist. They just doubled up – they have the cousin living in the house, and the brother... a one-person family can’t do it... And there’s no [cheaper] place to go.”⁶³

The building had, and has, serious problems with drug trafficking, safety and cleanliness, including tenant damage to the building. Throughout Gus’ tenancy, the super/manager cited these problems as reasons for wide-ranging non-repair of decay.

“We asked for repairs, and they had excuses. They were saying the tenants don’t keep the building in good condition. They said drug dealers and tenants sit and eat on the stairs, throw garbage, do graffiti. But we were concerned about electrical repairs, too. Exposed

⁶⁰ HPD violations as compiled on PropertyShark.com.

⁶¹ E-mail 3/6/07 from Chloe Tribich

⁶² Interview: Gus Birru 3/15/07

⁶³ *Ibid.*

wiring all over the place. We had sparks in the apartments. At one point a flag on the roof caught fire from some wires. Luckily we were able to put that out.”⁶⁴

Individually, some tenants pursued their own repairs. Without knowledge of official channels for getting repairs and requesting code enforcement, the tenants did not consider contacting the city’s Department of Housing Preservation and Development, the agency responsible for housing quality. Instead, they went to court. At first the landlord’s representative agreed to make the repair. He then “did a patching fix and he took his rent. Three days later there was a hole in the same spot.”⁶⁵

The crisis

In August, 2002, after several years’ complaints about faulty and illegally-configured electricals, water and gas leaks and widespread disrepair, exposed wiring ignited a gas leak inside a first-floor apartment.⁶⁶ The fire killed an 8-year-old boy, and badly wounded his brother and father. In the aftermath, NWBCCC approached the tenants. Gus agreed to work on organizing the building.

“After that kid died, that was something that just told me, okay, we’ve got to do something about this. There were a lot of kids in that building. That day, only one apartment burned, but a lot could happen. We had to fix the whole electrical system and the building... I’m not a ‘patching problems’ type of person. When you talk to me about housing – housing is not a problem, it’s the system. But in that situation, it was just to save lives.”⁶⁷

⁶⁴ *Ibid.*

⁶⁵ *Ibid.*

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

Gus and the NWBCCC organizer, Chloe Tribich, knocked on doors, handed out flyers, explained tenant rights and asked tenants to put their problems in writing for discussion at building-wide meetings. Although he had lived on the block for fifteen years, and in 3569 DeKalb for three years, he and the other tenants did not know each other; trust was absent. In particular, apartments where tenants were “involved in drugs” were “not favorable to organizing.” But as tenants began to make connections and learn about conditions in each other’s apartments, a few were galvanized by the realization that the building was in worse condition than they’d understood individually. While initially only the few self-paying tenants came to meetings, after a year they had drawn 30-40 tenants, and secured names and signatures. These included some who were deep in arrears, but had come to see the organizing as a chance to wipe the slate clean. Some were additionally motivated by NWBCCC research showing the extent of HPD and ECB violations – including one for exposed wiring, issued the day before the fire – and by the news that their real landlord was an investor who lived in an actual mansion.

But many tenants did not view the landlord, or even repairs, as their main concern. They may have viewed a general clean-up of the building as a step toward changing the tone of building social life:

“Mostly [the other tenants] were interested in safety... getting rid of the drugs and the people hanging out. And to be honest, we didn’t do much about safety. We implemented the Clean Halls [police surveillance] program; or at least we tried, but we didn’t get any response [from police.]”⁶⁸

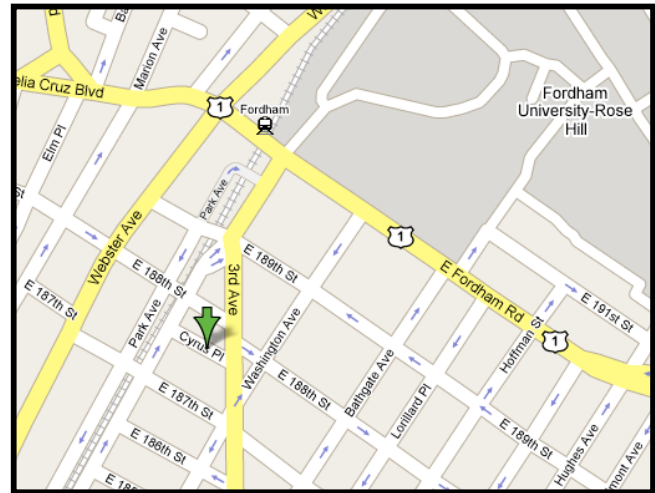
The organizing campaign, supported by tenants of the landlord’s other buildings, faced a legal morass created by the landlord/investor’s filing to stop the transfer, and the managers’ filing to

⁶⁸ *Ibid.*

be recognized as owners in place of the investor. But three years after the fire, the tenants won. A local non-profit housing developer was named as the administrator and began renovations. The 7A administrator has since been transferred to yet another non-profit organization, but renovations are ongoing and have received excellent reviews from tenants, aside from criticisms for their slow pace.

443 Cyrus Place

443 Cyrus Place is a 5-story walk-up building of 16 apartments, occupied primarily by Dominican immigrants, as well as New York native Puerto Ricans and African-Americans. Although the building is technically in the Belmont neighborhood,⁶⁹ Cyrus Place is a short block within a little



Source: Google.com

triangle of furniture shops, garages and two-family houses that is palpably cut off from Belmont by the strange angling of Third Avenue. Just above Cyrus Place, Third Avenue meets a railroad right-of-way at a sharp corner, dividing the little enclave from a commercial district and the intensively-fenced Fordham University to the north. The railroad's path, cut below street level along Park Avenue, means Cyrus Place is linked only by sporadic foot-bridges to the west-adjacent neighborhood of Fordham. To the east, a steep hill leads to the rest of Belmont, an old-time Italian neighborhood that has retained its cannoli shops, delicatessens and church-centered street culture as it incorporated more domestic and immigrant Latinos, and Albanian immigrants.⁷⁰ To the south, the

⁶⁹ "A City of Neighborhoods: DCP Citywide Neighborhood Map." NYC Dept. of City Planning, undated.

⁷⁰ Bromley, R. "Globalization and the Inner Periphery: A Mid-Bronx View." *Annals of the American Academy of Political Science*, May, 1997

blocks between Third Avenue and the railroad are a mix of residential buildings and disused or industrial lots, ending after about a mile at Bathgate Industrial Park. But in the triangle itself, furniture and garage operations spill out from storefronts to the sidewalk; several schools fill the streets with kids and parents; and the neighborhood bustles.

The building & the tenants

In 2005, at least seven apartments were occupied by people with incomes low enough to receive subsidies (two with SCRIE⁷¹ and five with Section 8.) There were at least 17 children living in the building. Ada,⁷² who later became the building organizer, had lived in the building for 20 years, along with family members in three other apartments. The other tenants knew each other to varying degrees. Most spoke both Spanish and English, and those tenants translated between the others.



443 Cyrus Place
Source: City of New York, on
PropertyShark.com

The building was showing signs of serious decay and disrepair. A pattern of vandalism had also emerged in the building, in which tenants implicate the super and manager. But the tenants of 443 were accustomed to making their own repairs, and had more or less stopped bothering to call the landlord for problems they could manage themselves.

In spite of the self-sufficiency developed by some tenants, in 2004-2005 the building was visited about twice each month by HPD inspectors, who found copious evidence of non-maintenance and poor conditions. The problems listed seem all to be the result of simple decay,

⁷¹ SCRIE: Senior Citizens' Rent Increase Exemption, a state program that freezes low-income seniors' rents; the state pays the landlord directly to make up the difference between the frozen rent and the legal rent. (New York State Division of Housing & Community Renewal. Rent Stabilization Code , 1985 <http://www.dhcr.state.ny.us/ora/pubs/html/rentcode.htm>)

⁷² Pseudonym.

rather than tenant destructiveness – and they stayed mostly unfixed over the course of the inspections.⁷³

The Crisis

In September 2005, a top-floor apartment burned. The Red Cross placed the tenants in a long-stay hotel in the Bronx, although some camped in their apartments during the day to thwart vandals. Most tenants with Section 8 left. The New York State Department of Housing & Community Renewal (DHCR) lowered each tenant’s rent to \$1.



Source: Nate DeMarse, FDNY Squad 61, Bronx
(<http://www.fdney-squad61.com/>)

When it seemed that the landlord was not actually making the repairs that would allow them to go home, the tenants started to look for help. They went to housing court, where like most tenants they represented themselves,⁷⁴ but the landlord’s lawyer simply postponed the case at each court date by claiming “that HPD was remodeling the building, although they knew that was a lie.”⁷⁵ Instead of enforcing action, the court “gave them permission to remodel, without measuring the consequences [to tenants.]”⁷⁶

At the same time, they “did a lot of door-knocking” with elected officials and city agencies. Not knowing specifically what actions to request, they asked for general help with their problems. But the elected officials and agencies were also unresponsive. “They said ‘oh, against landlords everyone is powerless.’”⁷⁷

⁷³ HPD violation reports on PropertyShark.com

⁷⁴ *The New York City Housing Court in the 21st Century: Can it Better Address the Problems Before It?* New York County Lawyers’ Association, 2005.

⁷⁵ Interview: Ada 3/23/07

⁷⁶ *Ibid.*

⁷⁷ *Ibid.*

Eight months after the fire, the tenants joined the Northwest Bronx Community-Clergy Coalition (NWBCCC.) “And thank God, because if we hadn’t found the Coalition, we would’ve had to abandon the building,” says Ada.⁷⁸ Armed with an attorney from the Urban Justice Center, the tenants intervened in the permitting process. They also began to learn about regulations governing buildings, landlords and tenancy, and became skilled in assessing legal issues around their own building.

But the added pressure in court was insufficient to the task. While the courts repeatedly ordered repairs, verification was left to infrequent HPD inspections – or, in court, the landlord’s explanations against tenants’ reports of ongoing distress. More significantly, according to tenants, the courts never issued a single fine for unresolved HPD violations. The court had no teeth. Similarly, tenants’ efforts to bring in inspectors from the Department of Buildings had little effect; although DOB issued numerous violations, they seem to be unresolved (new violations confirm the old ones, according to DOB inspection records) and no fines are attached.⁷⁹ The only inspections to produce fines appear to be those of the Environmental Control Board, which may have come as construction site visits rather than responses to tenant calls. Although the building has racked up \$21,000 in ECB fines since the fire – most through failures to appear at hearings on reported violations – none has been paid.⁸⁰

Exasperated, the tenants turned to another tactic. Through NWBCCC, they joined with other distressed buildings in the Bronx to demand action from lenders. After a period of tenant protest and organizing, Citibank representatives toured the building and agreed to conduct better

⁷⁸ *Ibid.*

⁷⁹ NYC DOB Building Information System

⁸⁰ *Ibid.*

oversight of the uses of loan funds. Tenants' apartments were remodeled, and the building is now more fully occupied than before the fire.

But the repairs have opened a new landscape of conflict between tenants and the landlord. Many tenants are still engaged in claims that the work has been shoddy, dangerous or illegal – and more specifically, that shoddy work is another tool to drive them out of their apartments.

“The future plans that exist [about the Bronx and gentrification] mean this building is going to be a co-op or a condo. And yes, the landlord is waiting for that day. But he wants the building to be empty at that time... We told him, if this building is a headache, sell it and we'll buy it! But he doesn't want to, or, he doesn't say anything.”⁸¹

While tenants believe that the 2005 fire was accidental, they say the fire department confirmed that a second fire in June 2006 was deliberately set. The tenants suspect the landlord – or another agent, since they believe the landlord has paid others to harass, threaten and commit illegal acts. Pressures on tenants have taken other forms: deferring repairs or “yessing tenants to death”, using repairs to drive up tenant costs, and threatening to use health and safety regulations to force another evacuation of the building.

Tenants, for their part, engage in a counter-currency of pressure, bringing inspectors into the building for every violation, staying in touch with lenders – leveraging every avenue of institutional regulation. Even these do not always produce results: the record of DOB inspections since the fire shows more than half with findings of “No access to building, nothing observed.”⁸² Tenants' main avenue of pressure, then, is simply staying bodily in the building. Their physical presence is the one

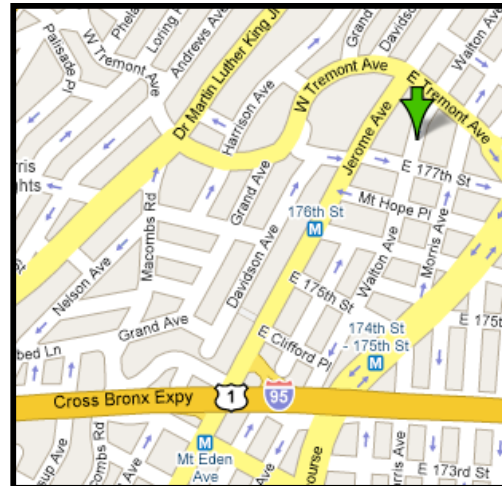
⁸¹ Interview: Ada 3/23/07

⁸² NYC DOB Building Information System

area of leverage in which they actually do better than both the landlord and the inspectors. They are there.

1920 Walton Ave.

Walton Avenue runs the entire the length of the South Bronx, parallel to Grand Concourse and about two blocks over. The buildings in the wide corridor defined by the Concourse are big, heavily laid with marble and mosaic floors, solid and built to make use of natural light and air. In its heyday, Grand Concourse



Source: Google.com

was “the Fifth Avenue of the Bronx,” where immigrant and first-generation families moved when they’d made a bit of money. By the 1960s those tenants had aged, and it became the street “where everyone’s grandmother lived,” according to my own mother, who grew up in New York’s suburbs. Walton Avenue embodies that history.

Grand Concourse travels along the top of a steep ridge, so most of Walton Avenue is on a hill, which gives a person walking around Walton a distinct awareness of being near the Concourse or going away from it. On the “away” side is Jerome Avenue, defined mostly by elevated subway tracks and businesses that can tolerate the grime, like auto glass shops. The neighborhood of Mount Hope lies between these boundaries. To the south, Robert Moses’ Cross Bronx Expressway cuts through the neighborhood so viscerally that Walton Avenue actually ends and begins again on the other side.

The building & the tenants

1920 Walton is a hulking 84-unit building with a courtyard entrance that is not grand anymore. From the late 1970s through the 1980s, it was owned by a landlord who kept the building “immaculate... an armed guard in the hallway, and trees.”⁸³ (An armed guard was a good thing, according to tenants.) Tenants lived in the building for long periods of time, knew each other and socialized together. The building, like the neighborhood, was occupied mostly by Jewish families. The first Black tenants – including the two interviewed here – arrived at the end of the 1970s.

As Willia and her neighbor tell it, the good landlord died. He passed the building to his business partner, who turned the management of the building over to a son. The son “didn’t do repairs, he just wanted the money. And that’s when we lost a lot of people,” says Willia’s neighbor. Apartments fell into major disrepair, which allowed rats – and in at least one case, fire – to spread between apartments. As frustrated tenants moved out, the landlord pulled in new tenants desperate enough to accept the conditions. This included large distressed families leaving the shelter system with rent subsidies, and the new wave of single women with children.

The tenants of 1920 Walton are low-income Black, Latino and African families, with a few elderly Jewish tenants as holdovers from the earlier era. A significant (although unknown) proportion are funded by subsidies. Even Willia, who entered the building 28 years ago as a self-paying tenant, is now subsidized. The increase in subsidy-holders reflects other changes in the lives of tenants:



1920 Walton Avenue
Source: City of NY, on
PropertyShark.com

⁸³ Interview: Willia McKeiver 3/23/07

“AIDS housing, Section 8, a lot of single mothers with Section 8... At first we had families with mother-father-children. But now we have a lot of single ladies with a lot of kids... the atmosphere has changed dramatically.”⁸⁴

Only two lines of apartments have multiple bedrooms, and another two lines are two-bedroom apartments, totaling 24 apartments. The remaining 60 are one-bedrooms. But many, if not most apartments, seem to be occupied by subsidized families with multiple children. Many of them are doubled-up (or more) with unsubsidized poor families who self-pay as subtenants.

The building went through some dramatic abuses and changes in ownership, and tenants organized in 2001, propelled by the memories of some who had known the building in its grander form. The organizing leveraged older residents’ “tenant family” bonds, and was able to draw in newer tenants by challenging the dire conditions in which they were living.

“We asked people, aren’t you tired of this crap? Got rats as big as cats, don’t you want to get rid of them? That’s a good way to draw people... The Africans had so many rats, with 9,10,11 kids sleeping on the floor. Another way was because of the plumbing. Most of them gotta be floating in water, or so many rats they’ve started killing them themselves. But no matter how much they might *not* want to fight, certain conditions will make people fight... They’ve finally come to the realization that moving don’t help. You’re still in the ghetto.”⁸⁵

The building didn’t organize until 2001, but Willia had acted on her own behalf much earlier. In 1997, she had convinced the state Department of Housing and Community Renewal (DHCR) to lower and freeze her rent on the grounds of extensive violations in her apartment. She also joined NWBCCC as an individual to address drug dealers’ colonization of her building.

“I joined the NWBCCC on the Safe Streets committee, where you have meetings with the precinct; where you anonymously give the police locations and tell them what [dealers] are

⁸⁴ Interview: Willia McKeiver 3/23/07

⁸⁵ *Ibid.*

wearing, draw ‘em a picture if you have to. Other people didn’t necessarily want the police in here, but that’s how I felt and I wasn’t that much concerned with how other people did. Made it hard to organize, but I did it by myself.”⁸⁶

During most of Willia’s battles she worked on her own, learning her rights and the means available for pursuing them at the same time. But her confidence to do that came from an earlier organizing experience. She had lived in a Harlem building that was abandoned outright by the landlord. Tenants took it over, paid their rent into a maintenance fund and made repairs. Like the tenants of 1920 Walton, she had known next to nothing about the regulations governing housing quality – until, as has also happened in many buildings, “a girl from Mount Hope [housing advocates] came into the building and asked if we wanted help, and we learned a lot.”⁸⁷

In all three buildings, the tenants are overwhelmingly poor, their relationship to authority and enforcement is delicate, and they organized only when crisis pushed them to the point where it was just unavoidable. (The landlords are a bit more diverse, and their motives more difficult to tease out. They’re explored in Chapter 5.) In spite of major habitability problems, the tenants simply had no meaningful access to official channels of redress. Until they organized – and as their buildings deteriorated – it seems that no one was watching.

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*

CHAPTER 4

WHO'S LOOKING OUT FOR THE BRONX?

On paper, the city's buildings are jointly regulated by the Department of Housing Preservation & Development (HPD) and the Department of Buildings (DOB.) The two agencies share responsibility for preserving the safety and quality of existing housing stock; HPD by addressing "housing standards" including health and safety issues for tenants;⁸⁸ DOB by addressing issues with building structure and systems including sprinklers, boilers and elevators.⁸⁹ State regulations additionally outline rules to be enforced, in plenty of detail: what landlords can charge for apartments, what the tenant can do to the apartment, how the apartments must be maintained, how the value of amenities should be measured, how repair requests should be handled, how loud neighbors can be, how hot apartments must be, etc.⁹⁰

But in practice, regulations only govern buildings when someone notices and reports a breach. Since apartments are private spaces and the guts of a building are not generally on view, noticing is left to tenants – or at best, to advocates who seek out problem buildings in order to foster and support tenant reporting. The three case studies presented here illustrate (among other things) how tenants struggle to gather and present data to a regulatory system that is not designed to receive it; and how the monitoring system misses, or even obscures, critical information.

DOB violations are identified by inspectors' visits to buildings, but those visits are not systematic. Instead, they are overwhelmingly conducted in response to tenant calls. In online reports about the case study buildings, callers state that buildings are shaking, illegal construction is underway, elevators are dangerously non-functional, bricks are falling, walls are cracking; in other

⁸⁸ New York City. *Housing Maintenance Code*, 1999

⁸⁹ New York City. *Building Code*, 2004

⁹⁰ New York State. *Multiple Dwelling Law*, 1929

words, that buildings are deteriorating to the point of crisis. Inspectors' responses show that tenants may call several times before the dispatched inspector can even gain access to a locked building; that while one inspection may result in a finding of "no action necessary based on observation," a subsequent inspection will confirm the complaint. This occurs repeatedly in records for the "1% sample" of Bronx buildings described in Chapter 6. In the many cases where DOB inspectors do issue violations, they are dismissed without further inspections when landlords self-certify repairs or pay fines at hearings.

HPD also conducts the vast part of its inspections in response to tenant calls. An inspector is dispatched to the building, often during regular working hours. If the inspector finds the tenant at home, they ask for access to the apartment and document any violations they see. The tenant may point out specific problems or not; the tenant may open the apartment completely for inspection, or deny the inspector access to some rooms. The inspector might knock on other doors in the building, and inspect other apartments, or not. If violations are apparent in the common areas of the building – if a rat runs across a hallway, leading the inspector to look for more signs of infestation – those may be added to the list. If not, no other violations are reported. The violation logs, which become the official public record on the condition of a building, reflect this piecemeal access. In 1920 Walton, for example, a sagging floor in one apartment is reported on one inspection visit in January 2006, while a concealed leak in the upstairs apartment is noted in February.⁹¹ Whose job is it to make the connection between the two reports, or to assess how deeply to target the repairs? What might happen to this building? Who knows about it? The regulatory process leaves gaping questions for Bronx buildings, and for the stock as a whole.

⁹¹ HPD violations records.

Not the tenants: poor, alienated and off the radar

The process of monitoring issues in buildings suffers enormously from its reliance on tenants. First, the personal engagement required for a tenant to carry out enforcement complicates building issues with the tenant's own social and economic issues. In *American Apartheid*, Massey and Denton trace the connection between physical, social and economic segregation to intensive alienation from the paths of information and resource-provision available to other populations.⁹²

Tenants also have interpersonal relationships with their landlords that are burdened by race, class, gender, immigration and other power imbalances. Landlord attacks on low-income tenants' social position are not uncommon. While very little information is gathered officially on these attacks,⁹³ a 2003 survey by Mothers On the Move polled tenants of 18 low-income buildings on their interactions with management staff. 95 tenants, or 56% of respondents, said they'd received "disrespectful treatment" from management. 13 people reported that management had hung up the phone on them, 27 people had been misled or given conflicting information, and 11 had been directly harassed. Another 24 respondents declined to answer that survey question, possibly fearing that answering would create problems for them.⁹⁴ This data mirrors broader reporting on the tone of landlord-tenant interactions, both historically and in the present.⁹⁵

Social attacks take on additional power when they are combined with efforts to force tenants out. At 443 Cyrus place, for example, Ada's communication with the building manager over a billing dispute quickly translated into a forum for epithets and social accusation. In 2004, the landlord's agent sued Ada, claiming she owed \$54,000 in arrears, or nine years' worth of rent. She was not yet

⁹² Massey, D. & Denton, N. *American Apartheid*. (1993)

⁹³ Housing courts receive complaints about harassment but do not produce reports, nor analyze complaints for socioeconomic content. Advocacy groups like New York's Citywide Task Force on Housing Court occasionally issue papers on observed court trends, but have not yet documented this component of landlord-tenant interactions.

⁹⁴ *Key Findings Report, Mothers on the Move Tenant Survey*. The Community Development Project of the Urban Justice Center, 2003. Results of community-based documentation of housing conditions in the South Bronx.

⁹⁵ Nielsen, Rachel "Housing Court Judged Inadequate." *CityLimits.org*, January 29, 2007

involved in tenant organizing and did not have much information about her rights. But she challenged the claim out of necessity.

“I sent him a letter with all the receipts from the rent I’d paid him in that time period. I wrote it in Spanish. He speaks Spanish. He wrote back... that he’d been here since 1974 and *he speaks perfect English* [and I’m less than him because I don’t], and called me *mequetrefe*.⁹⁶ Which is a very, very bad word. That was his answer.”⁹⁷

The tenants’ sense that management viewed them as unworthy or disposable was heightened by the extreme disrepair of the building. And it was further complicated by the fact that the manager’s own identities: white, so he claimed some superiority over the Black and Latino tenants; but an Albanian immigrant and also subject to discrimination in the city’s racial hierarchy. Within weeks the bill was settled for \$144, suggesting the triviality of the claim. In hindsight, Ada realized not just that the claim was intended to harass her, but that the slur was a deliberate conjuration of social position to leverage power in the landlord-tenant business transaction. “It was because he was starting to [try to] get us out.”⁹⁸

Not the landlords: wielding social power in the housing market

Even when landlords do not set out to disempower tenants, prevailing prejudices shape landlords’ relationships to tenants; and through them, tenants’ ability to challenge landlords by requesting enforcement. Low-income tenants in New York City are overwhelmingly Black, Latino and/or immigrants from poor countries, while landlords are overwhelmingly white and native-born or immigrants from wealthy countries. In the Bronx in particular, the stereotype of the Jewish

⁹⁶ *Mequetrefe* (n.): nosy, arrogant and insignificant person; “trifling”

⁹⁷ Interview: Ada 3/23/07

⁹⁸ *Ibid.*

landlord is pervasive (and in fact, Jewish landlords are not uncommon.)⁹⁹ This brings with it the psychological baggage of historical landlord-tenant conflict, in which the tenant is clearly cast as the underclass, deprived of credibility as well as humanity and value. While the Jewish landlord stereotype misses the vast range of owners currently operating in the Bronx, the reality of the social divisions between the Bronx's white landlords and their brown or Black tenants holds true.

The divisions clearly disadvantage tenants to the extent of challenging their motivations, judgments and credibility. A landlord advocate and former manager illustrates this in her recollections of managing Harlem buildings (meaning low-income Black tenants.) For her, it seems, the tenants and the disrepair were the same.

“[The buildings] were very difficult. Management becomes more and more difficult when tenants don't have social responsibility. There were broken front doors and graffiti in the vestibule all the time.”¹⁰⁰

Asked if the damage came from tenants of the buildings or outsiders, she acknowledged that the tenants were generally not at fault. Even so, she could not separate the tenants' *expected* behaviors from the building's problems. “90% of the time it was outside people. But often it was the teenaged kids of the tenants, or parents who come home drunk.”¹⁰¹ Although the syntax is subtle, “coming home drunk” is not described a *past* occurrence in her explanation, but as a characteristic.

Landlords' social and economic animosity translates into a rejection of tenants' right to assess deficiencies in their housing. As the Harlem landlord put it, housing advocates “should spend more time worrying about the behavior of the people in the neighborhood, and less getting after

⁹⁹ This does not seem to be definitively documented in current literature. But community organizing reports, title document data-mining and extensive sampling of building ownership point to many Jewish owners and building managers in the Bronx.

¹⁰⁰ Interview: Landlord and small owner advocate (anonymous) 4/13/07

¹⁰¹ *Ibid.*

owners and helping tenants with the ‘free rent’ trick.”¹⁰² She also seems to find her beliefs affirmed by the fact that tenants aren’t seeking their *own* private property; as if renting is itself somewhat parasitic:

“The government has a lot of programs for people in low-income housing to help them be first-time homeowners. But [in the past, HPD tried to deal with derelict buildings] by offering tenants the opportunity to buy their apartment and make the building better... And HPD was extraordinarily disappointed, because most tenants were not interested in buying. As long as they didn’t have to pay rent, they didn’t mind living in a hovel. Which brings me back to lack of pride and personal and welfare dependence.”¹⁰³

This logic appears in the literature of social exclusion theory: poor people’s social alienation is derived from lack of participation in the economic mainstream.¹⁰⁴ In the case of Bronx tenants, alienation derives not only from lack of economic participation through undereducation, underemployment and lack of reward proportional to work; an additional layer of exclusion is derived from wealthier people’s perception that poor renters have squandered housing and other opportunities. Weighty arguments can be made for low-income tenants’ refusal to buy their distressed apartments (egregious building conditions for which tenant-owners would become responsible, poor management support from HPD, poor success rate) and for low-income home ownership programs (work and income requirements beyond the reach of most low-income renters, economic stresses that consume time and funds that would be needed to maintain a home), but they go uncounted.

On the flip side, in the two case-study buildings where tenants had met their landlords face-to-face, all interviewees’ first descriptor of any Jewish landlords was “Jewish.” The term itself was

¹⁰² *Ibid.*

¹⁰³ *Ibid.*

¹⁰⁴ Somerville, P. “Explanations of Social Exclusion: Where Does Housing Fit In?” *Housing Studies*, Vol.6, No. 13, 1998

completely devoid of disrespect; in fact, the interviewees went out of their way to say so. To them, it only connoted “white”, “privileged” and “separate”; and described the extent to which control over the building was separate from them.

The fraught relationship between low-income tenants and their landlords does not seem to allow for either to explore the subtleties of the other’s economic and social identities. (If they did, tenants would still be seriously disadvantaged.) Instead, tenants’ and landlords’ crude socioeconomic, race-linked perceptions of each other create the environment in which they are supposed to operate as co-regulators of building quality.

The trouble with authority: accessing it, avoiding it

Real and perceived inequalities created two major barriers to tenant reporting on building conditions in the case study buildings. First, none of the tenants knew about the reporting system, much less about the rights and protections that would allow them to use it, until their buildings reached crisis-level decay. (Willia of 1920 Walton did enter her current building with a working knowledge of the regulatory system, but only because she had already lived in a building that had reached crisis.) Tenants learned about the regulatory system only *because* their buildings were in so much trouble that community organizers sought them out. While no citywide data is available on the proportion of New York City tenants who have never heard of HPD, a survey specifically of immigrant tenants found that 62% did not know any code enforcement agency existed.¹⁰⁵

Gus’ experience in 3569 DeKalb reflects both tenants’ lack of regulatory information and, in the absence of agency support, their desperate alternative strategies to try to create landlord accountability. Although most tenants were English-speakers and legal residents, they were unversed in the formal institutions of tenancy other than “landlords” and “tenants.” They knew their rent

¹⁰⁵ n=697; *Hear This! The Need for Multilingual Housing Services in New York City*. Communities for Housing Equity Coalition, 2006

would go up at each lease renewal but were not aware of limits on how much rent could increase, or how increases were determined. Although they knew they could accrue a certain amount of arrears before the landlord sued them to demand payment, they did not know they could also initiate court actions to demand their own rights. In some cases tenants used non-payment to *get* to housing court; hoping an eviction proceeding would be an opportunity to have the court order repairs. But even that option, written into housing law as a protection for tenants, is not available to many low-income tenants – anyone whose rent is partially paid by New York’s welfare agency is legally *prohibited* from withholding rent for any reason.¹⁰⁶ Although the city reports that its agencies are being accessed much more broadly by New Yorkers since the advent of its “311” hotline, information about code enforcement remains specialized knowledge.¹⁰⁷

Second, reasons for low-income tenants to avoid calling code enforcement are numerous, even for tenants who know how. Voucher-based Section 8 tenants are notoriously shy of code enforcement, because the Housing Authority’s payment on vouchers is contingent on the apartment being in decent condition. The tenants often fear that their rent checks will be stopped (with or without their knowledge); that they might be forced to move (while finding landlords willing to accept the vouchers is increasingly difficult); and that they might lose their subsidy altogether (either by failing to find an alternative apartment within the required time period, or just by revving up the machinery of a subsidy process that is difficult to navigate and expels people from the program on technicalities.) These fears are not unfounded; the danger to tenants is great enough that Section 8 advocacy groups nationwide are now pursuing federal legislation to mitigate it. Meanwhile,

¹⁰⁶ Goodman, Emily Jane, “Withholding Rent While on Welfare” *GothamGazette.com*, May 2004

¹⁰⁷ “Mayor Michael R. Bloomberg celebrates the one year anniversary of the 311 citizen service hotline.” (Press Release.) NYC Mayor’s Office, 2004.

anecdotally, Section 8 tenants have on many occasions been pushed out of apartments when inspectors documented substandard conditions.¹⁰⁸

Adding to fears about institutional engagement, low-income tenants are often involved in underground and informal economies. Welfare subsidies are not enough to live on. On-the-books work often pays little, and for welfare recipients, reduces the amount of the entitlement.¹⁰⁹ Even subsidies that require tenants to pay “only” 30% of their income in rent leave their beneficiaries with little money for anything else. Low-income people in general, as a matter of survival, leverage the resources available to them. Entrance into the informal economy is a natural and commonplace event. Informal economic activity is often considered a violation of subsidy, lease or law.¹¹⁰

Within the informal economy, a housing subsidy is an incredibly valuable leverageable resource – particularly for people who are willing to withstand some discomfort themselves in order to raise needed cash – because apartments can be subdivided to bring in additional rent. In the two larger case study buildings, doubling-up was the norm. Willia describes her neighbors’ dilemma:

“American Black people don’t like to double up. But...the Africans do four families, and the others two at least. A blue collar person cannot afford New York City rents.”¹¹¹

Gus reports the same: doubling-up alongside other income-augmenting strategies. In most cases the strategies have to be secret; otherwise income is deducted from subsidies or recipients are deemed to be “too wealthy” to qualify. This is a problem across the board for subsidies that mitigate, but do not actually alleviate, poor people’s income crises.¹¹²

¹⁰⁸ Emily Patterson, Seattle Tenants’ Union Section 8 Organizing Project, phone interview 4/27/07

¹⁰⁹ Cauthen, N. *When Work Doesn’t Pay: What Every Policymaker Should Know*. National Center for Children in Poverty, June 2005

¹¹⁰ Venkatesh, S. “Getting Ahead: Social Mobility Among the Urban Poor.” *Sociological Perspectives*, Summer 1994

¹¹¹ Interview: Willia McKeiver 3/23/07

¹¹² Cauthen, 2005

But doubling up is illegal according to subsidy contracts, housing code *and* individual leases. So is truancy, even if kids are skipping school to help their parents make rent. And so is drug dealing, from which more than one tenant in 3569 DeKalb derived their income. Here again, tenants have obvious reason to fear the presence of authorities. In a building where the informal economic activity included violent, quasi-organized crime, involved tenants actually stopped Gus and other tenants from accessing it. As the instigator of tenant-driven code enforcement in his building, Gus himself came under violent attack from his neighbors. Ultimately, he moved out of the building in fear of his life.

Section 8 tenants at 443 Cyrus Place never engaged with building-wide organizing, so their feelings about engaging in code enforcement are unclear. But HPD violations history shows that their building was visited by inspectors – who usually saw the same apartment on each visit – multiple times in the years before 2005.¹¹³ The occasional reports of violations in other apartments likely mean that the inspector sometimes found other tenants at home who agreed to show their apartments. But at least seven apartments occupied by subsidy-holders were never inspected. It seems very probable that some of those tenants actively refused inspectors entry. While speculation about the reasons may not be useful, the *avenues* for speculation are telling: the tenants were subsidized, they were poor, they were rumored to have side deals with the super. As with so many Bronx tenants, a slew of possible factors existed that might have kept them from cooperating with authorities to enforce housing quality.

This picture extends outward through the Bronx. Throughout the borough, 22% of apartments are rented to subsidized tenants. In several swaths of the South Bronx, more than 46% of units are rented with subsidies. (To understand the magnitude of that effect, consider that the case study buildings are in neighborhoods with much lower proportions: Ada’s and Willia’s are 34%

¹¹³ HPD violations history as posted on PropertyShark.com.

subsidized, Gus' is just 19% subsidized.)¹¹⁴ There are no specific statistics for how many families live doubled up in the Bronx, but the mass homelessness that begins in the Bronx (like homelessness citywide) is frequently preceded by doubling up. The necessity for nearly-homeless families to find doubled apartments, combined with the strong informal economy created by low subsidies, underemployment and the Bronx's 12.7% unemployment rate¹¹⁵ essentially guarantees widespread, necessity-driven but illegal uses of apartments. Bronx tenants are simply not a population that can freely expose private identities through the public process of code enforcement, nor generally run the risk of "counter-enforcement."

No teeth & no eyes: the paper tiger of building regulation

Even after inspections document illegal conditions, tenants aren't relieved of their policing duties. Enforcement of repairs falls again to the tenant, who is supposed to pursue them in housing court if the landlord doesn't comply. But the courts are of little help: landlords' easy capacity to defer court dates, non-enforcement of fines, the near impossibility of criminal charges, and general lack of consequences for non-compliance mean landlords have little regulatory incentive to make even cosmetic repairs.¹¹⁶ The single real threat to landlords is the HPD Emergency Repair Program, which in a few extreme cases enacts direct enforcement. Under this program, HPD hires contractors to perform repairs (generally doing poor patchwork at inefficient prices, by according to both landlord and tenant advocate interviews) and bills the owner.¹¹⁷ Otherwise, tenants' recourse (unless they find means of exerting pressure *outside* the regulatory system) is in persistently dragging the

¹¹⁴ Furman Center for Real Estate, 2006.

¹¹⁵ Furman Center for Real Estate, 2006.

¹¹⁶ *Inequitable Enforcement: The Crisis of Housing Code Enforcement in New York City*. Association for Neighborhood and Housing Development with The Public Advocate for the City of New York, 2003

¹¹⁷ To understand *how* few these cases are, and what minimal threat they pose to landlords, consider that legislation before the City Council would provide for the ERP to increase its capacity for systemic repairs to 200 buildings per year, citywide. This is detailed in Chapter 6.

landlord and themselves to the city’s housing court. If *pro se* tenants can withstand pressure from the hired attorneys who frequently represent landlords in court, they can ask the court to inspect, order repairs and create a further public record of habitability problems. But the court’s enforcement consists mainly of re-sending HPD inspectors to check up on the progress of repairs. Often, the best courts can offer to tenants with time, confidence and endurance are rent reductions that may act as economic incentive to a reluctant landlord. Ultimately, enforcement that does take place is often achieved at great cost to tenants in time, money and opportunity. After the fire in 443 Cyrus Place, for example, the organizer and her neighbors spent months going between their Red Cross shelter and the courthouse, pleading for basic restoration of their homes. “We went to court, and the lawyer just kept postponing the date. That’s all that happened, ever.”¹¹⁸ Ultimately, they found their leverage with the landlord’s mortgage-holder instead.

Beyond the inadequacy of tenant-driven enforcement, the regulatory limits itself even further by relying on tenants even for general *information* about building conditions. While landlords are legally required to file information about rents charged, and to have boilers, elevators, gas lines, construction etc. approved through a permitting process, these are one-time engagements that do not serve to track a building over time. The regulatory system’s knowledge of a building’s real-world operations is gathered mainly through tenant reports.

It suffers even further from the lack of a system for monitoring data that *are* collected on each building. When violations are not dismissed and landlords fail even to appear, DOB’s database shows that fines levied – even those ranging into the tens of thousands of dollars – go uncollected. (A thorough examination of several buildings’ DOB records is included in Chapter 6.)

Technically, it should be noted, tenants are not the only responsible party for code enforcement. Landlords, too, are responsible for maintaining buildings, noticing problems and

¹¹⁸ Interview: Ada 3/23/07

maintaining appropriate contact with regulators. But landlords are often absent or obscured. More worrisome, as a group they are less and less concerned with the quality of their buildings in the near term. Their role in regulating building quality is no more assured than the role of tenants.

Unable to rely on landlords, tenants, or even its own information-gathering, the housing regulatory system simply does not have a workable mechanism for knowing when a building is approaching structural crisis, nor for preventing crises, nor for mitigating the power imbalances that threaten buildings, nor for balancing the property rights of landlords against the public's right to a decent pool of housing.

CHAPTER 5

IN THE VACUUM: INVESTORS INVENT THE BRONX

The City may not be doing well at running the Bronx as a housing pool, but someone else is trying their hand at it. Since 1996 more than 1,800 of the Bronx's 4,650+ large, prewar rental buildings have been bought and sold in the Bronx at least once – meaning that at least two-fifths of our buildings have had their futures signed off (on) by a lender and an owner, both acting as investors. Looking back to 1990, more than half have been bought and sold at least once.¹¹⁹ Many more have been refinanced, which also puts them at least nominally under banks' direction.

Regulatory frameworks on paper, from HPD's rules for operating buildings to mortgages' "good repair" clauses, direct landlords to maintain their properties, deal with the human needs of tenants, and operate their buildings as *bona fide* housing. The history of real buildings, including the Bronx's buildings, shows that some landlords enter into ownership with those intentions and others don't; some set up the terms of their ownership, through financing and maintenance decisions, in ways that ultimately prevent them from doing it.

The Bronx's history illustrates how important it is to understand how investors, including owners, are viewing their properties. It is especially important now, as the Bronx is changing. The beginnings of housing-driven gentrification are clearly setting the backdrop for some landlord-tenant struggles, and some investors are clearly banking on it. But other investment patterns point more toward the old pattern of abandonment. Although investors' motivations are often fairly secret and sometimes difficult to divine, a look at the larger market and then at the case studies within that market, describes a range of investment and ownership approaches.

¹¹⁹ United Neighborhood Housing Program Building Indicator Project

The Bronx is hot

The buying craze in the Bronx is the subject of big buzz. The *New York Times* and other city papers, catering to the persistent question of where an upper middle-class person might still be able to buy a home, have been touting newly-converted co-ops in previously untouted Bronx neighborhoods.¹²⁰ The sale prices of whole buildings have increased by around 60% over the last decade.¹²¹

It's not hard to understand why Bronx apartments for sale are hot: they're cheaper than apartments elsewhere, and buyers either feel fine about living in mostly-rental, mostly-poorer neighborhoods and/or expect the neighborhood to gentrify.¹²² But the rationale for Bronx building sales volume and prices is less obvious. Research conducted by the University Neighborhood Housing Program (UNHP) indicates that the 60% price escalation over the last decade has come *without* a parallel increase in actual income from buildings. In fact, the research (which adjusts both building sale prices and rental income for inflation) finds that rental income has been relatively constant. Anecdotally, community groups report an enormous increase in the multiple of rent rolls for which buildings are selling "in the range of nine to ten times rent roll" as opposed to the usual multiple of two to four.¹²³ Among the market-watchers interviewed here who have *not* been recent buyers, these prices smack of manipulation; they don't make economic sense. As UNHP's Executive Director Jim Buckley put it, "I keep thinking there must be some John Grisham novel in this story."

A few factors, taken together or separately, might explain Bronx bullishness. Some investors, including some interviewed here, firmly believe in the "upside" potential of the Bronx market – the

¹²⁰ See, for example, Cohen, J. "The Hunt: Fitting Alaska Into the Bronx." *New York Times*, April 22, 2007

¹²¹ Buckley, J. and O'Leary, C. *A Real Estate Bubble in the Bronx? A Study of Trends in Bronx Multifamily Housing Pricing, 1985 to 2001*. United Neighborhood Housing Program, 2003

¹²² A proliferation of articles on middle- to upper-income Bronx buyers references these motivations; they include Cohen, 2007 above; see also Hughes, C.J. "Living In: High Brigade, the Bronx, Home of the Bronx Roar" *New York Times*, May 20, 2007 and Appelbaum, A. "Built for Comfort, Not for Speed." *New York Magazine*, May 9, 2005

¹²³ *Rising Values In a Highly Subsidized Market*, United Neighborhood Housing Program, March 2005

likelihood that rent rolls will increase enough, and within the buyer's time frame, to justify the sale price.¹²⁴ (In 2003, for example, the Bronx was not even included in real estate giant Massey Knakal's tabulations of New York multifamily sales.¹²⁵ It is now.) Given housing pressures in Manhattan and other boros, the Bronx's relatively low rents and development initiatives targeted to specific Bronx neighborhoods, the expectation of rising prices is fairly intuitive.

The proliferation of low-interest loans also appears to be driving prices: the cost of loans is relatively low, so for the moment borrowers can support their debt service and the operations of their buildings on the rents paid by current low-income tenants.¹²⁶ This approach, too, is supported by the expectation of gentrification. The "typical multi-family loan" is a 10-year loan with a 5-year fixed interest rate, and an upwardly-adjustable rate for the next five years. Since interest rates are likely to rise from their low point, borrowers would have to believe that by the time their mortgage becomes adjustable-rate, they could increase building income to cover increased debt service.¹²⁷

Supporting this market view is the idea that "the city as a whole is doing well, housing pressures show no sign of abating and cash is abundant. So investors seem to look at Bronx buildings as a safe harbor for unusually long-term investments."¹²⁸ One new buyer explained to Jim Buckley just how long-term his goals are:

"He had two reasons [for buying a Bronx multifamily building]: he had cash and needed to do something with it, and he wanted to give something to his grandkids. He didn't expect the building to make money till his grandchildren were ready to use it – that's some very patient capital. But most of the stuff we hear is that people have money that they made in the stock market, or they just think Bronx real estate has upside potential and is safer than the stock market."¹²⁹

¹²⁴ Interviews: Frank Anelante 4/16/07 and Manny Stein 4/9/07

¹²⁵ Oser, Alan S. "For Rental Buildings, A Rising Market" *New York Times*, October 5, 2003

¹²⁶ Housing Bubble and Interviews: Frank Anelante 4/16/07 and Jim Carpenter 4/19/07

¹²⁷ Interview: Jim Carpenter 4/19/07

¹²⁸ Interview: Frank Anelante 4/16/07

¹²⁹ Interview: Jim Buckley 4/9/07

Private capital has also generally become more available as increasing wealth lands in the pockets of stock market investors. This “free range cash”¹³⁰ fosters a new set of housing investors seeking to avoid capital gains taxes; park their capital in an investment with high returns; and, in that owners of capital are not necessarily owners of information, generally “jump on a bandwagon” of investment in commercial real estate.¹³¹ At least one pool of these buyers is suburban professionals, for whom making a “nest egg” real estate investment would not be a strange event.¹³² A cursory analysis of groups of 2-3 buildings sold as bundles within the last five years finds that many are registered to professional offices (apparently non-real estate-related) or residential addresses in Long Island and Westchester.¹³³

But a separate category of investment does not seem to bank on gentrification. Instead, it banks on IRS tax code governing real estate transfer, capital gains tax and depreciation. U.S. Internal Revenue Code Section 1031¹³⁴ creates conditions under which investors profit simply from holding and exchanging real estate, apart from drawing rental income. The code allows investors to avoid taxes on capital gains from the exchange of like-kind real estate,¹³⁵ so they can accumulate wealth by “trading up” for increasingly valuable properties, depreciating them, and then reselling them at a gain (in an exchange for another property) without being taxed on the gain in value.¹³⁶ Since the transactions are exchanges, each participant is both a buyer and a seller. As a seller, the participant

¹³⁰ Interview: Jim Buckley 4/9/07

¹³¹ Interviews: Jim Buckley 4/9/07, Manny Stein 4/11/07

¹³² “Invest your nest egg in a house?” *Kiplinger's Personal Finance Magazine*, undated; posted on the website of the IRA Association of America 5/23/07.

¹³³ Tabulations from UNHP’s dataset, cross-referenced with registration information from the NYS Entities and Corporations Database, Google.com keyword searches and Google.com mapping.

¹³⁴ IRS code: Title XXVI, §1031 in *US Code Collection*. Cornell Law School, undated.

¹³⁵ “Like-Kind Exchanges – Real Estate Tax Tips” US Internal Revenue Service, undated.

¹³⁶ A proliferation of tax/investment blogs are also devoted to this topic, including www.1031alternatives.net, www.1031x.com and myriad others.

realizes untaxed gain; and as a buyer they can acquire a property that's much more valuable than they might otherwise have been able to afford, since the purchase is tax-free.¹³⁷

For relatively small investors like Manny Stein, Section 1031 of the IRS code “makes it beneficial not to sell real estate”¹³⁸ but to exchange it instead, by reducing taxes on such exchanges and effectively penalizing those who “try to get out of real estate”¹³⁹ altogether. For landlords seeking to profit off of relatively low-rent buildings instead of getting out of the Bronx market, this may encourage milking or deferring maintenance; for others it encourages trading their properties for real estate elsewhere, which likely means transferring them to outside investors who, historically, are less likely to maintain buildings than local owners.¹⁴⁰

For larger investors who have the resources to manage large portfolios over time, through, Section 1031 offers a vast opportunity for free money for holding and then transferring buildings. The more buildings investors can hold in their possession, the larger the tax credit and the greater the opportunity to collect by exchanging the buildings for others.¹⁴¹ An additional element of Section 1031 to support large-scale outsider investment is the Tenant-in-Common rule, by which investors are exempted from participating in management.¹⁴²

The free money/no management scenario holds several meanings for Bronx buildings. First, higher prices are actually more profitable for these investors since they increase the value of the exchange, decrease recorded gains and yield higher annual depreciation. Second, the state of the actual buildings is fairly irrelevant, as long as they stand up long enough to be transferred, and as long as prices continue to be insensitive to buildings' real-world conditions. Third, tenants'

¹³⁷ Rosenfeld, Joel “Section 1031 - tax deferred exchanges: 'Real estate's best-kept secret for tax relief'” *Real Estate Issues*, Winter 2000/2001, and Interview: Felice Gelman 5/17/07

¹³⁸ Interview: Manny Stein 4/11/07

¹³⁹ *Ibid.*

¹⁴⁰ Sternlieb, 1966 and Sternlieb & Burchell, 1973, and Interview: Laura Jervis 4/6/07

¹⁴¹ Interview: Felice Gelman 5/15/07

¹⁴² Topley, B. “TIC 1031 exchanges high yield solution” *Real Estate Weekly*, Sept. 29, 2004

objections to conditions – even to the point of rent strikes – are largely meaningless because owning the buildings is profitable independent of rental income.¹⁴³

Although Section 1031 transfers are a fairly recent phenomenon – allowed since 1986, but invigorated later by subsequent amendments to code and investor buzz¹⁴⁴ – they bear some resemblance to the tax code-driven depreciation tactics that once led inner cities to abandonment.¹⁴⁵

Fuel to the fire: troubled buildings and a sellers market

Not all “craze” investment is predicated on gentrification, but the current owners interviewed here note that the expectation of gentrification among less sophisticated small-scale investors, seems to be fueled by the inflated prices fueled by 1031 exchanges. The current owners, on the other hand, are not sold on the “upside.” UNHP interviewed sellers and found that:

“some are selling because prices have gone so high that it would just be foolish not to sell. A lot of owners – including some non-profits – are saying ‘we’ll sell it now and anticipate we can buy it back down the line when prices drop.’”¹⁴⁶

Other owners are selling because they find that actual operating costs are simply not supported by rents. Frank Anelante, a seasoned real estate owner/manager who takes the long view on his properties, sees the current Bronx market as unreasonably inflated and is hesitant to engage with it. But he also sees the logic in selling. For owners of occupied units, rules for operating and

¹⁴³ Investors may not be interested in rental income, but Section 1031 requires them to have some role in management. This requirement seems to be fulfilled by contracting management to semi-independent managers, who collect rent and are responsible for maintaining the building. It’s unclear in many cases whether managers are generally expected to run the buildings off of their operating income, or whether operations are directly supported by investors as well. But the reluctance of managers to disclose whether they are, in fact, landlord/owners – noted by tenants in all three case study buildings – suggests that the owner/manager relationship is a feature of investment strategy.

¹⁴⁴ Rosenfeld, 2000; McLinden, S. “1031 Exchangers Test the Waters” National Real Estate Investor, June 2004 and Interview: Felice Gelman 5/17/07

¹⁴⁵ Sternlieb & Burchell, 1973

¹⁴⁶ Interview: Jim Buckley 4/9/07

repairing apartments are “onerous,” and “long-term owners, people who inherited their buildings, third-generation owners are getting out of the market.”¹⁴⁷ These owners’ troubles highlight the unsustainability of operating Bronx buildings bought at inflated prices – at least for owners who intend to operate them in good faith. The buildings are also going to be expensive to run, and don’t produce big incomes. Rather than speculators waiting for a future profit, or recent buyers whose operating costs may initially be floated by mortgages, they’re running buildings on their current income. And they’re finding it difficult. Cost problems especially threaten Bronx housing because their history means they’ll need more than just cosmetic repairs. According to Frank Anelante, the fiscal balancing act is further complicated by rules that push landlords to do repairs in bulk, instead of incrementally.

“Buildings that haven’t been renovated are starting to deteriorate even more. [But] the city passed a lead paint law that made it really onerous to do moderate rehab... And part of moderate rehab is structural repairs: replacement of beams in bathrooms, etc.

“It used to be that I could go into an occupied apartment, cover the work areas during the day, restore water at night and resume the next day. Now the law requires that before tenants come back in we have to have an independent testing agency test the air for lead. It takes 3 days just to get results back! So now if we want to do rehab, we have to relocate people... It’s arduous, expensive, disruptive to tenants. So production [of both cosmetic and structural rehab] has dropped. I was doing 200-300 moderate rehabs per year before, but I haven’t done any for the last 2 years.”¹⁴⁸

Instead, Anelante points out, owners are forced either to allow their buildings to deteriorate or just sell. And in fact, the sales volume on 5- and 6-storey prewar buildings has increased

¹⁴⁷ Interview: Frank Anelante 4/16/07

¹⁴⁸ *Ibid.*

enormously since the 1970s. Total sales volume over time is difficult to ascertain, since only the *last* sale of each building appears in UNHP’s data, and other market reports don’t detail sales volume specific to the Bronx. But the UNHP data gives shape to the real estate gossip. A huge jump in early 2007 sales reflects a bundled purchase of 41 buildings throughout low-income Bronx neighborhoods by an anonymous foreign LLC. The company’s US jurisdiction is in Delaware, a location of choice for usurious investors.¹⁴⁹ In the previous year, the numbers were boosted by large bundled sales on one end: including 10 buildings to a California-based group currently under pressure for profiteering through strategic disrepair there, at least 21 buildings to an investor listed only through a New York law firm, and 28 to a New Jersey-based investor in low-income housing. On the other end, they were boosted by huge numbers of small bundles sold to local investment groups, individual foreign investors, and small, suburban individual partnerships that look very much like family nest eggs: 6 and 7 to two Long Island investors; 6 to an investment company on their “first major venture into the Bronx,¹⁵⁰” and many other 1-3 building groupings.¹⁵¹

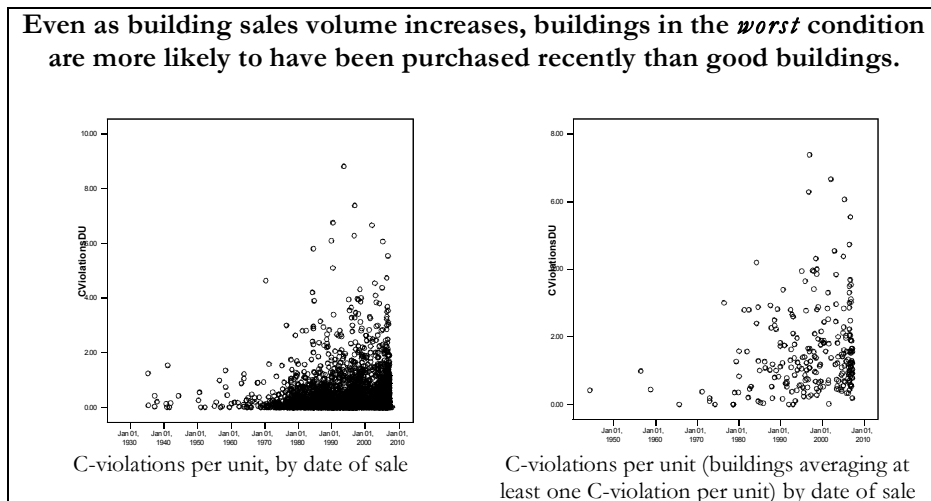
The volume of sales is worth repeating, just for its enormity: 40% of the building stock that typically houses low-income Bronx renters has changed hands in since 1997. Half of those sales have occurred in just the last three years. And in keeping with Frank Anelante’s assessment that owners are selling because they can’t afford maintenance, the buildings sold are of increasingly bad quality. The graphs below show how buildings sold since 1990 are currently in the worst condition of all of

¹⁴⁹ The information on building owners listed here has been compiled through a search process. The UNHP BIP database lists the “on-paper” ownership of each building, almost always a Limited Liability Corporation. The NYS Department of State Division of Corporations maintains an online database for entity information, at http://appsect8.dos.state.ny.us/corp_public, which lists the address at which the entity receives mail, and occasionally the name of a person or company who is a registered agent for the LLC. Google text and map searches provide further clues about the true owner of a building, the scale of an owner’s investment, their management history, etc.

¹⁵⁰ Rejournal.com, “News, September 2006”

¹⁵¹ Since buyers often use a different LLC name for each purchase, and LLCs themselves are not uniformly registered, uncovering how many buyers have purchased how many bundles is incredibly labor-intensive. Most of the bundles here were more easily identifiable as multiple sales on a single date.

this pool of housing stock. The buildings sold *most* recently are consistently the worst buildings in the pool.



UNHP’s Building Indicator Project, factoring in exorbitant sale prices alongside physical indicators in its assessment of buildings’ risk of decay, concludes that many *more* recently-purchased buildings are at risk than those with current physical problems. While sales focus on buildings with problems, current approaches to ownership run on a fairly long, multi-dimensional continuum of intentions. The case studies illustrate some of these.

3569 DeKalb: The Equity-Draining Boor

3569 DeKalb was purchased in 1997 by an investment LLC. Although there were some maintenance problems at the time of sale, there had been almost no “C” (immediately hazardous) violations since the late 1970s. Within the first three years, though, the new owner had racked up more than forty C violations for peeling lead paint, concealed leaks, garbage, filth, and illegally locked egress. Violations reports continue to show general non-maintenance of the building, including pervasive leaks; loosening basins, faucets, radiators, doors and fire escapes; corroding

metal; exposed and broken electrical connections; deteriorating or missing floors and windows; vermin infestation. Finally, just over 5 and a half years from the purchase date, pervasive, expensive mold. By then, the building was sagging so severely that HPD ordered all doors refitted on one apartment, and had issued vacate orders on at least two apartments because of dangerous disrepair. (At an inspection one month later, the apartments were still occupied.)¹⁵² DOB records show a host of structural problems: slanting, hole-ridden and rotten floors, ceiling and walls, and a frightening jerry-rig of basement electrical wiring.¹⁵³

Violations went unresolved and thousands of dollars in fines went unpaid, signaling landlord disinterest in maintaining the building both physically and administratively. DOB records do not show a single request for work permits or certification of repairs – in fact, no action by the owner at all.

In August 2002, the building reached its limit. Exposed wiring ignited a gas leak inside a first-floor apartment. The fire killed a small child, and his brother and father were badly injured. The building was ordered vacated, and shortly afterward the tenants won a battle they'd begun two years earlier: to have a court transfer control of the building to a third-party administrator. Incredibly, the owner tried to challenge the transfer and retake the building; he failed.

In the process of campaigning for the transfer, tenants and community groups had been researching the elusive owner, Frank Palazzolo. They were aided in part by an HPD subpoena naming 97 separate LLCs through which he had likely been conducting business.¹⁵⁴ Through this research they

¹⁵² Historical violations records as compiled on PropertyShark.com.

¹⁵³ DOB Buildings Information System, online at a810-bisweb.nyc.gov/bisweb/bsqpm01.jsp.

¹⁵⁴ NYC Dept. of Housing Preservation & Development, subpoena issued March 2, 2004. (Provided by Housing Here & Now, NYC.)

uncovered major financial wheeling and dealing involving the building: while Palazzolo had made no investment in the building at all, he had bundled it with 34 others to leverage a \$35.8m loan.¹⁵⁵

While Palazzolo was extremely active in securing financing for his buildings and buying additional buildings,¹⁵⁶ Gus points out that he was not especially picky about collecting rent. In fact, even after the fire, organizing the lowest-income tenants was difficult exactly because the owner was so thoroughly disengaged from the building that many were living essentially rent-free.

“When you come to people who... cannot afford rent... if they find a landlord that will let them stay without paying rent for three or four months, they don’t care if the landlord fixes anything or not.”¹⁵⁷

This apparent contradiction supports the idea that Palazzolo was approaching the building purely as a pawn for his activities in the larger real estate market, rather than looking to the building’s real-world operations to generate income. Instead, in this building as reportedly in others, Palazzolo employed a management company to whom rent checks were written and whom tenants firmly believed was the building owner. It would seem that the tenants and physical building were barely real to Frank Palazzolo.

The 3569 DeKalb story may fall at the extreme end of Bronx landlord tactics, but Palazzolo’s general financing approach is not strange. Draining equity from Bronx buildings – leveraging them to the hilt without investing in maintenance, in addition to stockpiling them for 1031 exchanges – appears to be gaining popularity, especially as investment groups gather control of large numbers of buildings that can be bundled to greater effect. The practice is supported by the inflated “bubble” valuation of buildings, which are collateralizing enormous loans. It seems logical

¹⁵⁵ Moss, Jordan and Wichert, William “The Palazzolo Buildings: Tenants Pressure Bank That Loaned to Landlord” *Norwood News*, Oct.9-22, 2003

¹⁵⁶ UNHP’s BIP listings show that Palazzolo-linked LLCs bought at least 22 buildings between March 1997, when 3569 DeKalb first came into his possession, and the 2002 fire.

¹⁵⁷ Interview: Gus Birru 3/15/07

to infer that the clamor for re-fi loans is also fueled by borrowers' expectation, pervasive among seasoned investors, that building values will *fall* even if gentrification arrives.

“The practice [of bundling buildings for mortgages] hasn't been around that long, so I wouldn't say it's common. But banks have gotten much more aggressive about lending money – hard money lending and other lending. They're willing to finance pretty much anything. So if a bank says yes, why say no, basically... What people are doing with that money [leveraged from buildings] varies – some people are doing developments in North Carolina with it. The banks don't care; they're happy to repossess the buildings if things don't go well.”¹⁵⁸

For building owners who are purely investors, like Palazzolo, the survival of buildings themselves carries shockingly little weight. In 3569 DeKalb, as the tenants point out, it seems feasible that his intention was to have as little to do with the actual building as possible. If the building survived, it could be exchanged. If the building crumbled and the bank foreclosed, he still pocketed the cash from the loan. Because the value of the loan was so inflated, the loan-to-*real* value ratio was close enough to 100% or more that Palazzolo had effectively sold the building to the lender and walked away.

The behavior of Palazzolo's lender is also telling about investment strategy, and about channels for change. The loan appears to have originated with Dime Savings Bank and been refinanced by Washington Mutual, both major multifamily lenders in the Bronx.¹⁵⁹ WaMu also made additional bundle-leveraged loans to the same owner, totaling around \$60 million for 60 buildings.¹⁶⁰ Confronted by the organized tenants about dangerous conditions in their portfolio of Palazzolo buildings, according to Gus the WaMu officials first claimed there was nothing they could do,

¹⁵⁸ Interview: Manny Stein 4/11/07

¹⁵⁹ Title records as listed on PropertyShark.com

¹⁶⁰ Jordan and Wichert, 2003

“because they said he was paying his mortgage. *Finally* we came to the point where they agreed to at least talk to him. When they talked to him, the bank said they were going to send its own inspectors to the building, to make decisions about any further financing.”¹⁶¹

After conducting inspections, WaMu relented and agreed to issue a default notice to Palazzolo based on a “good repair” clause in the loan.¹⁶²

443 Cyrus Place: “Strategic Disrepair” and Waiting for Gentrification

443 Cyrus Place was purchased in 1999. The buyer, an LLC that owned two similar buildings nearby, appears to be a family-based partnership located in the Hasidic real estate business enclave of Brooklyn.¹⁶³ Although in 2003 and 2005 the owners sold 443 Cyrus Place to another LLC they also apparently controlled,¹⁶⁴ and mortgaged the building in the process, actual repairs performed on the building were minimal. The building had been in need of repair before the first purchase; HPD reports on a single apartment in 1996 show old, exposed wiring, defective bathtub and basins, cracking plaster and overdue painting. Other inspections in the years before the sale show lead paint, loose gas valves, sagging floors and other indicators of decay. Sporadic inspections over the few years *after* the sale show apartments getting worse – multiple B and C violations in each inspected apartment, increasing in severity to include pervasive leaks, garbage piling up and rampant rats.¹⁶⁵

But around 2003, the maintenance strategy appears to have shifted. An inspection in November 2002 reveals nineteen B and C violations on a single apartment. A year later, inspection

¹⁶¹ Interview: Gus Birru 3/15/07

¹⁶² Moss, Jordan “Coalition: Washington Mutual Agrees to Inspect Palazzolo Buildings”, *Normood News* Dec. 18-31, 2003

¹⁶³ Gabriel Grunblatt is often listed as owner on permit documents (posted online by NYS DOB); Abe Grunblatt and ABGG Construction, at the same address, are listed as superintendents, contractors or owners; ABGG Construction is listed as the superintendent and contractor on DOB permit records for several other Hasidic/Brooklyn real estate investors.

¹⁶⁴ NYS Dept. of Corporations Entity Information online.

¹⁶⁵ Historical violations records as compiled on PropertyShark.com.

reports show that the leaks and structural issues are apparently fixed, while habitability violations affecting the tenant more than the building – defective flooring, for example – are re-documented. This pattern persists. Apartments show multiple violations; violations that primarily hinder tenants’ daily lives persist from one inspection to the next, but violations affecting structural integrity are resolved.¹⁶⁶

Tenants believe that this change in maintenance strategy reflects the landlord’s intention to empty the building and convert it to cooperative or condominium apartments. Student-driven gentrification around nearby Fordham University, in combination with the increasing scarcity of for-purchase apartments in Manhattan, makes this a credible idea. And in fact, tenants report that the owners began warehousing apartments as they were vacated by low-income tenants. By mid-2005, in a borough with less than 3% vacancy and an even greater shortage of rent-stabilized apartments, 443 Cyrus Place had 19% vacancy.¹⁶⁷

The landlord and manager also began mounting pressure on existing tenants to leave, and pushing rents upward.

“The building was being vandalized in every way, lots of delinquents in the building – they didn’t live here, although they acted like they did. There was graffiti and people coming into the apartments. We informed the manager that this was happening – sent him a letter detailing it – and he said ‘for better or worse, you can leave...’ They say this apartment should be renting for \$1800 anyway. But I have 25 years living in this apartment. Every two years the rent goes up by the amount it’s supposed to.”¹⁶⁸

The landlord’s pressure escalated over time. As described earlier, in 2004 the building manager sued Ada for an alleged nine years’ arrears. In a second instance, the manager wrote a

¹⁶⁶ Historical violations records as compiled on PropertyShark.com.

¹⁶⁷ According to tenants, 3 of 16 apartments were being held vacant at the time.

¹⁶⁸ Interview: Ada 3/23/07

renewal lease that illegally raised the rent, according to the organizer, from \$600 to \$1400. The tenant was subsidized by Section 8. “They did a sleight-of-hand on him – they reported to Section 8 that they’d remodeled the apartment,” says Ada. Under New York State law, an illegally inflated rent can only be challenged for the first two years; after two years, the inflated rate is legalized, and becomes the basis for future increases. It’s unclear whether the tenant was even aware of the increase; or if he was, whether he was content to let the increase go through rather than grapple with the bureaucracy of Section 8 and DHCR, and risk endangering his housing. In this case, Section 8 continued to pay the increased rent, and it was legalized.¹⁶⁹

In 2005, a fire gave the landlord the chance to empty the building of tenants. DOB issued a vacate order and the Red Cross placed the tenants in a long-stay hotel in the Bronx. (Meanwhile, tenants camped in their apartments during the day to thwart vandals.) After several months of inaction by the landlord, tenants arrived at the conclusion that the landlord did not intend to repair the building, and did not want them to return. They initiated action in Bronx housing court.

As a result of tenants’ prolonged court action and creative legal strategies supported by a *pro bono* lawyer, the landlord did enough work to lift DOB’s vacate order. But the building was still essentially unlivable, and most of the Section 8 tenants appear to have been forced out by poor conditions that violated the terms of their subsidy. When the remaining tenants returned to housing court to try to further the repairs, they were hampered by the fact that the landlord claimed repairs *were* underway, and as “proof” he had secured work permits from the city. Finally, after joining forces with NWBCCC and an attorney from the Urban Justice Center, the tenants forced the landlord to perform actual repairs. Citibank, a mortgage-holder, apparently pressed the landlord to

¹⁶⁹ The policy of the NYC Housing Authority, which determines the maximum allowable rent for a Section 8 voucher, is to approve “legal,” DHCR-determined rent on any rent-stabilized apartment. (http://www.nyc.gov/html/nycha/html/section8/lh_ll_faqs.shtml#q4) While a \$1200 increase should certainly have been a red flag, DHCR does allow rent to jump enormously in cases where a preferential rent, below legal rent, was previously charged. Short of requesting DHCR documentation on individual apartments, NYCHA is not positioned to challenge illegal increases on Section 8 apartments.

rent out the vacant apartments as well, thwarting the plan to warehouse the building for a new set of more glamorous tenants. But the repairs have a questionable relationship to building codes, and pressures on tenants remain:

“Thanks be to God, the remodeling finally did take place. Although at this point I feel a little disgusted... They changed the heat and hot water system [in each apartment.] Paragraph 6 of my lease says that the landlord is supposed to provide heat and hot water. But the way they set it up, it’s billed to our individual electric and gas bills, and it’s incredibly expensive... And they’re not done with the remodeling – they don’t want to be done. They want to keep going so we disappear.”¹⁷⁰

It’s clear that the landlord had plans for the building that did not include his long-term low-income tenants, and was employing “selective disrepair” and maintenance deferrals as tactics to move his plans forward. It’s less clear what the landlord intended to do with the \$1.18m refinancing loans, taken between 2003-2005 on the LLC’s three bundled properties.¹⁷¹ Certainly they had not been spent on repairing 443 Cyrus Place, nor were any plans or permits filed for either of the other two buildings. Although the loan is relatively small, it has the hallmarks of equity-draining, Bronx style.

1920 Walton: The Antidote? Near-Term Investment

1920 Walton was bought in the late 1990s by Baruch Singer, a notorious large-scale slumlord.¹⁷² Historical inspection records show few HPD visits to the building (the records may be

¹⁷⁰ Interview: Ada 3/23/07

¹⁷¹ Title documents on PropertyShark.com. These listings provide minimal information other than transfers of ownership and the contracting of mortgages, so interpretation is required.

¹⁷² “NYC’s Worst Landlords”, Housing Here & Now 2006/Date of sale: PropertyShark.com lists several transfers of the building between 1996 and 2003. 2003 is the known purchase date by the current owner/manager, Manny Stein. Singer’s purchase date is not clearly identifiable, but falls between 1996-1998.

incomplete), but the violations listed indicate that the building was in need of repair. Around the same time, tenants set out to improve their conditions, and succeeded in getting “to the point where DHCR was fining him for things that didn’t get repaired”¹⁷³ – an achievement that indicates that the building was deeply substandard and the landlord was under unusual scrutiny.

By 2000, the landlord had signed the building up for a city subsidy program which aimed to alleviate overcrowding in the shelter system by using private, mostly rent-regulated apartments as shelter space. Circumventing the mandatory one- or two-year lease regulation, the NYC Department of Homeless Services (DHS) directly rented apartments by the day. Monthly rents for DHS apartments, which were also furnished by the landlord, totaled up to \$3000.¹⁷⁴ According to tenants, the landlord began to renovate vacant apartments in order to rent them to DHS¹⁷⁵ while failing to make even basic repairs to other apartments – even those with other subsidies.

“What was happening here was that Barry was trying to empty the building of legitimate tenants in order to put in DHS... We didn’t want to put out the homeless, it’s just that we wanted [the landlord] to do the same for us. Everything was brand new in those apartments, and for us they wouldn’t fix a hole in the wall.”¹⁷⁶

At the same time, drug dealers setting up shop in multiple apartments challenged tenancies – by creating danger and, more directly, by offering tenants cash to move out and turn over their apartments to dealers’ use.

While tenants organized to end the DHS practice, rout drug dealers and secure some repairs, both the physical integrity and the population of the building changed. Unattended leaks and floods weakened the structure and brought rats through to the upper floors; old wiring, windows and other

¹⁷³ Interview: Willia McKeiver 3/23/07

¹⁷⁴ *Scattered Dreams*, 2004 (information obtained from DHS by FOIA request.)

¹⁷⁵ In *Scattered Dreams*, advocates note that DHS did not enforce minimum standards for apartments it rented; so the landlord’s repairs to DHS-rented apartments appears to have been a maintenance investment rather than an honoring of obligations to tenants.

¹⁷⁶ Interview: Willia McKeiver 3/23/07

issues compounded habitability problems. The tenant population became poorer and more likely to be doubled- and tripled-up in apartments. Tenants also came and went more frequently than in the past – possibly because more were using portable subsidies to pay for their apartments – so apartments became significantly more expensive through vacancy increases.

The tenants and NWBCCC carried out a long-term organizing effort in conjunction with other Singer buildings. Bringing pressure to bear from the city and Singer’s lenders, they forced him to sell the 84-unit building, complete with 1,100 outstanding violations. Although the current manager/owner, Manny Stein, has appeared on the “NYC’s Worst Landlords” list himself, tenants report that he visits the building daily, has made some long-awaited repairs, and generally “will do it if you speak up.”¹⁷⁷

Stein – the only case study landlord who agreed to be interviewed – describes an approach to his bruised, battered building that appears to be the opposite of equity-draining, capital storage and deferred maintenance.

“I’ve been in this business bordering on a decade. [In my portfolio] each building has to stand up on its own two feet [which means repairing it up front]... We might sell a building after a year if it’s not working out like we thought, if the problems are a lot deeper than we thought. We’re not in the business of improving the world.

“With 1920 Walton I practically lived in it. Normally I’d take a slower approach, do a boiler, do a few apartments – but so much needed to be done that we attacked it all at once... In terms of deep repairs to the building, we did whatever structural stuff was recommended by the engineers we brought in.”¹⁷⁸

¹⁷⁷ Interview: “Jane” 3/23/07

¹⁷⁸ Interview: Manny Stein 4/11/07

Stein's funding comes from New York Community Bank (NYCB), and he represents the loan that NYCB's senior lender, Jim Carpenter, says is typical in his multifamily portfolio:

“Our typical borrower profile is a guy that buys a building, works the rent roll, gets illegal tenants out... Just get the apartment to peak rental value. That's done through tenant turnover, renovations... The market still might not bear full legal rent after renovations, so you don't over-renovate either.

“We don't lend to a guy that... just came into some cash... and we're not looking to lend to someone who's just going to milk a building. We look to people that own and manage real estate as their primary livelihood. Do they have management experience? Can they deal with human and labor issues?”¹⁷⁹

So what's money doing in the Bronx?

The business of Bronx building ownership is characterized by two sets of strategies: investors' and lenders'. Investors' strategies vary from Palazzolo-style equity-draining to “waiting for gentrification” to actual stewardship, but so much opportunity exists for free money that it a profit-driven large-scale investor (or an broker charged with investing other people's money to produce a return) would be hard pressed to eschew it. Lenders' strategies are slightly more focused on maintaining the buildings as sources of income, but they too are structured to insulate lenders from the vagaries of real-world housing.

NYCB is a major Bronx lender with a portfolio representing about one-quarter of the sales listed in UNHP data since 1996. And in fact, NYCB is described as “an extremely conservative lender who has never had to write off a loan,”¹⁸⁰ a success that seems at least partly based on implementing requirements about building quality. But most lenders use a “good repair” clause, including Washington Mutual, another major multifamily lender in the Bronx – and they ended up

¹⁷⁹ Interview: Jim Carpenter 4/19/07

¹⁸⁰ Interview: Felice Gelman 5/17/07

with Frank Palazzolo and 3569 DeKalb. Other securitized lenders, who sell loans shortly after making them, simply “never get a good window on who the owner is; [as far as they’re concerned] that’s the servicer’s problem.”¹⁸¹

Diligence about building loans is made additionally difficult by the unbundling of lending functions in the secondary mortgage market, which muddies loan supervision; and by the plain difficulty of continuing physical inspections over time. As a matter of general practice, mortgages are packaged into bonds and sold in such a way that the loans are essentially anonymized and the holders insulated from default.¹⁸² Accordingly, when Jim Buckley worked to convince lenders to pay closer attention to their failing buildings, some banks’ portfolios were so large that they “weren’t that concerned about a ‘worst case scenario’ in just a few buildings.”¹⁸³ UNHP has been able to take some banks on tours of their own buildings and finally elicit some response. But most lenders – like WaMu in the case of 3569 DeKalb – are primarily monitoring mortgage payments rather than buildings.

Worse, although Carpenter thinks that roof-to-basement inspections and violations checks on landlords are becoming more standard, he acknowledges that the prevailing structure of mortgage lending simply precludes market-wide safeguards.

“With so much cash floating around, everyone has a different approach to inspecting. We’ve terminated loan applications because of inspections, but the deal always finds a home. The brokers who initially came to us will tell us they got it done... It’s too easy for the wrong guys to buy.”¹⁸⁴

¹⁸¹ Interview: Jim Carpenter 4/19/07

¹⁸² According to bank analyst Felice Gelman, loans are typically bundled into pools of similar loans valued at \$200m or more. The bundles are divided into bonds of varying credit quality and sold to institutional investors or mutual funds. Income from the loans pays the top-rated bonds first, so defaults even in the top-rated category are only felt by the bottom tier of bondholders.

¹⁸³ Interview: Jim Buckley 4/9/07

¹⁸⁴ Interview: Jim Carpenter 4/19/07

Fortunately, that current may now be shifting. Although lenders have “capitalized and run” on many buildings which now have essentially no regulatory supervision, title records show that since 2003 conventional banks have almost entirely replaced mortgage brokers as lenders on Bronx buildings. And though conventional banks also sell their loans and are not necessarily directly accountable for them, watchdog groups are having increasing success in using media and pressure campaigns to induce them not just to pay closer attention, but to use their contracts as leverage to require repairs. This is reflected in the increasing frequency of building inspections and violations checks by lenders, although some bank lenders are still resistant to the idea that their gentrification-targeted loans are actually funding slumlords.¹⁸⁵

But the gentrification/upside approach to Bronx investing still seems to be shared across banks, if not by entrenched landlords like Anelante and Stein. In spite of the clear role of 1031 exchanges in inflating prices, for example, even NYCB makes loans based on the expectation that borrowers can push rents up high enough to support the sale cost – “by about 25% [above scheduled rent increases] on many apartments,” through vacancy increases, renovation and deregulation.¹⁸⁶ As a result, lenders are agreeing to take on the most desperate buildings which collectively house the poorest people in New York City. And even if their intention is to install owners who will operate the building in good faith rather than equity-draining, they’re still making loans on buildings they may not thoroughly understand – loans that are fundamentally speculative. In particular, they risk making loans that presume the building is in better shape than it is, and which rely heavily on appreciation that may never occur in the inflated Bronx market. In an arena with inexperienced investors, high prices that encourage cosmetic patch-and-flip sales, and maintenance

¹⁸⁵ Jim Buckley relates one lender’s response to UNHP’s suggestion that they tour the building in order to really understand the growth potential of the property: “A bizarre story is a guy from WaMu who accused us of being ‘against professionals’ [because we were saying] the numbers don’t work – that rents can’t *be* that high. He said we were condemning the neighborhood to being forever poor.” (Interview: Jim Buckley 4/9/07)

¹⁸⁶ Interview: Jim Carpenter 4/19/07

plans that include putting off repairs now and funding repairs later with profits that don't yet exist, current lending promises to breed future crisis.

The gentrification approach includes two major, questionable gambles: that the housing stock will survive the deferrals, and that low-income tenants will cooperate by leaving. The non-gentrification “paper investment” approach, contains a separate gamble: that even as buildings deteriorate, prices will stay high enough to support future exchanges. Observers who don't buy the gentrification outcome predict an outcome in which “a lot of investors are going to lose their money.”¹⁸⁷ But the gamblers' risk is not limited to themselves. The deferral of maintenance, whether by landlords waiting for an upturn in building revenues or by non-managing 1031 investors, poses a real risk to the housing stock of abandonment or physical “destruction through non-repair”¹⁸⁸; and to the tenants who already have no alternative housing. And in the absence of a more activist regulatory system, lenders, investors, buildings and tenants are pretty much alone in this uncontrolled experiment on a major public resource. As the following chapter lays out, by the current path the odds don't look great for investors. But for the tenants, there may yet be solutions.

¹⁸⁷ This theme was repeated by multiple interviewees, including Jim Buckley, Manny Stein, Frank Anelante and Felice Gelman.

¹⁸⁸ Sternlieb & Burchell, 1973

CHAPTER 6

WHAT HAPPENS IF EVERYTHING STAYS THE SAME?

The “success” of the Bronx housing gambles depends on three factors: how buildings weather the deferral of attention; whether poor tenants really leave, making room for vacancy increases, remodeling and substantive neighborhood change; and whether investors reach the point, when neither holding nor operating the buildings is profitable, when they begin to walk away. This chapter investigates each of those possibilities. What condition are the buildings really in, and what can we know about where they’re headed? Will tenants find a way to hang on? Might stronger reasons come up to leave than to stay? Is there a scenario in which the buildings lose their investment glamour but aren’t abandoned? And given these paths, what resources are available or missing for the task of shepherding this crucial housing stock?

Since the regulatory system’s information about buildings’ physical condition is spotty and uncompiled, and investment behavior is patchy and secretive, much of this is speculation. But the history of low-income neighborhood change is long enough now to show trends and possibilities.

To assess whether the buildings might survive long-term disrepair strategies, this chapter uses the knowledge gained from the case studies to examine at a 1% sample of buildings sold in the last decade. While the case studies provide a close-up view of a few distressed buildings, the sample is intended to check whether those buildings are really representative of the larger stock. Additional criteria for evaluating the sample come from the regulatory records of a building that actually *did* partially collapse. This building provides a historical snapshot of the regulatory record of a building that was proven to be nearing structural crisis, which gives a basis for analyzing the records of other buildings whose risk is not fully known. This examination yields information about the regulatory system as well, and an analysis of gaps in information and enforcement is included.

To understand whether tenants might stay or go, it assesses the means by which tenants could hang on, as well as the impact on tenants of leaving. And to spin a prediction for what might happen when the market deflates, it looks at current efforts underway to prepare for that eventuality. Together, these investigations hint at possible endpoints for the current trajectory of the Bronx.

Part 1: Figuring out whether buildings will make it

The case study buildings provide a useful set of indicators for buildings in trouble. The knowledge is less formal than HPD’s violation rankings or UNHP’s Building Indicators Project, but perhaps more attuned to the dynamics of landlord approach, tenant capacity to advocate for building quality, and even depth of repair needs. First, they provide evidence that issues like leaks and mold, which are listed as B violations in HPD’s code (“hazardous,” but not immediately hazardous) may be better indicators of building risk than C violations (which are “immediately hazardous.”) While many housing reports use C violations as a measure of poor building quality,¹⁸⁹ C violations pertain mostly to the immediate lives of tenants. For example, peeling lead paint, a C violation, is a serious threat to the safety of tenants. But in the case study buildings, leaks, mold, sagging floors and old wiring were not only indicators of current building conditions, but of landlords’ more long-term disengagement from stewardship. B violations may provide a better indication of long-term structural risk – especially if they have increased significantly since the sale of the building.

Other factors, also not included in regulatory evaluations of risk but at least referenced in many housing quality reports, similarly suggest long-term danger. From the case studies, these include the failure of regulators to visit buildings at all, which suggests in part that tenants are unable

¹⁸⁹ Virtually every report on housing conditions cited here uses C violations as an indicator of extreme distress.

to advocate for building quality; and the existence of complaints about structural problems, registered with DOB, that are repeatedly called in by tenants but unconfirmed by inspectors.

Finally, a risk factor offered less directly by the case studies is the illegal use of buildings to leverage profit, as with illegal basement conversions; or the use of building space for legal “extra” profit in the absence of other stewardship. (This is exemplified in the sample by the conversion of apartments into “communications rooms”, which are essentially outposts for cell phone equipment, in buildings where apartments occupied by *people* are in poor condition.)

Using these structural, regulatory and milking cues as guidelines, I did what a regulatory system might ideally do: I looked hard at some buildings’ histories of decay, landlords’ practices in dealing with problems, and tenants’ voices in describing the problems they see. My sample is tiny, only 18 buildings (the case study buildings are not included.) And the information available to me about each building is limited to records available on the internet. But it’s enough to perform a reasonable demonstration.

The UNHP Building Indicators Project lists 4,663 buildings that fit the description of the standard Bronx pre-war multifamily building. To get to the buildings held by new investors, I narrowed down the pool to buildings that have been sold between 1996 and the present: a pool of 1,825 buildings. From among them I pulled 18 random buildings, about a 1% sample.¹⁹⁰ In the process, I noted whether they appeared to have been sold in a bundle.¹⁹¹ Three sources of records helped describe each building.

¹⁹⁰ Randomizing method: each building record was assigned a number, then a randomizer (www.random.org) was used to select record numbers.

¹⁹¹ How I identified a bundled sale: if several buildings were sold on the same date, I tracked the buyer of the other buildings. In many cases, the buyer was the same (although sales were often made to nominally separate LLCs.) This is accurate for confirming that certain buildings were sold as a bundle, but not for disproving anything. There may be instances where sales were bundled, but my research didn’t turn up the connection between them.

- PropertyShark.com, a data compilation service which uses proprietary (unrevealed) methods to pull data from public sources on title documents, HPD violations history, neighborhood statistics, etc. The HPD violations history is a critical piece of data that is *not* available in HPD's own online records; on HPD's website, violations are expunged as they are resolved. PropertyShark.com's history of violations gives a much more complete picture of what a building has been through, and what might still lurk underneath cosmetic patching. It also gives a sense of which apartments are calling for inspections – is it the same tenant repeatedly? Does HPD really have information about what's going on building-wide? PropertyShark.com also posts photos of most buildings, which adds much-needed context.
- NYC Buildings Information System, which posts DOB and Environmental Control Board (ECB) violations, as well as permit requests and approvals. This site also posts the raw text of complaints – meaning, the phone message that a DOB employee took as the tenant explained what was wrong. These messages are probably the most human documentation available in the public record, short of court transcripts. Raw complaints also fill in details of potential building problems that never make it into the official record, since inspectors frequently report that they can't gain access to a building to assess a complaint.
- HPD's violations database, which shows which violations are still open (after how many years), and which buildings HPD inspectors have not revisited.

The 1% sample

The sample makes some strong statements about the buildings' condition. First, 67% of buildings show immediate maintenance risk, including 28% of the total whose record of decay and

lack of record of repair suggest they're in danger right now. Second, only 17% of the buildings have experienced any concerted structural rehab on record – the other 83% are more or less coasting on the quality of their original construction and subsequent stewardship. Third, it suggests a connection between leaks and mold (which the regulatory system often treats as lesser “habitability issues”) and serious structural problems: 75% of the buildings that showed pervasive leaks and mold also showed cracking foundations and/or façades.

Only a handful, 22%, show a serious *decline* since being sold during “the craze.” (They match almost exactly the roster of buildings that show signs of equity-draining or milking practices by their owners. These practices include frequent refinancing, but also physical milking practices like creating illegal basement SROs. The physical version is much more common in the sample.) While only a small proportion of the sample, these buildings illustrate the possibility of fast onset of risk. The large proportion of housing stock that has been recently sold, facing unknown risk in the hands of new landlords with a new approach to ownership, could feasibly decline *en masse*. That said, the “serious decline since sale” buildings include only one that was purchased as part a bundle; other bundled-sale buildings range from “maintaining bad conditions” to “relatively okay.” So purchase by a larger investor of the sort currently buying up bundles of investment properties does not necessarily point either to physical downturn or improvement. All we learn about profiteering is that it can destroy buildings, and that some of the new investors are profiteers.

The sample also confirms that the regulatory system knows very little about buildings. In many cases, tenant calls about structural issues were never documented in violations when inspectors often couldn't get in to the building or the basement. Others were rejected with “no action necessary based on observation” – and some of those were followed up by inspections that did find the problem after all. Inspections also find the same issues over and over, and reports often

don't reflect the previous finding, or the unpaid fine outstanding for the same violation; nor do they seem to note the many years over which violations go uncured.

In other words, the limited information available suggests that most of the buildings do not face any *new* threat to survival in the hands of their new owners. But the stability of non-maintenance does not remove the danger, since non-maintenance *over time* increases the risk that buildings won't survive. One recent structural collapse illustrates this possibility.

THE SAMPLE:

1% of Bronx pre-war multifamily buildings sold during The Craze

Sources:

PS: www.PropertyShark.com (building records accessed 4/5/07 and 4/6/07)



HPD: NYC Dept. of Housing Preservation & Development building records, online at http://167.153.4.71/Hpdonline/provide_address.aspx (accessed 4/5/07 and 4/6/07)



BIS: NYC Buildings Information System, online at <http://a810-bisweb.nyc.gov/bisweb/bsqpm01.jsp> (accessed 4/5/07 and 4/6/07)




Sample consists of 18 buildings drawn randomly from UNHP-compiled Win2Data, from pool of buildings sold since 1/1/96, using record numbers assigned to buildings in descending order of sale date.





* Photos: Gregg Snodgrass as posted on www.PropertyShark.com




** Photos: NYC Dept. of Finance as posted on www.PropertyShark.com

RAND #	BLDG	SALE DATE	SLEUTHING NOTES	PHOTO	ASSESSMENT
1	1091 1520 GRAND CONCOURSE	2/1/01	<p>Mount Eden; Mortgage-free since 2004; 2006 HPD visit found 14 violations on one apt, mostly B, some A & C – leaks, mold, broken window sash, broken plaster, mice, roaches, no paint, confirmed lead paint; no previous HPD visits listed till 1998, then 1994, then 1989 (PS)</p> <p>No DOB action, just replacement of boiler in 2003 (BIS)</p> <p>Most violations listed in 1984 and 1987 were relisted in 2001 as “not complied” no apparent contact with the building between 2001 and 2006 (HPD violations site)</p>	 <p style="font-size: small;">Source: *</p>	<p>Maintenance risk Unregulated</p> <ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ○ Pervasive leaks/mold ○ Extensive evidence of non-maintenance • Regulatory cues: <ul style="list-style-type: none"> ○ Minimal HPD contact, few apts reporting ○ No DOB contact (except '03 boiler permit)
2	1405 813 FAILE ST	12/6/97	<p>Hunts Point; Sold to CE Mgmt by HPD w/ funding from HDFC; previously appears to be family owned & inherited; transferred to HPD in 1977; no HPD violations listed on PS, (PS) – possibly was vacant from at least 1977 to 1996?</p> <p>No HPD violations listed – still vacant? But current owner is “private”. (HPD)</p> <p>Still no CoFO as of 1998; boiler violated in 2001 but cured in 2004 after 2nd violation; major rehab of building in 1996 was done by HPD, and included “partial replacement of wood joists and partitions, new partitions, new kitchen and bathrooms, new ceiling assemblies, new wall and floor finishes, new electrical and plumbing systems.” (BIS)</p>	 <p style="font-size: small;">Source: **</p>	<p>Some maintenance risk Unregulated</p> <ul style="list-style-type: none"> • Structural cues <ul style="list-style-type: none"> ○ HPD did major structural rehab in 1996 • Regulatory cues: <ul style="list-style-type: none"> ○ No HPD contact since 1996 ○ No DOB contact ○ If not vacant, completely off HPD’s map

3	955	2810 OLINVILLE AVE	11/26/02	<p>Pelham Parkway area; may have been resold but Win2Data missed the sale; new UCC1 in 2004 and 2006, looks like partial refi in 2006 (\$800,000) with SF, CA division of Citibank. Looks like bldg was family owned, involved in estates/inheritances from 1980s-2000; 2006 HPD inspection shows 14 violations on a single apt., including lots of stuff broken – cabinets, stove/pilot light, plaster, leaks, mold, no paint, etc.; apt, in another line had just 5 violations in 2006; mostly B violations except for mold; no apparent visits between 2006 and 1998. Earlier violations were mostly about lead paint (seems to have been remediated) and mice/roaches. (PS)</p> <p>Vermin reconfirmed 2003 (HPD)</p> <p>New owner tried to do illegal conversion of basement in 2006, got stop work order for unpermitted & hazardous construction in 2007, also found bsmt still converted; boiler is currently violated; failure to maintain orders in 2007 cites “large pools of standing water... actually touches bottom of [cut off]”; \$5000 in fines unpaid/default; created telecommunications room in 2005 (DOB)</p>	NO PHOTO	<p>Maintenance risk Milking risk Poorly regulated</p>	<ul style="list-style-type: none"> • Milking cues: <ul style="list-style-type: none"> ○ Landlord-initiated illegal conversions ○ Telecommunication room conversion • Structural cues: <ul style="list-style-type: none"> ○ Evidence of decline since sale ○ Extensive evidence of non-maintenance ○ Leaks/mold ○ Standing water violation • Regulatory cues: <ul style="list-style-type: none"> ○ HPD inspects some apts occasionally ○ Structural violations uncured/re-cited
4	919	3029 BRIGGS AV	3/26/03	<p>Bedford Park; Bought by individual investor in 1986, operated by estate for through 1991 or so; NYCB is current financier; 2006 violations include one apt with 22 violations, mostly Bs; only C violations are lead paint; violations show multiple small repairs – broken piece of floor by radiator, leaky faucets, broken window sash, etc. Violations in 2003 (before purchase) were mostly Bs, also multiple small repairs, plaster, cabinet doors, etc. Violations go back this way to 1985; hardly any C violations ever, and no structural ones. (PS)</p> <p>HPD & DOB – nothing to speak of. (HPD, BIS)</p>	 <p>Source: **</p>	<p>Some maintenance risk Poorly regulated</p>	<ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ○ Extensive evidence of non-maintenance • Regulatory cues: <ul style="list-style-type: none"> ○ HPD inspects some apts occasionally ○ No DOB action (no tenant-reported issues)
5	1553	2123-25 TIEBOUT AVE	12/24/96 (bundle)	<p>Mount Hope/Fordham, looks like it went partially co-op in 1998, but still has lots of stabilized renters; almost no action at all since 2003; lots and lots of B violations in the last few years, including leaks, sloping floors, mice, lead paint, broken tiles and plaster. Older violations include illegal alterations (subdividing apts.) (PS)</p> <p>Lots of apts with mold, some apt-wide repairs ordered to windows, etc. (HPD)</p> <p>DOB complaint about “storing refrigerators and stoves in building hallway of 4th floor” sounds like moderate rehab is going on; 2005 violation cited construction and also missing mortar and parapet in danger of collapse; no recent structural work permits issued (BIS)</p>	 <p>Source: **</p>	<p>Maintenance risk Milking risk Poorly regulated</p>	<ul style="list-style-type: none"> • Milking cues: <ul style="list-style-type: none"> ○ Rehab of apartments but no remediation of structural dangers • Structural cues: <ul style="list-style-type: none"> ○ Extensive evidence of non-maintenance ○ Leaks/mold ○ Parapets in danger of collapse • Regulatory cues: <ul style="list-style-type: none"> ○ Structural violations uncured/no work permits requested

6	1028	2420 BRONX PARK EAST	11/8/01	<p>Pelham Park; very likely family-owned since 1970, inherited a few times, probably still in the hands of the inheritor; plenty of current violations, mostly paint & plaster, some lead paint; also a fair number of structural ones: some leaks and mold; broken/missing marble, defective mortar joints, mice & roaches; per-unit violations increase from ~3 to ~8 over time; re-fi in 2002, 2004 (PS)</p> <p>2006 DOB structural complaints (“unable to ascertain apartment in question”) about ceiling cracking, building shaking, etc.; old wiring, fuses constantly blow; elevator “constantly” defective</p>	 <p>Source: **</p>	<p>Serious maintenance risk Poorly regulated</p> <ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ○ Extensive evidence of non-maintenance ○ Leaks/mold ○ Defective mortar joints ○ DOB complaints of cracking/shaking ○ DOB complaints about old wiring • Regulatory cues: <ul style="list-style-type: none"> ○ Relatively frequent HPD visits, but inspections still only report on 6 apts ○ DOB complaints unverified
7	913	1997 HUGHES AVE	4/30/03	<p>Belmont; had structural work done in 2001, 2003 – replace window lintels (initially no permit/stop work – new owner, shortly after purchase), replace/repair parapet wall, etc. Lots of upkeep issues: broken tile, bad joints of window sashes, basins etc., broken plaster, etc. Apts inspected show multiple violations each – avg maybe 9? Also multiple leaks and mold. Lots of “illegal partition” violations; prior to 2003 only 2 visits recorded. (PS)</p> <p>2007 DOB complaints report fire in one line, concerns about stability; inspection notes “wood floors sagging & joists are sinking throughout” (BIS)</p>	 <p>Source: **</p>	<p>Maintenance risk</p> <ul style="list-style-type: none"> • Milking cues: <ul style="list-style-type: none"> ○ Multiple “illegal partition” violations (could be tenant-initiated) • Structural cues: <ul style="list-style-type: none"> ○ Structural maintenance (initially unpermitted) performed after purchase ○ Extensive evidence of non-maintenance ○ Leaks/mold ○ Sagging floors/joists • Regulatory cues: <ul style="list-style-type: none"> ○ DOB violations are uncured (but recent)
8	1268	2208 WALTON AVE	12/7/98	<p>Fordham/University Heights; lots of B violations about toilets, plaster/paint, pervasive water leaks, valves, electrical outlets, light fixtures, etc. Mold, sloping floor, illegal partition/conversion, missing tile, missing marble saddle, broken flooring, many lead paint violations remaining in 2006 (concentrated in one apt reporting); rats, mice and roaches. Building has an extensive history of B violations (and many C) back to mid-80s. 1996-97 were bad years for the building, accumulation of many maintenance issues. Not much action again until 2003 (maybe owner took care of stuff at first?), but by 2006 it had picked up again, still bad through 2007. Looks like the building was re-fied in 2002. (PS)</p> <p>Most violations are disposition “no access” or “not complied” (HPD)</p> <p>DOB violated for failure to maintain (“windows are very old/rusted”) in 2000; in 1990 DOB violated for failure to maintain exterior wall because parapet was leaning. Violation never resolved, \$1000 fine “written off.” No permits on file at all. (BIS)</p>	 <p>Source: **</p>	<p>Serious maintenance risk Milking risk Poorly regulated</p> <ul style="list-style-type: none"> • Milking cues: <ul style="list-style-type: none"> ○ Landlord-initiated illegal conversions • Structural cues: <ul style="list-style-type: none"> ○ Extensive evidence of non-maintenance ○ Evidence of decline since sale ○ Leaks/mold ○ Sloping floors ○ Failure to maintain exterior wall ○ Deep historical decay • Regulatory cues: <ul style="list-style-type: none"> ○ HPD violations are uncured ○ DOB violations are uncured/no work permits requested/fines unpaid

9	1746	830-50 REV. JAMES A POLITE AVE	4/2/96 (bundle)	<p>Hunts Point/Intervale Ave.; mortgage cleared 2004, no further leveraging. Repiped entire building for gas 2002. Only one apt inspected in 2007, but 8 B violations (1 A, 1 C) including mold, broken surfaces paint/plaster, lead paint. Same story going back to 2005 – 1 or 2 apts inspected, multiple Bs. Rats. Not really getting worse over time, but clearly limited maintenance. Earlier violations are the same. 2-year period after purchase shows no inspections at all, but when they resume, it's bad again. (PS)</p> <p>No DOB action since 2002. Boiler violation was actually paid in 1999. But that's it – it's like this building is empty. (BIS)</p>	 <p>Source: **</p>	<p>Some maintenance risk Poorly regulated</p> <ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ◦ Major repairs since purchase (repiping) ◦ Some evidence of non-maintenance • Regulatory cues: <ul style="list-style-type: none"> ◦ Minimal contact with HPD; few apts reporting ◦ No contact with DOB
10	1646	2505 OLINVILLE AVE	8/2/96	<p>Pelham Parkway. Major re-fi in 1999, 2006; complicated fiscal history from 1980s onward – families, maybe investment groups. Inspections show one apt per year, with about 11 violations, mostly Bs. Leaks, broken stuff, no painting, vermin, etc. Many fewer in 2003, 2004 – more to do with water services. (PS)</p> <p>DOB complaints include illegal basement conversion 2007, and water coming through brick into apt, 2001 (not confirmed), exact same complaint 1998 and “complainant feels bldg is structurally unsound.” Referred to HPD. Long-term failure to maintain elevator. No work permits filed for structural anything. (BIS)</p>	 <p>Source: **</p>	<p>Serious maintenance risk Poorly regulated</p> <ul style="list-style-type: none"> • Milking cues: <ul style="list-style-type: none"> ◦ Multiple re-fis ◦ Landlord-initiated illegal conversions • Structural cues: <ul style="list-style-type: none"> ◦ Extensive evidence of non-maintenance ◦ Evidence of recent decline (coinciding with latest re-fi) ◦ Multi-year complaints of water entering building through brick • Regulatory cues: <ul style="list-style-type: none"> ◦ Minimal contact with HPD; few apts reporting ◦ DOB structural complaints unverified over 3 years ◦ No work permits requested
11	1134	1842 ARTHUR AVE	6/27/00	<p>Belmont; no records (PS)</p> <p>One (open) violation listed for each year 2004-2006: one water leak, two requests for sprinkler reports. Maybe the building is in great condition. (HPD)</p> <p>1996 retaining wall is leaning and maybe collapsed; 1996 HPD was respondent for this one: “Failure to maintain the rear rubblestone retaining wall. The first retaining wall span[s] approx. 40 ft. and ranges in height from 2ft-6ft. This wall is pushed out approx. 7” and there are cracks at several locations.” Affidavit accepted. Still listed by BIS as “city-owned” in 2002, (this is given as reason for dismissing a boiler violation) although sale date is listed at 2000. (BIS)</p>	 <p>Source: **</p>	<p>Unknown maintenance risk Unregulated</p> <ul style="list-style-type: none"> • Regulatory cues: <ul style="list-style-type: none"> ◦ Minimal contact with HPD ◦ No contact with DOB since 2002 ◦ DOB incorrectly lists building as city-owned (which is cause for dismissal of violations)
12	666	3040 HULL AVE	9/2/04	<p>Bainbridge; lots of Bs violations, incl one apt with 19 – broken plaster, tiles, water leaks, mold. No info between 1987 and 2005. (PS)</p> <p>DOB records show no action at all. (BIS)</p> <p>Charlie Celaj building (HPD)</p>	 <p>Source: **</p>	<p>Some maintenance risk Poorly regulated</p> <ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ◦ Extensive evidence of non-maintenance • Regulatory cues: <ul style="list-style-type: none"> ◦ Minimal (but increasing) contact with HPD ◦ No contact with DOB

13	1591	83 W 188TH ST	11/8/96 (bundle)	University Heights; 2002 major structural work: repiping of water and gas lines, renovated bathrooms, new bathroom floors and joist replacements in all apts. Also repaired parapet wall and steel window lintels. But building may now be in disrepair – lots of Bs including exposed electricals and other general non-maintenance, lots of lead paint. No HPD reports at all between 1998 and 2005. Building was pretty dire before that. (PS)	 <p>Source: **</p>	<p>Some maintenance risk Poorly regulated</p> <ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ◦ Extensive evidence of non-maintenance • Regulatory cues: <ul style="list-style-type: none"> ◦ Minimal (but increasing) contact with HPD ◦ No contact with DOB
14	1477	774 GRAND CONCOURSE	6/5/97 (bundle)	<p>Highbridge/Courthouse; 2007 showed 13 violations on one apt., mostly B – paint, plaster, toilet broken, radiator valve, broken floor, fire retardant pulled from ceiling; another apt. 14 violations, mostly A, having to do with lack of painting; 2004 11 violations on one apt. mostly A, just stuff broken in apt and not attended to (like Bs, but less severe) Fair number of exposed and broken electricals; numerous apts with illegal partitions; 1999 more decay stuff – missing marble, sagging floors, etc.; earlier (pre-purchase) violations look much the same, but include lots of rats. Only one leak ever cited. (PS)</p> <p>DOB complaints include floor sinking 4-5 inches for multiple apts in a line (was assessed in 1995, along with crack in foundation wall – affidavit of repair accepted; but new complaints 1999, never assessed); cracks had also been found & violated in 1994 on a different line, and note says “cracks repaired n.a.n. (no action necessary)” (BIS)</p> <p>Most violations still open (HPD)</p>	 <p>Source: *</p>	<p>Maintenance risk Poorly regulated</p> <ul style="list-style-type: none"> • Milking cues: <ul style="list-style-type: none"> ◦ Multiple “illegal partition” violations (could be tenant-initiated) • Structural cues: <ul style="list-style-type: none"> ◦ Extensive evidence of non-maintenance ◦ Sinking floors & cracking on multiple apartment lines ◦ “Repaired” structural violations re-cited again later • Regulatory cues: <ul style="list-style-type: none"> ◦ HPD violations uncured ◦ DOB structural complaints unverified
15	670	2538 VALENTINE AVE	8/17/04	<p>Bedford Park; no HPD reports dated after 2001; mostly Bs about paint/plaster, and Cs about lack of hot water; some mold/damp that does not get re-violated after 1991 (PS)</p> <p>DOB complaint 2005 cites improper drainage (not confirmed); 2004 complaint cites faulty wiring, shorts, sparks (not confirmed. 2 complaints 6 months apart); 1999 cites unpermitted plumbing work (unconfirmed); persistently non-working elevator (BIS)</p> <p>No listed violations after 2001 (HPD)</p>	 <p>Source: **</p>	<p>Maintenance risk Unregulated</p> <ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ◦ Some evidence of non-maintenance (given minimal information available) ◦ Serious complaints to DOB • Regulatory cues: <ul style="list-style-type: none"> ◦ No HPD contact since 2001 ◦ No DOB complaints ever verified
16	591	4359 FURMAN AVE	1/14/05	<p>Wakefield; sold again 4/19/07; 2007 violations show lots of Bs, including structural clues: inadequate cold water, mold in multiple apartments, defective windows, concealed and cascading leaks in multiple lines, defective water line connections of sink & toilet. Leaks persist over at least 3 years. (PS)</p> <p>DOB – 2005 complaint about fuses constantly blowing was unverified (BIS)</p> <p>HPD violations pretty much unanswered, all still current (HPD)</p>	<p>NO PHOTO</p>	<p>Maintenance risk Poorly regulated</p> <ul style="list-style-type: none"> • Structural cues: <ul style="list-style-type: none"> ◦ Extensive evidence of non-maintenance ◦ Major, persistent leaks in multiple apartment lines • Regulatory cues: <ul style="list-style-type: none"> ◦ HPD violations uncured ◦ Minimal DOB contact

17 26 480 CONCORD AVE

2/1/07
(bundle –
usurious
Delaware co.)

Mott Haven; previous lender was NYCB/Roslyn Savings Bank, since 2004. Lots and lots of violations, mostly A (painting) but some B/structural: water leaks on multiple lines of apartments, exposed wiring in multiple places. General upkeep looks bad: paint, plaster, no smoke detectors, no monoxide detectors, defective faucets, mice, rats and roaches, etc. 2006 C violation for eroded brick and mortar joints at roof on entire façade of building. Padlocked fire egress, etc. Number of violations is massive beginning in 2003; before that, apts that got inspected only show a few violations each. (PS)

DOB found “no action necessary” on complaint that electricals blow out constantly in 2006; 2006 structural violation (missing bricks & mortar) noted in response to tenant complaint – same violation issued in 2005 (at that time, owner’s affidavit of cure was accepted). But earlier in 2005, an inspector looked at same problem and saw “no defect, no collapsing of parapet wall at time of inspection; previously violated in 2000 as well (affidavit accepted), previous complaint about leaning wall in 2004 dismissed as “no action necessary”; 2006 violation for illegal conversion (also previously violated in 2001); 2005 failure to maintain on elevator (more severe than the usual). Illegal partitions/illegal kitchen & bathroom violated in both 2001 and 2006, disposition “no compliance” (BIS)

HPD says most violations are still open (HPD)



Source: *

Serious maintenance risk
Milking risk
Extremely poorly regulated

- Milking cues:
 - Landlord-initiated illegal conversions
- Structural cues:
 - Extensive evidence of non-maintenance
 - Evidence of decline since (previous) sale
 - Failing bricks/mortar
 - Leaks in multiple apartment lines
 - Multiple instances of exposed/faulty wiring
 - “Repaired” structural violations re-cited again later
- Regulatory cues:
 - HPD violations uncured
 - DOB inspectors missed major structural issues
 - DOB violations uncured

18 1702 550 E 187TH ST

6/5/96

East Tremont; HPD shows no visits since 1996; back then, exposed electricals throughout cellar, and 3 lead paint violations in an apartment. (PS)

DOB shows complaint that new LL stopped roof repairs in the middle (1997) and that the parapet was “spalling and bulging”. Violated again 1998. 1996 complaint about illegal conversion. No other DOB action except violating the boiler a few times between 1991 and 2003. 1992 landlord made application for permit to remove and repair roof overhanger; permit request was disapproved.

No violations since 1996; is this building vacant? (HPD)



Source: **

Maintenance risk
Unregulated

- Milking cues:
 - Landlord-initiated illegal conversions (old)
- Structural cues:
 - Documented need for repairs (old); no evidence of repairs
- Regulatory cues:
 - No HPD contact since 1996
 - No DOB contact since 2003

TALLY:

28% Equity-drain or milking Bldg. 3,5,8,10,17	44% Façade/foundation Bldg. 3,5,6,7,8,10,13,17	Leaks/mold and cracks: 75%	28% No regulation Bldg. 1,2,11,15,18	22% Decline since sale Bldg. 3,8,10,17	Total immediate: 67%
67% Extensive non-maintenance Bldg. 1,3,4,5,6,7,8,10,12,13,16,17	44% Pervasive leaks/mold Bldg. 1,3,5,6,7,8,16,17		44% No compliance Bldg. 3,5,8,10,13,16,17,18	39% Immediate maint. risk Bldg. 1,3,5,7,15,16,18	
17% Major rehab Bldg. 2,9,13	100% Most tenants don't report Bldg. 1,2,3,4,5,6,7,8,9,10,11,12,13,15,16,17,18		100% Incomplete information Bldg. 1,2,3,4,5,6,7,8,9,10,11,12,13,15,16,17,18	28% Serious immediate risk Bldg. 6,8,10,13,17	

Anatomy of a collapse

In March 2007, the façade of a standard Bronx pre-war multifamily building fell off and the courtyard collapsed. The collapse gives a sobering perspective: the building looks almost exactly the same, on paper, as the sample buildings. The records show almost exactly the same set of violations as the other buildings in the sample: cracking plaster, lack of painting, inadequate supply of gas to stoves. Similarly, only a few apartments (4 out of 51) had been inspected by HPD since 2002. The pattern of DOB violations and inspections also mirrors the sample buildings: a DOB inspection following the collapse found that the basement had been converted into five SROs. But an inspection fewer than three months earlier, based on a complaint about illegal conversions, had found the same result as many of the credible complaints called in by tenants of the sample buildings: the inspection report states that no rooms for living were found, and that “no action necessary [was] based on observation.”

Much earlier, in 1999, the then-new landlord had been issued a stop-work order for doing illegal work on the parapets. According to DOB records, he secured the necessary permit. But DOB has no record of whether he completed the work. And about a month later, DOB issued a violation for the condition of the parapets:

“Failure to maintain the condition of the front exterior building wall (South side): diagonal cracks above some of the windows, throughout the façade, including all of the top floor window. Parapet wall bric [cut off.]”¹⁹²

By the time the façade actually fell, the building was no longer on the radar of the regulatory agencies, and the trouble was unanticipated. At the scene, fire department and DOB officials grasped for reasons:

“Our feeling is that it was age. Again [the department of] buildings is doing an evaluation,”

¹⁹² NYC Buildings Information Database

said FDNY Deputy Chief Thomas Dunn. “It's conceivable that the support beams were compromised by age and rust.’ ...The Department of Buildings said that water damage caused the collapse and the collapse, in turn, caused a gas line to break... Inspectors say the building appears stable.”¹⁹³

In its report later, DOB cites a courtyard collapse, not a façade collapse, caused by: “Failure to maintain: structural steel support I-beam and rebar corroded and rotted causing concrete courtyard floor collapse.” There is no record of the façade collapse, and no reference to the earlier violation. Clearly, piecemeal regulation is still not sufficient to the task of documenting the state of the building even after a crisis heightens regulatory attention. It’s not the fault of the inspectors; it’s just apparent that no system is in place.

Hope for regulatory change

Incremental improvements to regulation do promise some relief, although they do not solve some of regulators’ biggest problems. In April 2007, a coalition of housing advocates and City Council members announced the introduction of the NYC Safe Housing Act to reshape code enforcement in troubled buildings.¹⁹⁴ The draft legislation hits at two core issues: that habitability violations in apartments have not yet been tackled as indicators of underlying conditions, “for example, water damage on a ceiling might be caused by a problem with the building’s central piping system”; and that repeated, roof-to-cellar contact with a building is needed to understand how the building is doing.¹⁹⁵ Under the new code, HPD would be charged with remediating up to 200 of the city’s worst buildings each year, looking at the buildings as whole systems, stepping in to make

¹⁹³ “Terrace Collapse Blocks Main Entrance Of Bronx Building” NY1 News (TV), March 13, 2007

¹⁹⁴ Jonas, Jillian “An ‘Act’ that means action: housing bill requires repairs” *CityLimits.org*, April 16, 2007

¹⁹⁵ “Intro. No. 561.” New York City Council, May 3, 2007

repairs if landlords don't comply, and revisiting the building every four months. The proposal represents an important acknowledgement of the need for better information-gathering, follow-up and enforcement mechanisms. It also represents a recognition that B violations, while not deemed "immediately hazardous" to tenants, can be indicators of deep building-wide trouble.

But the bill, which uses regulatory data systems to identify buildings in trouble, suffers from much of the same blindness as the regulatory system. First, it targets buildings with 5 or more "hazardous and immediately hazardous violations" per unit. ("Hazardous" and "immediately hazardous" are revised violation categories that would be established by another pending bill.¹⁹⁶ They correspond exactly to current definitions of B and C violations.¹⁹⁷) But these violations are documented almost exclusively through tenant reporting. As the sample showed, some of the buildings that may be in the most imminent danger get no tenant reporting at all. 2525 Aqueduct Avenue, having no HPD inspections between 2004 and 2007, would not have been eligible for the program. Neither would any of the buildings that suggested "serious maintenance risk" in the 1% sample. Ada's building, 443 Cyrus Place, would be eligible – but that is largely because a crisis had already occurred, which propelled the tenants to organize and call in HPD to document their troubles. The bill also misses buildings owned by Bronx investors who may be fiscally responsible, but whose investment plan includes deferred maintenance or strategic decay. It specifies that, for the first four years, only buildings with a per-unit lien of \$100 or more are eligible for enforcement – but as shown below, a low per-unit lien is not an indicator of good stewardship.

¹⁹⁶ "Intro. No. 56o." New York City Council, May 22, 2007

¹⁹⁷ NYC Dept. of Housing Preservation & Development: Online Glossary (undated)

None of the sample’s high-risk buildings is eligible for advanced enforcement

Disqualifying factors are in bold type.

Risk	Address	Viols./unit	Enough HPD reports within 2 years?	Lien/unit	Eligible?
Milking	2123 Tiebout Ave.	2.6	No	\$20.20	No
Milking	2810 Olinville Ave.	0.27	No	\$0	No
Milking & Serious Maint.	2208 Walton Ave.	16.38	No	\$1,239.71	No
Milking & Serious Maint.	480 Concord Ave.	7.35	No	\$8.51	No
Serious Maintenance	2420 Bronx Park E.	0.38	No	\$1,151.83	No
Serious Maintenance	2505 Olinville Ave.	1.22	No	\$48.27	No

Violations/unit include A,B & C offenses. The count of just B & C violations (used to assess eligibility) would be somewhat lower.

A separate proposed bill helps fill in the tenant reporting gap by mandating that *every* building in the city be inspected from top to bottom by an engineer or architect on a five-year cycle, and that a report be filed certifying the building’s condition.¹⁹⁸ And the Safe Housing Act and the other proposed bills recognize the remaining difficulty of simply gaining access to the parts of a building that need inspection. Together, they establish a process – necessarily labor intensive, time consuming and cross-agency – by which DOB and HPD can sue for access if needed. But the upshot is that inspection and enforcement suffer enormously from their limitations.

Assessing the current prospects for Bronx housing stock

Regulatory faults aside, the similarities between the sample and the collapsed building indicate either that most Bronx buildings are in some danger of collapsing, or that the available information is too scattered and poor to make any assessment. Since lenders’ data is compromised too, the buildings’ chances are still very much unknown. But it is clear that some buildings will not survive their current trajectory.

¹⁹⁸ “Intro. No. 550.” New York City Council, March 20, 2007

Part 2: Will the tenants go away?

Testing tenants' likely actions is much more difficult than looking at the building sample. But assembling a list of contributing factors, and comparing them to past tenant behaviors, gives an indication of possible outcomes.

Can the Bronx do gentrification-as-usual?

The Bronx's gentrification trajectory does not quite mirror any other New York City neighborhood's experience. Gentrification has generally been created when lower-income tenants moved out, rent jumped to the point where a new low-income tenant could not move in, and higher-income tenants who had been priced out of other apartments became willing to accept the formerly low-income apartment. This process has been accelerated by renovation increases, the arrival of amenities in neighborhoods that increase the attraction for higher-income renters, etc. New Yorkers are in disagreement about whether developers can cultivate that "attractiveness" in extremely dense Bronx pre-war enclaves. But holding "attractiveness" constant, gentrification has primarily been fueled by the departure of low-income tenants.

The recent gentrification of Harlem, for example, has pushed out many low-income and very-low income tenants – in many cases by applying regular legal rent increases to apartments that had previously been much cheaper because the neighborhood was considered undesirable. In other words, no effort at all was required by landlords; housing pressures elsewhere in Manhattan simply meant the apartments were worth more, and recent changes to rent regulation meant they could raise prices almost immediately.¹⁹⁹ Anecdotally, those tenants are now moving to the only place left

¹⁹⁹ Before 2003, landlords who charged a "preferential rent" below legal rent could not revert to the legal rent until the apartment was vacated. Under new regulations, the rent can revert to legal rent at lease renewal. As a result, rent amounts can jump by hundreds of dollars at a time. / Division of Housing & Community Renewal, "Preferential Rents And Rent Concessions For Rent Stabilized Apartments In New York City And "ETPA Localities" In Westchester, Nassau And Rockland Counties; Rent Law of 2003"

for them in New York City: the Bronx.²⁰⁰

Housing analysts and community-watchers report that some low-income tenants are moving out of the Bronx, too. Father John Flynn, long-time pastor of a large parish in a central Bronx neighborhood consisting almost entirely of pre-war buildings, reports an exodus of renters to New Rochelle and Yonkers. According to Father Flynn, the tenants have essentially been forced out by rising prices, which rise far above inflation levels each year while wages fall, even within rent regulation.²⁰¹ Even when tenants are forced out, though, the decision to leave still involves a series of trade-offs. To leave the Bronx, they have given up access to jobs and social networks, as well as opportunities for city-specific subsidies. In other words, faced with rising rents, they have decided that New Rochelle or Yonkers is less unaffordable than the Bronx.

But future squeezed renters will face a different set of opportunities and trade-offs. New Rochelle and Yonkers, like the rest of Westchester's increasingly dense cities, are in the throes of major affordable housing crises themselves. Even if price-squeezed Bronx tenants want to move there, they cannot be accommodated *en masse*. In any case, the tenants moving to the Bronx to fill the leavers' apartments are not yet the gentrifying set, but anecdotally are often low-income families displaced from Harlem and other changeover neighborhoods.²⁰² As such they are more likely to be tied by social and employment networks to New York City; for them, a move to Westchester might be more unaffordable than staying in their Bronx apartments. Those renters are likely to double up, push their rent payments to even greater proportions of their income, and otherwise fight to stay.

For Ada, the only alternative to staying in her apartment is a much more dramatic move: emigration. While Ada's options are broadened by the fact that she is past retirement age, she does not envision gentrification or suburban migration as the endpoint of the landlord-tenant price

²⁰⁰ Interview: Jim Buckley 4/9/07

²⁰¹ Interview: Father John Flynn 3/2/07

²⁰² Interview: Jim Buckley

conflict.

“When there’s only Section 8 left – and it’s only for some people who qualify – a lot of people are going to have to back to their counties... Because the minimum wage isn’t going up. How is a poor person going to pay rent for \$2000 or \$2500?... We make the country work. Rich people can’t live without poor people. [But] we’re going to lose like half of New York. You can have your buildings, but they’ll be empty.”²⁰³

Ada’s mass exodus is not the kind of vacancy that Bronx investors are dreaming about. Even if the immigrant population of the Bronx were all able to leave the country – if Bronx conditions were allowed to get so bad that reverse emigration became less unaffordable than staying in the U.S. – the process would be preceded by a deepening poverty and desperation that does not precipitate gentrification. (That process is sketched out in the following section.)

Meanwhile, it seems the opposite process is taking place in buildings where landlords are just waiting for the upside. While the poorest tenants cling to their apartments, those with more resources are looking elsewhere. Gus’ better-resourced neighbors moved soon after the fire.

“The ones that left were the ones who always wanted to leave because of the drug problem. It was the people who could afford to pay one month rent and one month deposit – they moved. The other people are day-to-day survivors, they can’t afford [to move.]”²⁰⁴

Gus himself stayed long enough to organize his building. But he has a good-paying job and choices about where to live. In the end, he moved too.

Packing in even more of the poorest tenants

Demographic factors also point to Bronx tenants’ capacity to hang on to apartments, even if they sacrifice the quality of their housing in the process. First, the Bronx has the lowest vacancy rate

²⁰³ Interview: Ada 3/23/07

²⁰⁴ Interview: Gus Birru 3/15/07

in the city: 2.6% borough-wide in 2005. Rather than climbing as prices have increased over the last several years, the vacancy rate has dropped.²⁰⁵ While a portion of that decline may be attributable to the arrival of new tenants in the Bronx, it's extremely unlikely that new tenants are the whole story.²⁰⁶ The combined price of moving²⁰⁷ and re-renting a vacated apartment also make it highly likely that the decreased vacancy rate reflects tenants' hunkering down against price increases.

Clinging to apartments indicates that, while tenants are under strain, they have not reached their breaking point. (And in this case it's not clear what that point would be, given the dearth of any other options.) Bronx renters, including both subsidized and unsubsidized, have seen their rent burden increase to almost 35% of income, a tighter squeeze than any other borough.²⁰⁸ And renters' actual incomes have declined enormously – citywide, they decreased by 8.6% between 2004 and 2005.²⁰⁹ The Bronx likely saw an even greater decline. But 22% of Bronx units are subsidized, the highest proportion in all the boros. Subsidized tenants are not only less likely to be priced out of their current apartments, but they are also much less likely to be able to seek housing outside the city (Section 8, HASA and DHS vouchers are administered by city agencies, and are not portable across city lines.) They have both resources and extra incentive to stay in the Bronx.

Also, neither self-paying nor subsidized tenants have maxed out the use of their space: as a group, they have more room to double up when the need arises. Bronx pre-war apartments, by virtue of their undesirability, have much less history of being subdivided than those in other boros. Currently 5.7% of low-income unsubsidized Bronx renters are listed as “severely crowded,” while

²⁰⁵ Furman Center for Real Estate, 2006

²⁰⁶ Census data, crunched in Furman Center for Real Estate, 2006, only counts an increase of 5,671 people in the Bronx between 2002 and 2005; the Bronx's population rank among NYC boros remained the same over that period (4th out of 5)

²⁰⁷ In addition to logistical costs and opportunity costs, the costs of changing apartments generally include security deposit, first-and-last month's rent and broker's fee.

²⁰⁸ Furman Center for Real Estate, 2006

²⁰⁹ *NYC Housing & Vacancy Survey, Initial Findings*. NYC Dept. of Housing Preservation & Development, 2005

across all Bronx renter households (which includes subsidized ones) 4.5% are listed as such.²¹⁰ In terms of social welfare and housing justice, those numbers are high. But in terms of capacity to reduce rent and increase income by squishing even further, they suggest that space remains.

Wishful thinking and investor pitfalls

The uniqueness of the Bronx's situation and the seeming illogic of landlords' hopes for gentrification beg the question: do landlords and lenders, who live elsewhere and gather data from a fairly motley set of sources, really understand what's happening in their buildings? Willia McKeiver, who has talked to her own landlords and their lenders extensively, made this observation:

“Landlords think everybody makes \$40,000 or \$60,000 and that's just not true. A lot of us still make twenty, twenty-five if you're lucky. You have to put a hold on it, can't keep letting rents go so high that you have three families in one apt. I feel like they're trying to make New York City a jail – have you seen that movie with Kirk Douglas, “Escape from New York?” That's my rendition.”²¹¹

Willia is at least partly right: median household income in Bronx neighborhoods²¹² ranged from \$15,444 to \$30,432 (with the somewhat surprising exception of outlier Morris Park/Bronxdale, where median income was \$34,400.)²¹³ When the landlords I interviewed, (including Willia's) did not make any such claims, though, I became convinced that she was wrong about the rest. Surely number-crunching investors have a grasp on the relationship between rents and tenants' ability to pay? But the lender who holds the mortgage on Willia's building – and whose thinking gives insight into the logic of Bronx multifamily investment – came through for Willia's point.

²¹⁰ Furman Center for Real Estate, 2006

²¹¹ Willia

²¹² Except these neighborhoods: Riverdale, which is quasi-suburban; Throgg's Neck/Co-op City, which has a much higher proportion of homeowners than other Bronx neighborhoods; and Williamsbridge/Baychester, where median income is elevated to \$31,400 by neighborhood boundaries that include both very poor and much wealthier residents. (Source: US Census Data)

²¹³ Furman Center for Real Estate, 2006. Median incomes are for 2005, measured in 2004 dollars.

“In the Bronx... in blue collar neighborhoods, rents are primarily rent-stabilized and rent levels are reasonably comfortable for people to handle, maybe \$600 for a 2-bedroom. They’re manageable, especially for working families; you’d usually have a few people working. We’re not talking huge numbers.”²¹⁴

Despite the lender’s success as an investor, he’s wrong.²¹⁵ Median rent was \$775 in 2005 for all Bronx apartments.²¹⁶ The median household incomes listed above include working families with multiple jobs, and they are indisputably low. Rent levels, climbing past 50% of income, are not at all comfortable.

In the lender’s few sentences, the essence of Willia’s point rings true: investors gambling on tenants may be making fatal miscalculations. Their error, in addition to meaning that tenants may not vacate apartments according to plan, poses threats to other elements of gentrification. If tenants double up in huge numbers, will crime rise, will new businesses anchor there, will community resources be stretched to the point of crisis and neighborhood decline? Will the added cost of too many tenants – water bills, wear and tear, more demands on management time – shift investors’ profit structure off their foundations? Will the buildings’ structures fail under the stress even as prices are rising? Predicting Bronx tenants’ path may be difficult, but their available options are clearly different than in earlier instances of gentrification. Given the limiting conditions, and the spatial capacity for tenants to do more of the old solution – doubling up – investors’ belief in “nothing but upside” rests on shaky foundations.

²¹⁴ Jim Carpenter 4/19/07

²¹⁵ A lender’s idea that the median apartment costs about \$600 might reasonably be drawn from the NYS Dept. of Finance data on Real Property Income & Expense (RPIE.) But according to the NYC Rent Guidelines Board, RPIE data measures collected rent, and lowers its numbers to account for uncollected rents and vacancies. So, while the median owner might collect \$600 per apartment, the median tenant is paying more. The error is an good example of the distance between housing economics on paper and the real-world dynamics of prices and payers. (NYC Rental Income & Expense Study. NYC Rent Guidelines Board, 2007)

²¹⁶ Furman Center for Real Estate, 2006

Part 3: What happens if buildings lose their investment value?

Market predictions are beyond the scope of this research. But given the high rent multiples for which Bronx buildings are selling, and the chorus of long-term market observers who believe that these prices are not supportable in the long run, a downturn is credible.

UNHP has begun planning for assistance to holders of multifamily buildings that find themselves simultaneously in physical distress and financial trouble. Their proposal for a Multifamily Assistance Center includes provisions for bringing in HPD code enforcement; and lenders in their dual capacity as a source of support for improvement, and as a regulator who could ultimately seize a building and transfer it to a new owner, potentially a non-profit group.²¹⁷ UNHP's proposal is intended to minimize the delays in remediating buildings that can be caused by long foreclosure proceedings – not to take buildings from owners.²¹⁸ But some “paper” owners who never intended to operate their buildings, much less engage with low-income tenants in the Bronx, may well prefer to walk away.

This raises an interesting prospect: abandonment by investors without abandonment of buildings. If investors abandon buildings not for the reasons of the past – that the buildings have no value to anyone – but because the buildings simply have no positive value to *them*, then the possibility exists to return the buildings to a rational valuation. On the other hand, if landlords hang onto their buildings as they fill with more tenants – if they perform sufficient repairs to let the buildings survive, and find ways to keep up with the added pressures on building systems of dramatically increased use – there will still have to be a reckoning when landlords revise their view of the neighborhoods. They will have to accept their place as landlords of the present low-income Bronx population, rather than holders of chits to be cashed in a more glamorous future.

²¹⁷ *University Neighborhood Housing Program Multifamily Assistance Center Proposal*. UNHP, undated.

²¹⁸ *Ibid.*

In the struggle between gentrification and abandonment, either of these outcomes may constitute a third way.

Taking stock

Landlords and lenders are counting on tenants to leave; not in the sense of Ada's catastrophic scenario, but by orderly, naturally occurring vacancies. In their version of events, the upside comes from vacancy rent increases that occur gradually enough to be supported by higher-income tenants moving outward from Manhattan, into a Bronx with steadily increasing amenities and a growing middle class character. Some of that will undoubtedly occur, through both the life cycles of city dwellers and through crises in the lives of low-income tenants. City programs will also spur some price-increasing instability unless they're revamped: just like the DHS Scattered Site program, Housing Stability Plus (Scattered Site's programmatic heir) fosters expensive churning at the bottom of the market.²¹⁹

But because tenants have nowhere else to go – because prices have reached the point where New York's rent regulations no longer preserve affordability, and because housing and population pressures enormously outpace housing availability – the presumption that they'll behave as priced-out tenants have in the past is not particularly well-founded. Similarly, the presumption that naturally occurring vacancies will appear within the time frame of other gentrifying neighborhoods seems misplaced.

Instead, the clash of investors' expectations and Bronx realities will mean that many properties will bear debt burdens that are not supported by increased operating income for longer than their owners anticipated. Some earlier investors, like 1920 Walton Avenue's Manny Stein, may undertake timely gut repairs, but it seems unlikely that "craze" buildings sold at the inflated prices of

²¹⁹ "On First Anniversary of Mayor's Homeless Housing Assistance Program, Advocates and Housing Groups Call for Reforms" Coalition for the Homeless, New York City, January 24, 2006

the last few years will improve. In some cases, continued non-maintenance and/or milking will lead to the actual loss of buildings; community groups also predict a possible spate of foreclosures on over-leveraged buildings.²²⁰ Meanwhile, the buildings will unavoidably become more heavily burdened with tenants, and even *more* critically important as a source of low-income housing.

In spite of the crisis-bound direction of the game of deferring maintenance costs, edging up prices and stuffing poor tenants into apartments, regulators are deeply disempowered in this picture. Recent developments may accord more physical power to New York's housing agencies, but they are still hobbled by their massive lack of information. Socially-besieged tenants are still required to act as impotent housing inspectors, banks act as disparate compilers of some information about some buildings' quality, and landlords both implement and sign off on their own repair work. Regulation by markets is equally ineffective, subjecting landlords to purchase and operating costs that are unsupported by available rents.

These factors may be resolved – not easily, but possibly – if communities can prepare for investors' reactions to falling prices. But what about making change before then?

²²⁰ Buckley, J. and O'Leary, C., 2003

CHAPTER 7

CHANGING DIRECTIONS

Urban planners and housing strategists have regularly pointed out that market forces cannot be counted on to provide adequate housing, maintain affordability, preserve existing structures, balance a city's economic need to house low-income workers, or supply the shelter to which they have a right.²²¹ Gentrification that presses on tenants without regard for whether they have somewhere else to go (or why they should have to move so that wealthier people can settle in their neighborhoods), and abandonment that takes affordable housing out of the pool without regard for the need for it, are stark examples of this failure.

The landlords and tenants interviewed here largely agree that it's not working. The landlords who sympathize with their low-income tenants (while also managing their buildings' tight budgets) call directly for government intervention in building conditions and price structures, as detailed below. Tenants, for their part, call for interventions that hold landlords and lenders directly accountable for conditions in their buildings; an acknowledgement of tenants' extreme lack of access to substitutions. These two areas of change – physical and economic intervention, and improved enforcement – are aimed at a larger goal: creating a capacity for communities, by whatever definition, to determine what housing is available, to whom, and of what quality.

Supporting building operations, as regulation

Manipulations of where housing cost burdens land have become an important social justice issue, touching on race and class inequality as well as property rights and capitalism in general. On one hand, landlord Manny Stein laments that “subsidizing people who can't pay somehow fell to the

²²¹ Marcuse, P. “The Liberal/Conservative Divide in the History of Housing Policy in the United States.” *Housing Studies*, Vol. 16, No. 6, 2001

landlords instead of public coffers.”²²² For him, increasing rents is a solution to his cost problem.

On the other hand, the increased cost of rent doesn’t necessarily get passed on to people for whom it’s a fair burden – but for lack of choice, they often pay it anyway. Willia recounts:

“My mother got put out of 116th Street and 8th Avenue. The rent was \$600, and when she left after 5 years her rent was \$1100. [They thought they’d get rid of her by raising the rent but] she kept finding the money. Finally they wrote her a letter and *put* her out.”²²³

Whether for survival or for less noble purposes, many landlords have sought to “negotiate costs” by manipulating income (rents) and expense (maintenance etc.), or by driving out low-paying tenants. Willia’s first landlord made repairs to DHS-contracted apartments where they would increase his return; he used non-maintenance in private apartments to decrease his costs, at least in the short run. Ada’s landlord apparently used non-maintenance to harass tenants out, and then the vacate order, issued after fire, to *keep* them out; hoping to make rent-billable improvements, get wealthier tenants or even use the turnover to charge new tenants illegal increases. Tenants have also sought to manipulate prices within the limited means available to them: doubling up, accumulating arrears, etc. In all cases, the manipulations are damaging to at least one party, and frequently to the building as well.

Advocates on both sides have often tried to address cost burden through legal strategies and political moves to shift the cost burden between landlords and tenants. The Pataki administration, supported by a major landlord lobby group, famously legislated vacancy decontrol while telling tenants that their rents would be lower on the open market.²²⁴ (Tenant advocates have been seeking

²²² Interview: Manny Stein 4/9/07

²²³ Interview: Willia McKeiver 3/23/07

²²⁴ Pérez-Peña, Richard “Landlords Take Their Case, And Pataki’s, to the Radio” *New York Times*, May 28, 1997

its repeal ever since – a move they regard as protecting tenants’ access to affordable housing, and which landlords regard as an attempt to shift cost burden back onto them.)

But shifting costs between landlords and tenants is inadequate. The majority of Bronx tenants in question clearly cannot afford rent hikes – most of the landlords interviewed acknowledged that fact – and in many cases the landlords do not appear to be getting enormously rich either. For Bronx owners in particular, operating income appears to have decreased in recent years.²²⁵ Taking the lowest-income tenants and the least-rich landlords as a starting point for effective change, fixing the housing situation requires some intervention besides shifting the cost burden between the two.

The players’ own proposals center around decreasing operating costs, supporting the creation of additional/rehabbed units and increasing subsidies and support to both landlords and tenants. Echoing the distress of 1970s landlords at energy crisis-driven increases in operating costs for low-rent housing, landlord Frank Anelante says:

“Even with low rent, we find people still can’t pay. But it’s a mistake for politicians to say ‘let’s hold rent income down’ when there’s no control of operating expenses... In many areas, market rent is below what the building needs in order to operate. Government has to really talk about allocation of resources as part of this issue... Some of the burden for providing affordable housing – you can only do it with subsidies.”²²⁶

Some movement exists already to reduce government-imposed costs or use government funds to add value to existing housing. UNHP points to climbing water rates and income tax assessments (increasing with the market value of buildings, independent of actual rents) as costs within the city’s control. The group also maintains a Green Loan fund to support energy-efficiency renovations that reduce operating costs. Housing First!, a coalition of community advocates, unions,

²²⁵ NYC Rent Guidelines Board, 2007

²²⁶ Interview: Frank Anelante 4/16/07

housing developers, lenders and other groups, outlines a specific platform for finding state funding to support rehabs of existing units and extensions of existing tenant subsidies that pay increases in regulated rents, or even market-level rents.²²⁷ Anelante proposes extending Section 8 vouchers to tenants making 120% of AMI (from the current 60%), because “we find that those people are also having a hard time paying.” He also proposes that government should simply subsidize the operations of privately-owned affordable housing, not just non-profit housing; and also subsidize rehabs.²²⁸

Notably, these are not proposals for the removal of housing to the non-profit realm. Instead, they are a statement that, if communities *want* private landlords to operate buildings and rehabilitate their declining existing units, the cost of operating those buildings well should be supported by the state as a component of regulating building quality. Such intervention might be targeted to increase the value of housing in relation to its costs, alleviate excessive demand that raises prices far beyond people’s ability to pay, and intensively insulate affordable housing from a market that clearly does not support it .

The obvious caveat is that funding landlords as a component of building quality is untenable without modes of real regulation – and that landlords cannot be entrusted as stewards until the issue of massive commodification and “paper ownership” is resolved.

De-papering housing ownership

The paper ownership problem is illuminated by a massive proliferation of tax shelter blogs, investment magazines and real estate discussions expressing a fairly shocking enthusiasm for no-

²²⁷ *Housing New York's Future: Community Development and Homes for All New Yorkers*. Housing First!, 2006

²²⁸ Interview: Frank Anelante 4/16/07

management property investment and free money.²²⁹ While most seem to be advertised as opportunities to invest in property that's managed by someone else – no website I found specifically suggests that people invest their nest egg in dangerously decaying low-income buildings in the Bronx, for example – the compunction-free use of other people's housing as a money-making pawn begs for redress. Whether through investor education campaigns, exposés of proxy management firms or other means, the pervasive illusion that equity can continually be drained from real estate, without regard for human or civic consequences, must be broken.

Tenant groups have also been using existing rules to battle equity-draining by paper investors. As early as 1988, NWBCCC was taking lenders to task using the “good repair” clause standard in mortgages – starting with Freddie Mac, which was under-regulating and over-financing Bronx multifamily borrowers.²³⁰ All three case study buildings are beneficiaries of that tactic; each won repairs and building management reform by getting lenders to apply pressure on their landlord borrowers. In the case of 1920 Walton, tenants used the lender's relationship with a large-scale investor to get him actually to divest himself from their building.

But the paper owner problem also requires intervention in the rules themselves – an amendment of code at the federal level; or at the local level, a circumscription of the exercise of Section 1031 within New York City. Although legislative change is a big task, housing advocates have already set their sights on it. UNHP proposes digging into banking regulations, adding conditions of buildings in a bank's portfolio as a factor in their CRA rating.²³¹ Picture the Homeless

²²⁹ A Google search for Section 1031 investment advice websites turns up a variety of approaches, from simple tax advice to exhortations to get on board. One representative article, with subheadings including “I don't know how this made it past the IRS watchdogs!” is: (no author) “1031 Tax-free Exchange: Once Complicated, Now Easy” *InternationalLiving.com*, Dec. 2, 2003 (http://www.internationalliving.com/real_estate_articles/free/eletters_443.cfm on 5/24/07)

²³⁰ Groarke, M. “Organizing Against Overfinancing: The Northwest Bronx Coalition Campaign Against Freddie Mac” *Bronx County Historical Society Journal*, Fall 2002

²³¹ *Shrinking Affordability: Housing Prices, Quality & Preservation in the City's Last Expanse of Affordable Housing*. United Neighborhood Housing Program, 2007.

– noting that Manhattan’s warehoused, unrepaired apartments could house all of New York’s homeless population – proposes that owners be prohibited from *not* rehabbing and renting out offline units.²³²

The extent to which these proposals seem radical is the extent to which housing has been removed from civic control, and to which private interests in “the free market” diverge from the public interest. Again, none proposes reserving property for non-profit management – just parameters on how private interests may leverage a critical public resource.

Maintaining real knowledge about buildings

The dearth of information available to HPD and DOB is crippling to any other efforts to reshape the relationship between buildings, owners and communities. But the extreme barriers to information-gathering experienced by HPD and DOB are smaller barriers to lenders, who have much greater access to landlords; and to community groups, who have much greater access to tenants. Some organizations have already built systems to foster information-sharing, including efforts to use lenders’ access to round out shared information. NWBCCC has fostered a relationship with HPD by which it can leverage some HPD action against problem landlords,²³³ and its campaigns to hold lenders accountable have produced lender inspections and documenting. UNHP’s Building Indicator Project pulls publicly available data on building finances – mortgage amounts and liens – and splices it together with physical data. That much could be done by any public agency with the time, resources and ingenuity in order to bolster regulators’ knowledge about housing stock. But UNHP also markets the tool (for free) to lenders to help them understand the nexus of physical issues and market issues; and convenes lenders, owners, tenants and regulators in face-to-face conversations on what’s actually happening on the ground.

²³² *Homeless people count vacant properties in Manhattan*. Picture the Homeless, 2007

²³³ Reynoso, 2006

UNHP (like NWBCCC, the Urban Justice Center, Mothers on the Move and Picture the Homeless, whose reports are cited here) also publishes its research findings to counter the under-documentation of factors affecting Bronx housing. Tellingly, the community-generated reports all base their analyses on a combination of hard data and interviews that provide anecdotes and interpretation – an investigative format that’s *de rigueur* in the business world, but almost entirely missing from city agencies’ documentation processes. The community reports highlight the inadequacy of number-crunching as a method of understanding a complex physical and fiscal market. Unfortunately, while information-sharing is a basic, intuitive approach to stewardship of a critical public resource, it is not built into city rules or agency practice. It should be.

Engaging tenants, but not counting on them

Ideas and impetus for change, so far, have come through community organizations. Tenants’ organizing in particular has been absolutely critical in improving individual building conditions and framing Bronx-wide problems, as has their collective insistence that 1) both enforcement and laws are not good enough, and 2) landlords have responsibilities for their tenants’ human rights as well as for their property. Often, because of the physical immediacy of housing crises, movement has come one building at a time. But the three case study buildings forced action from WaMu, Dime and Citibank as lenders on problem buildings, and their campaigns add to the groundswell that seems poised to force lenders across the board to be better regulators of their investments. Community groups’ particular strength is their extra-regulatory capacity to collect real, useful information at the street level, and to compile it into a comprehensive analysis of what’s happening to buildings and neighborhoods.

But in the Bronx alone, there are at least 4,663 5- and 6-storey, pre-war, rent-regulated buildings housing vulnerable and alienated tenants. Community groups cannot be expected to

organize them all even to report on their buildings, much less to pursue arduous code enforcement. Tenants possess important, specific information about their buildings, and can't be replaced as elements of a regulation system. But they can't be asked to be responsible for driving it, either. Instead, more realistic building-wide monitoring of systemic problems, as in the City Council's proposed 5-year roof-to-cellar inspections, should provide the framework for understanding building conditions. If they're bad, regulators should reach out to tenants, rather than the reverse. A regulatory system that invites tenants to share their knowledge with an active system advocating on their behalf is far more likely to win their help.

Dealing with density

The issue of doubling-up is not limited to neighborhoods pressed by gentrification. Although it has room to go further, the Bronx is already likely the most doubled-up borough in the city.²³⁴ And the lack of alternative housing isn't simply price-based either – housing is filling up. New York City is gaining units but still under extreme stress;²³⁵ although part of the problem is that many of the units it gained are not affordable to most New Yorkers, another part is that the population grew too. The New York Citizens Housing & Planning Council, a citywide research group, estimates that up to half of the units gained in the last 15 years have come from illegal conversions, many of which simply overcrowded rooms. Some neighborhoods (in Queens, rather than the Bronx) are finding that conversions are swelling their populations to levels that are stressing their city services.²³⁶

Increased density and apartment overcrowding will not fail to happen even if the Bronx finds a way other than its current path. As inner cities slipped into the abyss in the late 1960s, the Mayor of

²³⁴ Smith et al., 2005

²³⁵ *NYC Housing & Vacancy Survey, Initial Findings*, 2005

²³⁶ “New York’s Underground Housing” *The Urban Prospect*, June/July 2003

Newark, surveying his own city, said: “Wherever America is going, Newark is going to get there first.”²³⁷ In this case, facing growing demand for New York as “luxury product” as well as for housing for the swelling low-income population, the Bronx may get there first. In that case, supports for operations and maintenance, and a regulatory system that engages and advocates for tenants, will be even more essential.

Committing to Change

Bronx housing is a precious resource that now lies mostly unguarded. Bolstering the community-led effort to plan for its continued existence requires simultaneous interventions in cost structure, physical housing quality and regulation. And it incorporates a set of players whom interventions must take specifically into account – investors who have already bought buildings at inflated prices, lenders who are deeply invested in neighborhoods and their “upsides,” tenants who might tolerate worse conditions than usual but should not be put in that position; regulators with little current capacity to regulate.

What seems to be prescribed is a shift in regulators’ and lenders’ overarching approach to the Bronx. There will be more tenants, more overcrowding, more stress on buildings. Price increases are likely to occur without real gentrification, but also to come more slowly than investors have anticipated. Without a shift in oversight and support provided by regulators (including the *de facto* regulators of the financing world) these changes may ultimately destroy the buildings themselves. The policy recommendations and information-gathering practices of community groups who have already acknowledged this reality are an excellent foundation for building deeper prevention mechanisms – if regulators are far-sighted enough to adopt them.

²³⁷ Sternlieb & Burchell, 1973

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APPENDIX 1

METHODOLOGY

This research began as an attempt to understand how low-income tenants and their landlords exert control over apartments in the Bronx, focusing on the 5- and 6-storey pre-war multifamily buildings that typify the Bronx's low-income rent-regulated stock. The plan was to use case studies to trace how landlords and tenants interact in an environment of laws, code and procedure, and in the "gray areas": informal encounters in apartment buildings that are both public and private; that are tenants' homes, landlords' property and New York City housing stock. Since low-income tenants, as a means of being able to stay in their housing long-term, also experience an especially urgent need to preserve the *quality* of that housing, look at control over apartments also meant looking at the physical condition of Bronx building stock as a whole, and investigating how relationships between landlords and specifically low-income tenants affect the stewardship of those buildings.

But that investigation quickly revealed the vulnerability of these buildings to crisis, tenants' extreme difficulty in getting landlords to maintain habitability, and the likelihood that relatively new investment strategies have changed landlords' approach to tenants and maintenance. It became clear that the "real story" is about how buildings and tenants are viewed and operated on by the forces that control building quality; namely, landlords and regulatory agencies. While the ecology of landlord-tenant relationships is a central piece of that story, the intensive commodification of housing has meant that the arena of "landlords" becomes much more complex; now investors, who are a different kind of landlord altogether, must be added to the picture. For some, understanding their tenants as low-income people shapes their approach. Some are waiting for higher-income tenants. Some have no relationship with tenants at all, but think of buildings or portfolios. The

addition of these characters to the ecology of Bronx housing relationships require looking *beyond* landlord-tenant relationships to an ecology, or at least a logic, of investor/building relationships. It also requires a reevaluation of the relationship between the new set of investors and a regulatory system designed to act locally and on-the-ground, rather than in national and international financial markets.

While the findings of this research are based on formal data and interviews, the process of investigation – knowing where to look next – was directed by local knowledge about Bronx as an environment for relationships. Some of that knowledge was gathered from informal chats with tenants, organizers, policy makers and other New Yorkers; some of it was drawn from my own experience as a tenant organizer and anti-racist activist in the Bronx and other parts of New York City. In this case, community-generated research and informal knowledge was critical to understanding the Bronx housing landscape, not least because many of the actors in housing investment act in semi-secrecy.

Preliminary conversations with Bronx housing and anti-homelessness organizations provided an overview of current housing directions, and pointed to citywide gentrification pressures as a driving concern for low-income tenants. These conversations also emphasized community organizations' ongoing frustration with the “toothlessness” of regulations governing housing quality, affordability and availability, and their focus on the loan industry as an important point of leverage for change.

Case study buildings were identified with the help of Bronx housing organizers from Northwest Bronx Community & Clergy Coalition (NWBCCC), which seeks out troubled buildings and tenant leadership, and networks the buildings to leverage improvements and housing fairness; and Housing Here and Now (HHN), a policy advocacy coalition with strong ties to Bronx community organizing.

The buildings included in the focus are the ubiquitous 5- to 6-storey pre-war building. They are described in more detail in Chapter 3, which presents the history of this housing stock.

The case studies were initially intended to paint a picture of tenants, landlords and physical condition of buildings. Landlords are often absent or elusive, but are critical to the picture; so as a criterion for finding buildings where information on landlords would be readily available, I looked for buildings that had experienced a crisis which brought landlords to the table with tenants. Three buildings were selected that included a mix of tenants (organized/not organized, unsubsidized/subsidized by an array of sources, differing in race/immigration/language status), a mix of landlord types and tenant leaders willing to participate in interviews. Tenant interviews provided information on building conditions, maintenance patterns, interactions with landlords and strategies that worked (or didn't) for dealing with building quality. They also provided information about tenants' relationships to various entities with power over the building, from city agencies to their landlords' mortgage-holders.

Later, the case studies were expanded to include examination of regulatory documentation of building quality, landlords' claims of compliance, and how these indicators coincided in time with equity-leveraging activity involving the building. Since only one case study landlord responded to the request for an interview, an enormous amount of internet sleuthing (using sources and methods described below) substituted for information on the other landlords' investment activities and management track records.

The case study interviews were supplemented with "big picture" interviews of two more landlords, a lender and a community-based market watchdog/activist group. One landlord, whose interview is not directly cited in the paper, was Laura Jervis, Executive Director of the non-profit West Side Federation for Senior & Supportive Housing. That interview gave a baseline for understanding housing investment strategy driven by preservation and cost-minimizing goals,

informed by hands-on operations. (This provided a foil for investors operating from outside with less transparent goals.) The second landlord was a long-time owner/developer in the Bronx who added insight about the difference between long-term ownership strategies and current investment; and about operating, maintaining and rehabbing privately-held buildings. The lender interviewed explained the thinking behind his own bank's investment in Bronx buildings, and was able to contribute information from the banking grapevine about other approaches. The community group, University Neighborhood Housing Program (UNHP), is a convener of landlords, lenders, regulators and housing activists; as such, they offered a more multi-faceted view of the Bronx housing market from the perspective of both investors and consumers of housing. UNHP also provided a critical dataset on Bronx housing that includes information about both quality and the sale or leveraging of individual buildings, which became the basis for quantitative and qualitative analyses that helped shape this research.

This research relied heavily on internet tools for data-mining. First, financial transactions involving investors and buildings are overwhelmingly conducted through shell organizations, so identifying relationships between them requires some creative searching. Internet tools for pursuing this information include PropertyShark.com, a proprietary service that pulls current and historical documentation on individual buildings from public sources; the New York State Dept. of State's Corporation and Business Entity Database; the NYC Dept. of Buildings' online postings of permit applications (which provides permit applicant names and business addresses that can be cross-referenced with de-identified information elsewhere) and the all-important Google.com search engine.

Second, regulatory documentation on buildings is stored in "silos" that do not actively communicate with each other – for example, data on building violations collected by the NYC Dept. of Housing Preservation & Development (HPD) is stored online, but separately from data collected

by the NYC Dept. of Buildings (DOB), and not compiled by building nor cross-checked by either agency. Data from the websites of HPD and DOB was compiled, cross-referenced and analyzed to generate more complete information about individual buildings.

At the conclusion of data-gathering, the case study buildings and trends identified by interviewees were compared to findings on a 1% random sample of relevant buildings. The sample was subjected to the above data-mining techniques to assess possible physical risk to the building, milking/over-leveraging risk, and the extent to which the regulatory system was engaged with the building.

These findings were clarified and supported by historical accounts of landlord-tenant relationships and the Bronx in particular, community-generated research reports, media reporting on local housing issues, a short interview with Father John Flynn, pastor of St. Martin of Tours parish in the Crotona section of the Bronx; and informal (but extremely informative) conversations with a leading US bank analyst, who is also my mother.