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**Market, community and local state: Neighborhood revitalization
in New York's Lower East Side**

Sites, William Thomas, Ph.D.

City University of New York, 1994

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A

**MARKET, COMMUNITY AND LOCAL STATE:
NEIGHBORHOOD REVITALIZATION
IN NEW YORK'S LOWER EAST SIDE**

by

WILLIAM SITES

**A dissertation submitted to the Graduate Faculty in
Sociology in partial fulfillment of the requirements for
the degree of Doctor of Philosophy, The City University of
New York**

1994

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This manuscript has been read and accepted for the Graduate Faculty in Sociology in satisfaction of the dissertation requirement for the degree of Doctor of Philosophy.

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Abstract**MARKET, COMMUNITY AND LOCAL STATE:
NEIGHBORHOOD REVITALIZATION
IN NEW YORK'S LOWER EAST SIDE****by****William Sites****Advisor: Professor William K. Tabb**

This study analyzes the relationship between market, community and local state by examining the evolution of neighborhood revitalization in New York's Lower East Side over a fifteen-year period. One weakness in many accounts of revitalization is a failure to link economic approaches with a political analysis of state policy and community mobilization. Another is a failure to distinguish between gentrification, which displaces lower-income communities to accommodate more affluent groups, and neighborhood preservation efforts, which seek to control and channel market revival to benefit traditional residents. Drawing on a broad literature on gentrification, restructuring, social movements and the state, this study argues that restructuring plays an important role in creating gentrification pressures but that the local interaction of market, community and state actors can serve to accelerate

those pressures or to protect lower-income groups.

By examining the revitalization process in the Lower East Side between 1975 and 1990, the study finds that shifts in the interaction of market, community and local-state actors lead to a series of political conflicts and policy changes. At the beginning of the period of study, restructuring-induced market and fiscal pressures result in a variety of local-state policies that fuel economic expansion and gentrification. Over time, however, resistance by lower-income community groups encourages local officials, whose flexibility is enhanced by market revival, to grant political concessions that lead to greater community benefits from revitalization. The study concludes that a combination of community resistance and lower-income inclusion in the dominant local political coalition can translate into state policy and planning efforts to preserve neighborhoods, but also that these initiatives can be undermined by subsequent shifts in the larger economy.

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CHAPTER 1
GENTRIFICATION OR NEIGHBORHOOD PRESERVATION?
AN OVERVIEW

During the past two decades a process of neighborhood change known variously as revitalization, gentrification or preservation received much notice. From some sources it was hailed as the rebirth of inner-city areas, from others their destruction. In certain quarters it was disparaged as a minor departure from a long-established suburban trend. Given such a lack of consensus, some analysts concluded that although a substantial body of work on the process existed scholars have failed to develop a corresponding set of concepts for understanding this important urban phenomenon.

This study conceptualizes the process of neighborhood revitalization through an examination of New York's Lower East Side over the fifteen-year period 1975 to 1990. I argue that gentrification was linked, first and foremost, to the impact of broad restructuring forces on the local economy, on municipal policy and on New York City neighborhoods. I also examine, however, the way in which these gentrifying forces provoked political resistance in the Lower East Side, which in turn brought to bear significant pressures on the local state. This study reveals the manner in which the local state -- positioned

between restructuring pressures and community resistance -- came to play a significant and shifting role in the revitalization process. To approach revitalization in this fashion, I claim, clarifies the political stakes involved, results in a more complex analysis of neighborhood evolution, and deepens our understanding of the relationship between economic and political change.

Economic accounts of neighborhood revitalization in the 1970s and '80s generally agreed that it involved the rehabilitation of the housing stock of inner-city residential areas. Interpretations differed, however, over the relevant social actors and the relative costs and benefits. On the one hand, it was argued that lower-income communities were being destroyed and remade by larger economic forces to benefit a higher class of residents, a process of gentrification. For others, the same process was viewed as a neighborhood preservation or revival wrought by autonomous residents and resettlers, a process seen to have broadly beneficial outcomes.

Writings in both perspectives tended to pay insufficient heed to community self-organization or to local political activity. This study argues that gentrification and neighborhood preservation represent quite different versions of revitalization and that both processes are potentially present in conflicts over

revitalization.¹ Neighborhood evolution, in fact, is neither determined in advance by the logic of the market nor dictated simply by the energies of neighborhood actors. It emerges from a dynamic interplay of market forces (producing gentrifying pressures) and community mobilization (generating pressures for neighborhood preservation), which in turn are mediated by the complex responses of the local state.

Treatments of the local state (or of local government) have tended to stand apart, with the local state studied as an object in its own right. While sometimes insightful, such writings have been limited by a tendency either to isolate the local state from broader economic and state restructuring (resulting in narrow case studies of various local governments) or to abstract the local state from concrete urban circumstances (leading to theoretical models of a functionalist or formalist cast). This dilemma suggests the need for a theoretically informed case study that reconceptualizes the local state within a more complex and dynamic field of relationships. In particular, analysis needs to encompass the way in which the structural forces of a given period position the local state within the broader economy and state system, and the way in which specifically local pressures intervene to shape the evolution of local-state policy within the concrete circumstances of the city.

This study examines how the local state responded to market and community pressures within a distinctive process of neighborhood revitalization during the 1970s and '80s. Analysis of the Lower East Side focuses on the way in which neighborhood reinvestment set in motion a physical transformation whose social consequences hinged on the conflicting pressures of market-led gentrification and community-based neighborhood preservation. Those pressures were exerted directly and indirectly on the local state. On the one hand, larger forces of economic and state restructuring created conditions which encouraged local-state efforts to spur market-oriented change. Thus local policy initiatives during the 1970s and '80s resulted primarily in programs (tax incentives, subsidies, zoning changes) that benefited more powerful economic actors and accelerated market-led gentrification. On the other hand, the mobilization of community interests sometimes (but not always) brought to bear significant counter-pressures on the local state, complicating the market orientation of policy or resulting in a secondary set of alternative programs that supported neighborhood upgrading to benefit residents. Over time, in fact, the local policy approach evolved in a fluid and complex way as economic and political conditions changed; shifts in policy, in turn, interacted at each stage with market and community pressures to shape the revitalization process

itself.

Over the fifteen-year period of this study, the Lower East Side came to exhibit evidence of both gentrification (speculation, in-migration, displacement) and neighborhood preservation (community-based planning, non-profit development for lower-income residents); certain indices of decline also persisted. Local government, moreover, appeared to have a hand in many aspects of the revitalization process, having evolved a broad array of programs to spur gentrification and a more specific set of initiatives to support lower-income housing preservation in the Lower East Side.

The present study seeks to explain the revitaliation process in the Lower East Side by tracing the shifting relationships between restructuring and local market, community and state actors. It begins by examining the broad economic and political forces which, by the mid-1970s, undermine postwar liberal efforts to reconcile urban growth with anti-poverty measures and set the stage for the rise of a new local-state conservatism embracing business subsidy and planned shrinkage. The new conditions serve to accelerate decline in lower-income areas such as the Lower East Side, where hundreds of properties abandoned by their owners become in rem (tax-foreclosed) parcels held by the City of New York. By the late 1970s, as restructuring and local policy begin to

transform New York's downtown core, market reinvestment extends to traditionally lower-income areas in the Lower East Side and leads to what this study refers to as the "gentrifying" dynamic of neighborhood revitalization.

Even as gentrifying pressures accelerate, however, other forces come to modify, over the course of the fifteen-year period of this study, both local-state policy and the revitalization process in the Lower East Side. Community demands for neighborhood preservation begin to focus on market regulation and city-owned property development. They exert increasing pressure on local officials, who, as changing conditions broaden the range of local-state policy options, are often forced to reconcile the cross-currents of market and community demands. Community groups and the city clash repeatedly over rival housing plans throughout the 1980s, and by 1990 the arrival of market stagnation and a new liberal administration have again changed the economic and political context of revitalization.

This case study traces that series of conflicts and plans through its distinct phases. Within each phase, the analysis locates and assesses the decisive forces (changes in market conditions, in neighborhood resistance or in state-policy considerations) shaping the evolution of the revitalization process in the Lower East Side. The study evaluates the actions of market, community and state

actors within the shifting set of constraints and enabling conditions that confront them -- not by applying a deterministic model to events in the Lower East Side but rather by examining the evolution of neighborhood revitalization as a partly structured, partly open-ended process that results from the combination of shifts in larger forces and the changes in the relations between market, community and local-state actors as they relate to the neighborhood.

Because the question for analysis here concerns the evolving relations between exogenous forces and sets of local actors, it is inevitable that certain issues remain too broad or too specific to address fully in this study. The concept of restructuring, for instance, is subjected to certain critical revisions in my analysis but does not receive the kind of sustained discussion in a global or comparative context that it merits. On the other hand, neither do I attempt to chart the Lower East Side's complex array of spatial sub-markets or its diverse ethnic enclaves in a comprehensive manner. Economic and demographic data are utilized as they become pertinent and community divisions are examined as they emerge, but readers interested primarily in microeconomic analysis or traditional ethnography would do well to consult earlier market studies of the Lower East Side (e.g. Porras 1983 or DeGiovanni 1987) or the diverse contributions to a

recently published volume on the Lower East Side (Abu-Lughod 1994). The emphasis in the present study is on the way in which neighborhood revitalization links local and trans-local forces and reveals the shifting relationship between economic and political processes over time.

In this chapter I have provided an overview of the basic argument and conceptual issues raised by the study. Chapter 2 surveys and organizes a broad body of research -- literatures on neighborhood revitalization and economic restructuring, on community resistance and social movements, and on the local state and local development policy -- to construct an analytical framework for the case study. In chapter 3 the Lower East Side is defined geographically and historically, and data on population, income, rents, housing provision and city-owned properties are employed to develop a preliminary outline of neighborhood changes from 1975 to 1990.

The body of the dissertation, chapters 4 through 9, examines each phase of the revitalization process in depth. Chapter 4 focuses on the manner in which market decline and the fiscal-crisis policies of "triage" devastate the Lower East Side community and dramatically expand the city's stock of abandoned properties between 1975 and 1978. In chapter 5 the appearance of powerful gentrification and displacement pressures between 1979 and 1982 is linked to the nature of

New York's core market revival and to the policies -- such as efforts to sell off city-owned properties to developers -- of a dominant conservative coalition now headed by Mayor Ed Koch. Chapter 6 examines the new role in the revitalization process of community resistance, which emerges in the Lower East Side to fight a 1982-83 plan to create housing for artists in city-owned properties. Further conflicts between the Koch administration and the community are analyzed in chapter 7, this time over a series of plans and counter-plans proposed during the period 1984 to 1986. Chapter 8 studies the manner in which market and community pressures converge to encourage a shift in city policy in 1986-87, resulting in a compromise plan for the Lower East Side. And in following the struggle to implement that plan from 1987-90, chapter 9 traces the impact of both market stagnation and a new liberal coalition on community efforts to preserve the Lower East Side.

Chapter 10 summarizes and interprets the case study, drawing out its implications for urban and neighborhood change. A more specific evaluation of the Lower East Side plan is provided in the Appendix.

NOTE TO CHAPTER 1

1. This reconceptualization involves a use of terminology which is, in some respects, at variance with standard practice. For the purposes of the present study, neighborhood revitalization is employed as a general term to refer to the physical rehabilitation of an area's built environment, and is contrasted with neighborhood decline or abandonment. When revitalization benefits a new stratum of in-migrating residents at the expense of poorer inhabitants, it takes the form of market-led gentrification; when it benefits and is controlled by existing residents, it is neighborhood preservation. The latter should not be confused with historic preservation, which, like revitalization, refers to the fate of buildings and not people.

CHAPTER 2
MARKET, COMMUNITY AND LOCAL STATE:
AN ANALYTICAL FRAMEWORK

This section of the study develops a framework for analysis of the Lower East Side by evaluating literatures in several different subject areas. Because this study is concerned to locate the revitalization process within the full range of economic, social and political forces relevant to urban change, I address a broader body of work than is customary for literature reviews of revitalization (cf. Wittberg 1992). The emphasis throughout this review is on organizing contributions into coherent perspectives, which are assessed on the basis of their analytical strength and empirical support.

The present study draws from literatures in three subject areas: neighborhood revitalization and economic restructuring; community resistance and social movements; and the local state and comparative local development policy. Each of the three literature areas, taken separately, suffers from significant limitations in the manner in which it approaches neighborhood revitalization. Taken together, however, the three approaches -- corresponding roughly to political economy, sociology of mobilization and public-policy analysis -- establish an appropriate analytical framework to guide the study of

neighborhood change. After developing such a framework, this chapter concludes by specifying the key social actors and the shifts in their relationship in the Lower East Side during the period of this study.

2.1. Neighborhood Revitalization and Economic Restructuring

Among the many studies of neighborhood revitalization produced during the past twenty years, two distinct economic modeling approaches emerged. Both approaches understood revitalization as the private rehabilitation of low-income residential areas, yet differed in their treatment of its causes and implications. In the dominant model, rooted in the paradigms of neoclassical economics and urban land theory, revitalization was traced to shifts in demographic and consumption trends that led to new settlement patterns, "upfiltering" of the urban housing stock, and significant improvements in neighborhood and city. A second, more critical perspective on revitalization emerged from theories of broader shifts in the urban economy related to changes in corporate accumulation strategy. In this view, a central dynamic of economic restructuring in the 1970s and '80s lay in the selective corporate reinvestment in many cities, refashioning central business districts (CBDs) into

service-sector and corporate-headquarters complexes and spurring the revival in downtown real-estate markets that resulted in gentrification of low-income residential and commercial areas at the expense of current occupants.

In the following discussion I claim that this second approach -- or what might be called the restructuring model -- offers a sounder economic basis for understanding neighborhood revitalization. Its own shortcomings, however, are also addressed.

In the late 1970s and early 1980s, neoclassical accounts attempted to understand revitalization by establishing where it was occurring, in what stages, and with whose participation (Gale 1979, Goetze 1979, Black 1980, Laska and Spain 1980a, Downs 1981, Schill and Nathan 1983). Neighborhood revitalization was interpreted primarily as a process of middle-class resettlement. Surveys showed that the quintessential revitalizing neighborhood was within a mile of the CBD, near areas of historic interest and close to retail and commercial centers (Clay 1979, 1980, Holcomb and Beauregard 1981, Cicin-Sain 1980, Listokin 1985, Tournier 1980). Revitalization was labelled by some a "back to the city" movement by young, white middle-class baby-boomers (Laska and Spain 1980b, Gale 1980). Others, noting the urban origins of many resettlers, characterized the trend as more of a "stay in the city" movement (Gans 1977, Cicin-

Sain 1980, Long 1980).

In either case, it was the lifestyle preferences of these resettlers -- a demographic or consumption cohort of individuals whose mobility and new-found affluence as professionals and managers allowed them to "maximize locational choice criteria" (Gale 1980, 113) -- that were often portrayed as the motor force behind revitalization. By creating a new kind of demand for inner-city housing and reclaiming older, historically valuable neighborhoods from decline or undervalued use, this cohort reversed the traditional downfiltering trend in urban housing, leading to the "upfiltering" of housing from low- to upper-income use (Downs 1981, Schill and Nathan 1983, Gale 1979, Goetze 1979, Lang 1982; on the classic downfiltering model see Lowry 1960, Grigsby 1963, Heilbrun 1974). Most researchers from this perspective maintained that dislocation of lower-income residents was relatively minor and, in any event, was outweighed by the benefits of urban revitalization (U.S. Department of Housing and Urban Development 1979, Sumka 1979, Sternlieb and Ford 1979, Schill and Nathan 1983).

While descriptively useful, the analytical weaknesses of this approach derive, in fact, from the urban ecological perspective from which it first evolved. While the major advances of Chicago School sociology lay in an emphasis on the city as a structured but diverse and

dynamic entity, its understanding of urban form and evolution was weakened by an uncritical appropriation of paradigms drawn from natural history and neoclassical economics (Smith [Michael P.] 1979, Zukin 1980). Taken as a whole, the contemporary accounts of neighborhood revitalization suffer from the central deficiencies common to neoclassical models, which view outcomes simply as the result of aggregated individual choices. Consequently, this approach fails to conceptualize individual preferences and market dynamics within the structural economic forces behind urban change, underappreciating, in turn, the way in which those forces benefit more powerful market actors and threaten lower-income community residents. Power here, as is generally the case, is missing from the neoclassical models. History, as well, is usually absent: The accounts fail to explain convincingly the relationship between the new wave of revitalization and earlier periods of disinvestment, outmigration and abandonment.

As a result, this modeling approach, while it can predict that the onset of resettlement and private reinvestment is accompanied by increasing in-migration and housing rehabilitation, underestimates the full range of costs experienced by long-term residents and businesses: major rent increases, landlord harassment, high levels of residential and commercial displacement. The perspective

fails, in short, to emphasize how the logic of market-directed revitalization points toward both the reconstruction of an area's physical environment and the destruction of its social community.

A second approach, emerging from Marxian political economy, placed the issue of neighborhood revitalization within a broader framework on the restructuring of the urban, national and international economy (Cohen 1981, Bluestone and Harrison 1982, Smith and Feagin 1987, Smith and Williams 1986, Fainstein et al. 1983). Unlike the neoclassical approaches, urban political economy has focused on the ways in which capitalist institutions have reshaped cities and neighborhoods, resulting in changes over time in the patterns of investment and disinvestment in regions, urban land and the "built environment" (Gordon 1984, Harvey 1978, Roweis and Scott 1981). For this restructuring approach, the economic expansion of the early postwar period served to accelerate the suburbanization of investment and resettlement. By the 1970s structural changes in the economy (including shifts in profit requirements and market demand, in the social relations of production, and in sectoral investment) were propelling locational changes that in certain respects departed from the postwar pattern of urban deconcentration. This economic restructuring¹, reflecting changes in capital accumulation strategy, led to selective

corporate reinvestment in many U.S. cities.

New investment refashioned CBDs into corporate-headquarters complexes and service-sector hubs, spurring the downtown real-estate revival and urban resettlement associated with the revitalization, or gentrification, of lower-income residential and commercial areas. From this perspective, the class dynamic of market-led gentrification -- its tendency to replace neighborhood populations with more affluent group of residents -- was integral to the process of urban restructuring (Smith [Neil] 1979a, 1979b, Smith and LeFaivre 1984).

Gentrification created substantial displacement, removing poor people from increasingly valuable urban areas (Hartman 1979, LeGates and Hartman 1986, Marcuse 1986).

Unlike the neoclassical accounts, this political-economy approach convincingly links neighborhood revitalization to structural changes in the economy and assesses the social costs of market-driven urban revival. The approach does have its weaknesses all the same. Attempts to understand specific instances of revitalization from such a broad level of theorization, or to employ ground-rent theory as a determining factor (Smith 1982), have been justly criticized as ignoring the complexity of neighborhood dynamics and outcomes (Rose 1984, Beauregard 1986).² Furthermore, many discussions of restructuring during the 1980s tended to impute a open-

ended dynamism to the market, underestimating stagnation tendencies in the national and international economy.

Some of the limits of a restructuring perspective become evident, in fact, when it is used to explain the Lower East Side experience. Its view of revitalization implies that the logic of physical upgrading necessarily involves the wholesale replacement of an area's social community. While many of the predicted changes certainly have taken place in the Lower East Side, many lower-income residents and much of the area's pre-1980s economic conditions and cultural identity remain. We argue that while neighborhood revitalization resulting from market restructuring does indeed carry with it a gentrifying logic, it is also mediated by fluctuations in economic conditions and by non-market factors integral to urban change.

2.2. Community Resistance and Social Movements

One dimension of neighborhood change often overlooked in the literature on revitalization is the capacity of residents for self-organization and mobilization, or community resistance.³ While general approaches observed that the economic logic of recent restructuring forces served to inhibit community resistance (Henig 1982, Beauregard 1989), case studies and journalistic accounts

did report instances of resistance and social conflict (Cybriwsky 1978, Auger 1979, Levy and Cybriwsky 1980, Williams 1985, Kifner 1989, Braa 1991). To grasp this dimension of the revitalization process it is important to survey a heterogeneous body of work on communities and popular mobilization.

The Chicago school's emphasis on the diversity of urban life evolved into a distinctive tradition of community studies. Whereas early accounts viewed poor urban communities largely as disorganized and transitory (Wirth 1969, Zorbaugh 1929), subsequent research discovered a certain stability in the social networks and cultural traditions that shaped and sustained the lives of inner-city residents (Whyte 1943, Gans 1962, Suttles 1968, Kornblum 1974). The importance of urban social movements in the postwar city encouraged researchers to also pay heed to the role of the neighborhood as a political actor. The 1960s and '70s movements reinvigorated the study of neighborhood housing struggles and community organizing practices (Alinsky 1969, Kramer and Specht 1969, Lipsky 1970, Cox et al. 1974, Fisher 1984), and broader treatments began to retheorize the relationship between popular mobilization and political change (Fainstein and Fainstein 1974, Piven and Cloward 1977, Tilly 1978, Boyte 1979, Castells 1983, Katznelson 1981).

The literatures on movements and community

organizations have focused on the dynamics of popular mobilization in different ways. While many basic definitional issues even now remain unsettled (Diani 1992), movements are normally understood to be forms of insurgent collective action (or forms of alternative collective identity) that challenge or modify prevailing social and political processes.⁴ The efficacy of such movements is linked to the abilities of groups to mobilize resources to accomplish strategic goals or articulate transformative sets of cultural values. In the case of urban social movements, attention has focused on the city and the neighborhood as important sources of challenge to dominant economic and political institutions. Resources have been conceptualized variously: leadership, organizational form, organizing strategies, the capacity to generate visible and public demonstration of political demands, the ability to generate compelling alternative visions of community, the availability of political and cultural traditions of protest or empowerment. The wide array of phenomena that can legitimately be treated as movements or forms of popular resistance has prompted, not surprisingly, a diverse set of studies that remain difficult to compare.⁵

For the purposes of the present study, what is most significant in this work is that the "view from below" reveals the process of neighborhood and urban change to be

more than simply a frictionless remaking of cities by exogenous forces. The capacity of lower-income residents for self-organization and protest in recent years, while not always fulfilled, remains a potential factor in urban outcomes and demands attention whether or not community action reaches the dimensions of a "movement."

Mobilizations by subordinate social groups emerge from, and are shaped by, specific historical conditions and cultural traditions (Thompson 1963). Working class areas with an enduring tradition of political militancy are likely to oppose external threats to community life. Resistance takes different forms, depending in part on historically received "repertoires of collective action" (Tilly 1978, 151) and on the strategic choices of community actors. Resistance may involve participation in "conventional politics" (electoral participation, lobbying, building alliances with officials and other social groups), protest (public demonstrations, rent strikes) or a combination of both. In general, conventional politics without protest invites cooptation, whereas protest without conventional participation or cross-class alliances risks repression or marginalization. When community actors engage in alternative planning they further broaden the tactical means by which to transform resistance into support for concrete preservation initiatives.

To study mobilization in isolation from the wider society risks distortion, however, because even strong mobilizations do not necessarily achieve dramatic gains. In this study, we show that community resistance in the Lower East Side exhibited many characteristics associated with strong mobilization: an enduring political and cultural tradition of struggles to preserve the area as a racially diverse low-income community, inter-group unity among neighborhood organizations, and a tactical breadth that combined conventional politics with protest and alternative planning. From a narrowly conceived perspective on mobilization, this apparent wealth of resources would be expected to translate into a commanding role for Lower East Side groups in the revitalization process. The fact that their role -- as will be seen later in this study -- was more limited indicates that even when groups mobilize strongly their efficacy depends on broader social conditions.⁶

I have already reviewed the manner in which neighborhood revitalization during the 1970s and '80s is linked to larger economic forces. By combining this framework with an attentiveness to community resistance, this study has now established, provisionally, that urban outcomes result from the intersection of market forces and the local capacity for political action.

Yet it is the economic pressures which remain

dominant during the period of this study. Economic restructuring is disruptive and threatening to working-class communities when it brings about capital withdrawal (deindustrialization and abandonment) as well as when it involves capital reinvestment (redevelopment and gentrification). It has been argued that restructuring also undermines class consciousness, stifles mobilization and forestalls effective political strategies, at least in part because its effects are spatially and temporally staggered (Beauregard 1989, Fainstein 1987a). Walton (1990, 253) has noted, however, that "where a tradition of popular action perseveres in broadly mobilized community organizations, countermovements may restrain the maldistributive effects of unfettered growth." During the 1980s, significant instances of community resistance to restructuring did emerge in locales such as San Francisco (Fainstein et al. 1983, Keating 1986), Boston (Dreier and Keating 1990, Dreier and Ehrlich 1991), and Chicago (Mier, Moe and Sherr 1986, Marable 1989). Calling for greater public planning and market regulation to protect less affluent residents, local groups strove to influence or gain control over municipal policy-making by building progressive coalitions.

These efforts indicate that conflicts between restructuring and community actors, when they take place, are mediated by local political institutions. For this

reason, our perspective on neighborhood revitalization needs to review a third area of research, one focusing directly on the local state and local development policy.

2.3. Local State and Development Policy

The literature on neighborhood revitalization has paid too little attention to the role of the local state. By conceptualizing revitalization simply in market terms, the economic approaches not only overlooked the capacity of community actors to shape the process but also underestimated the political dimensions of the process. The result, too often, has been a failure to emphasize the myriad ways in which local policies can stimulate and influence gentrification through tax provisions, land-use regulations and the privatization of public resources or serve to assist neighborhood preservation through low-income subsidies, anti-displacement efforts and community-based housing (Sites 1994). Before attempting to understand the evolution of a given set of policies with respect to specific cases of neighborhood revitalization, there is a need to reconceptualize the local state itself.

Study of the local state has, on the whole, followed one of two traditions. The first has studied local governments as specific and autonomous sets of municipal institutions, debating, in its dominant perspectives

(pluralism, elite theory), the relative openness of those institutions to the influence of different social interests. A second tradition has seen local government as part of a larger state system (hence the term "local state"), focusing on the relationship between levels of governance to deduce the shifting functions and resources of local authority. The limitations of both traditions become apparent when one attempts to chart local-state activity within a dynamic and concrete social process. In the first tradition, local governments are studied in isolation from the larger economic and political forces that define their resources and provide much of the broader social context within which their interests take shape. In the latter approach, local state action tends to be abstracted from its basis in real communities subject to local political struggles. After briefly reviewing the major theoretical perspectives, I will respecify the relationship between economic restructuring, resistance and local state policy that guides the present study of neighborhood revitalization.

Pluralism and elite theory long represented the dominant theoretical positions in the study of local government or "community power." Classical pluralism has argued that because political resources are widely dispersed, local policies are the contingent outcome of open competition among interest groups (Polsby 1963, Dahl

1961, Sayre and Kaufman 1960). No one group dominates; each group is capable of exerting effective pressure in proportion to the varying significance it attaches to a given issue. Implications for urban development are that policy formulation and implementation are open to community participation, and that benefits and costs are widely distributed. The major weaknesses in the pluralist tradition include a focus on individual political actors at the expense of institutions, a disregard for non-participants and non-issues, a neglect of patterned inequalities in the distribution of economic and political resources, and a failure to account for the ability of the state to be a major political actor in its own right.

Elite theory has viewed local government as an instrument of domination by an economic elite, which determines local policy either through its economic resources or through interpersonal and institutional networks (Hunter 1953, Mills 1956, Domhoff 1967, 1983). While the use of such resources and the existence of instrumental relationships have been empirically supported, powerful economic actors are also found to reap rewards from state intervention without exerting instrumental control (Block 1987). The theory's weaknesses ultimately stem from its emphasis on the immediate, behavioral aspects of politics while ignoring the structural aspects of economic and political power, a

problem the theory shares with its pluralist counterpart (Gottdiener 1987).

More recent theoretical approaches have stressed the degree to which localities are constrained by larger forces. The neoliberal theory advanced by Peterson (1981) confers on local governments the attributes that classical liberalism assigned to economic individuals. Like business firms, city governments are seen as utility-maximizing entities within a broader field of constraint and competition, promoting development and differing mainly in the degree of efficiency with which they do so. Whereas redistributive policies worsen the position of cities among their competitors, development policy enhances it; consensus on the benefits of the latter unites public and private elite decision-makers with the general populace.

The weakest claim of the neo-liberal theory is that it posits a unitary city interest (Fainstein and Fainstein 1983). Development and gentrification, in fact, create losers as well as winners; revitalization for one group can spell displacement for another (Sanders and Stone 1987). Redevelopment policies have "redistributive" effects, and the economic interests brought into play by urban development are subject to multiple cleavages (class-based, spatial, sectoral, tenurial, etc.). Moreover, any interpretation of changes in the form of

development policies and programs as simply technical alterations that increase or decrease efficiency assumes away the political basis of policy formation. The theory's stress on the reality of "city limits," while undeniable, tends to reify precisely what those limits are.

Neo-Marxist theories focus on larger economic forces to explain local limits. In this view, the "local state" is an extension of the national state, serving thereby the functions of private accumulation in a capitalist economy and maintaining political domination over the working class (Cockburn 1977, Dear 1981). The local state is thus dependant on the national state, which -- compelled by the capitalist class, by its own role in fostering accumulation, or by the forces of class struggle -- delegates to the local state certain economic functions (collective consumption [Castells 1979] or social reproduction [Cockburn 1977, Dear 1981]). Local state policy is not autonomously produced, is not the result of broad popular participation (except for purposes of cooptation), and does not distribute benefits widely. Nor is it the result of instrumental manipulation by individual capitalists but, rather, of the structural requirements of the mode of production. Urban development is dictated by the role of the city in the accumulation process; it is facilitated by the local state in variable

forms (through fiscal devices, land rights restrictions, infrastructural support, direct undertaking of urban redevelopment programs) yet serves general capitalist profitability (Roweis and Scott 1981).

For this reason, the literature on economic restructuring has generally taken a pessimistic view of the potential of recent, purely local initiatives. Localities, existing within a broader economic environment characterized by capital mobility, have had little choice but to compete for competitive advantage by expanding investment incentives (tax abatements, deregulation) and cheapening the cost of local labor. City development policies in the 1970s and '80s, therefore, have proved to be remarkably similar, emphasizing tertiary functions at the expense of manufacturing, privatization as opposed to public provision, and CBD expansion and gentrification instead of neighborhood preservation. Local differences, when found, are linked to an emerging hierarchy of cities in the national and international economy (Glickman 1987, Fleischmann and Feagin 1987) and are constrained by the powers of mobile economic actors (Friedland and Palmer 1984, Cox and Mair 1989) and the ideology of privatism (Barnekov and Rich 1989).

This approach offers a strong theory of the general relationship between state and capitalist society, as well as a historically specific account of the pressures of

restructuring on localities. Yet the level of abstraction remains too broad to capture variations in state-policy orientation, urban locales, or the play of local forces at work in individual cases of revitalization.

Whereas neo-Marxist theories stress the exogenous and economic forces behind urban outcomes, neo-Weberian approaches have concentrated on endogenous and political factors. The latter perspective argues that local states are territorially specific sets of public institutions whose interests are primarily political: to maintain public order and authority over urban populations (Gurr and King 1987). Contrary to both pluralist and neo-Marxist views, local states (in the neo-Weberian perspective the plural form is appropriate) are seen as significant actors in their own right, possessing sufficient resources to act autonomously in pursuit of their own interests. Local government policy is the outcome of the prerogatives of urban administrators, of elected officials, or of managerial competition within a local state (King and Gurr 1985, Gurr and King 1987). State-centered studies of localities have introduced a useful focus on coalition-building⁷ as a key variable in explaining policy orientation or as the basis for constructing a typology of regimes (Mollenkopf 1983b, Elkin 1987, Stone 1987). Local development outcomes, therefore, should be seen as the result of local political

factors, conceived either as entrepreneurial political leadership and shifting coalitional alignments (Mollenkopf 1983b, 1986, Swanstrom 1988) or as the institutional and career interests of local-state administrators (Clarke 1987).

Whereas neo-Weberian theory has usefully drawn attention to the state as a significant actor, the degree to which state-centered approaches isolate political institutions from socioeconomic context seriously undermines their explanatory power. In the case of the local state, the substantial legal constraints on local powers (Clark 1984) further discourage a narrow focus on intra-state variables. More broadly, when the debate between society-centered and state-centered approaches hardens into the competing claims of a functionalist Marxism and a "statist" neo-Weberianism, it obscures the complex relationship between market and polity.

The traditional emphases of elite theory and pluralism have reemerged, respectively, in the work of Harvey Molotch and Pierre Clavel. Molotch has argued that local "growth machines," place-bound economic elites dominated by rentier interests, impose development approaches, and that inter-local variations can be explained by elite adoption of differing growth strategies (Molotch 1979, 1988, Molotch and Logan 1984). Recent empirical work sometimes confirms the importance of local

business elites but also suggests considerable diversity in city-by-city economic and political dynamics.

Precisely how business interests are organized and which interests are dominant have varied (Fainstein et al. 1983). Business elites may fail to unite, and these divisions may or may not inhibit business-oriented outcomes (Whelan 1987, Bennett et al. 1988, Neubeck and Ratcliff 1988). Business leaders may shape development planning through the state (Bellush 1990), may conduct elite planning outside of the state (Stoker 1987, Levine 1987), or may dispense with planning almost entirely (Feagin 1988).

Furthermore, comparative study has discovered many instances of community-oriented development policy in the 1980s (Goetz 1990), and has linked the local presence of strong community organizations to greater public benefits (Goetz 1991). Lower-income community and tenant groups, as well as labor unions and historic preservationists, have shaped local policy through progressive coalitions (Dreier and Keating 1990, Swanstrom 1988) and protest (Lawson 1986b).

Based on findings such as these, Clavel and Kleniewski (1990) have insisted that the space for local response to restructuring is greater, not smaller, now than in previous postwar decades. Susan Fainstein (1987a) has noted, however, that despite opposition to

displacement and the emergence of new movement strategies⁸ the impact of grassroots groups has often suffered from limitations associated with locally-based, single-issue politics. Others have observed that community interests, when included in local political coalitions, have also been demobilized through the extension of marginal or symbolic concessions based on racial appeal or self-help ideology (Reed 1987, Katz and Mayer 1985). Low-income participation in local planning boards has led to co-optation as well as empowerment because much of the power to determine land-use outcomes remains at broader social levels (Fainstein 1987b, Marcuse 1987). In short, the evidence suggests that while local space for progressive mobilizations and policies does remain, attempts to exploit existing opportunities can be undermined both by larger forces and by local institutional obstacles to empowerment.

The relationship between revitalization and local policy invariably brings into play issues of both local specificity and broader economic and political power. The remainder of this chapter reconceptualizes both dimensions of the revitalization process. After theorizing the manner in which economic and political restructuring shape the urban environment, I specify the local relationships between market, community and state actors with respect to neighborhood change in the Lower East Side.

2.4. Exogenous Forces and Local Actors

This study argues that both exogenous and endogenous forces play significant roles in neighborhood revitalization. Exogenous forces are conceptualized as processes of economic and political restructuring that shape the broader environment within which cities and neighborhoods evolve. Endogenous forces are understood as a shifting network of relationships between three sets of local actors -- market, community and state -- -- that alter the process of neighborhood transition within that broader environment.

Changes in the larger economy and polity shape and reshape the conditions of local possibility. In advanced capitalist societies, that environment is one in which, at the most general level, capitalist economic growth is necessary to sustain states which do not directly produce their own revenues, and one in which, by the same token, the exercise of state power involves certain practices that are necessary in order for capitalist exchange relationships to be reproduced (Offe 1984, Gottdiener 1987, Isaac 1987). At a more specific level, the restructuring of a dominant set of capitalist economic practices⁹ in a particular historical period of a given society shapes, and is shaped by, the political

restructuring of electoral alignments and national state/local state relationships, with both sets of forces playing an important role in the evolution of cities (Gordon 1984, Smith 1988, Dear 1981, Mollenkopf 1983b, Burnham 1981, Piven 1984, Block 1990). Economic and political changes within a given period (business downturns, new national administrations, etc.) also expand and contract local possibilities. Social and political movements, moreover, can alter the evolution of economic and state power in varying degrees -- from simply provoking changes in institutional configurations to bringing about widespread social transformation.

Within an environment shaped by these exogenous forces, local relationships between market, community and state actors result in what are contingent¹⁰ development outcomes and neighborhood changes.

In the capitalist U.S., the most important neighborhood actors are market actors. These market actors include financial investors, real-estate brokers, property owners and developers, all of whom view neighborhoods primarily as places from which to make money. While they may compete individually to maximize returns, such actors collectively define neighborhoods in terms of market values and orient behavior around the (actual or potential) economic gains from the urban land market. Financial gains, or efforts to reduce losses, are

pursued through various strategies (investment, disinvestment, speculation, renovation, tenure conversion) that spur changes in neighborhood conditions, such as decline or revival. Market actors do not pursue their interests exclusively through the market. They act politically as well: Through their associations and individually, powerful market actors influence public opinion, forge alliances, lobby state officials, participate in state planning, finance electoral campaigns and in certain circumstances (such as during the New York City fiscal crisis of the 1970s) even rule politically.

Community residents view their neighborhoods primarily as places in which to live. For these actors, neighborhoods are homes, workplaces, shops, schools, churches -- in short, they are places that constitute a diverse set of relationships and attachments necessary for the reproduction of family and social life.¹¹ Because the community interests of residents often conflict with market interests in profitability, residents may form and act through community organizations to influence political institutions and market processes. In various ways, these organizations seek to shape public debate, forge alliances, lobby officials, support candidates and lead protests.

For local state actors, neighborhoods are electoral and administrative jurisdictions, and as such constitute

places of political support and advantage (or political opposition and burden). Because local state institutions and political success are dependant on market activity, dominant state officials routinely view neighborhoods in market terms, at least in part. The degree to which state actors also view neighborhoods as communities of people with many non-market-based needs depends on the composition of the prevailing local political coalition and on the more specific pressures of market and community actors at a given time. State actors use an array of government resources -- public leadership as well as legal and regulatory powers, planning capacities, public subsidies, foreclosure powers and the direct provision of goods and services -- that shape neighborhoods in direct and indirect ways.

The process of neighborhood transition involves relationships between all three sets of actors within an environment -- the city -- shaped in significant ways by exogenous forces.

2.5. Specifying Exogenous Forces

An historical shift in exogenous forces sets the initial conditions of this study, which begins in the year 1975. This shift has two major, and related, dimensions: On the one hand, a weakening postwar expansion sparked a

set of structural changes in the U.S. economy during the 1970s and '80s. On the other, the same period witnessed a state restructuring that departed significantly from the early postwar system of national/local alliance.

While the early postwar expansion in the U.S. served to accelerate the suburbanization of investment and resettlement, the postwar state system evolved significant federal/local government interventions to promote downtown expansion (such as urban renewal) and, later, to extend redistributive concessions to movement demands. By the 1970s, however, emerging economic stagnation led to capitalist-initiated shifts: in the social relations of production ("zapping labor" [Harrison and Bluestone 1988]), in sectoral investment (from industry to services), and in spatial requirements (toward globalization of production and greater centralization of command). Stagnation, as well as movement decline, also undermined the economic and political basis of postwar liberalism, and new accumulation patterns were accompanied by an expansion in business-oriented state policies and a substantial re-allocation of public resources and programmatic responsibilities among state levels. Renewed federal stimulus of corporate accumulation and mobility increased the vulnerability of localities to market forces, even while national retraction of urban assistance and the "downward" transfer of social-policy burdens

further undercut local-state capacities to respond to community demands.

These conditions narrowed the range of local options, encouraging, at least initially, a significant shift in local-state priorities toward market-oriented incentives and "planned shrinkage" of the city. In the case of New York City, global economic processes combined with local political alignments to produce unusually acute fiscal pressures by the mid-1970s. Here, where local-state authority was, in effect, temporarily suspended as a consequence of fiscal crisis and "restabilization" dominated by financial elites and higher levels of government, the initial shift in policy orientation was as much imposed as it was encouraged.¹²

By the early 1980s, economic and political restructuring led to significant corporate reinvestment in New York City (as it did in many other cities), spurring CBD expansion, land revalorization and inner-city gentrification. As these trends continued over the course of the decade, they pointed toward a dramatic transformation, one in which decayed inner-city industrial and residential areas would be remade to suit the needs of the postindustrial city and its new class of affluent white-collar workers. In the Lower East Side, a lower-income neighborhood long in decline, unmistakable signs of market revitalization appeared as early as 1979. Many

observers feared that gentrifying pressures there could shortly result in the replacement of poor and minority residents by middle- and upper-income newcomers (Stern 1979, Goldstein 1980, Gottlieb 1982).

2.6. Specifying Local Actors

These fears, as we will see, were not groundless. This study argues, however, that the changing relationships between local actors also played an important role in the evolution of the revitalization process. In a dynamic social process such as neighborhood revitalization, relationships between market, community and local-state actors evolve in fluid and highly complex ways. Nevertheless this analysis attempts to locate certain key moments in the revitalization process when shifts in market activity, community resistance or local political alignments have an especially significant impact on policy and neighborhood outcomes. These shifts are conceptualized as turning points in real-estate market expansion or contraction, upsurges or strategy innovations in community-based resistance and realignments between or within local political coalitions. They are specified below. (A more detailed, historical approach to market, community and local-state activity in the Lower East Side is presented in chapter 3.)

Market Activity

In a society in which urban land-use is primarily determined through market processes, market actors are the most important local actors shaping neighborhood transition. While, in broad terms, economic restructuring creates gentrifying pressures by reshaping urban investment, employment, land values and resettlement patterns, there are fluctuations in (and spatial patterns to) local market conditions that often dictate the actual timing and power of gentrification (or disinvestment) pressures in a given neighborhood. The onset of local economic expansion or contraction can sharply alter the behavior of market actors vis-a-vis the neighborhood. This is observed in the Lower East Side, where, at certain key transition points, shifts in market conditions led to significant variations in gentrifying pressures over the course of a fifteen-year period.¹³

These transition points came: in 1975, when deepening market stagnation led to accelerated disinvestment pressures in the Lower East Side; in 1979, when a new market dynamism initiated a long period of gentrifying pressures in the area; and in late 1987, when the return of local economic stagnation weakened gentrification in the Lower East Side.¹⁴

Community Action

Community groups were active in the Lower East Side over the entire fifteen-year period of study. Most of the key groups, associated with the Lower East Side Joint Planning Council (JPC), united around the preservation of the area as a racially and ethnically diverse lower-income community.

Strategically, the groups pursued a variety of means by which to influence the revitalization process. Participation in conventional politics centered on exerting influence on and through the area's community board and the city's Uniform Land Use Review Procedure (ULURP). Changes in New York's City Charter in 1975 created a system of community boards whose members were appointed by an area's Borough President and City Council member. ULURP mandated that all decisions affecting city-owned properties (such as their "disposition" to private owners) be submitted to the relevant community boards and to the City Planning Commission for non-binding recommendations, after which the city's executive body, the Board of Estimate, would make a final determination.¹⁵ ULURP dispositions became a focal point of community resistance to gentrification. Lower East Side groups frequently mobilized community interests through tenant organizing and public protest throughout the period of study.

Within the fifteen-year period, however, there were key shifts, or political conjunctures, in the evolution of community-group activity. From 1975 to 1982 community organizations struggled primarily to institutionalize and expand an array of self-help housing rehabilitation efforts. Neighborhood preservation efforts then began to take new forms that strengthened the projection of lower-income community interests in the Lower East Side. First, community groups constructed, in 1982-83, a broad anti-gentrification coalition to halt a city plan for many of the area's publicly owned properties. A second important shift in community activity came in 1984, when the groups launched a long-term campaign to support a comprehensive alternative plan for neighborhood preservation in the Lower East Side.¹⁶

Local State Activity

The local state was also an important actor in the process of neighborhood change in the Lower East Side over the entire fifteen-year period of our study. Local government policies -- from tax subsidies and zoning changes to housing programs and rent regulation -- had significant impacts on urban development and neighborhood revitalization. As was noted earlier, however, there can be significant variations both in the capacities of the local state and in the basic policy orientation of local

administrations. Exogenous forces shape local-state capacities but, within those conditions, local political coalitions often forge distinctive policy approaches. Specifically, this study argues that while the space for community-oriented policy contracted for the entire fifteen-year period between 1975 and 1990 (relative to the period immediately preceding it), precisely what a given local administration did with that space (i.e. the degree to which it sought community-oriented policies within the possibilities available) was related to the coalitional nature of the administration itself as well as to its efforts to respond to local economic and political pressures.

The importance of coalitional shifts can be seen at certain key moments in the period of study. After the mid-1970s, new economic conditions and a new set of intergovernmental (national/local) relationships brought about a general contraction in the range of policy choices available to New York City government officials. This contraction was not uniformly severe over the entire fifteen-year period that followed, however. As local capacities expanded, the nature of the prevailing local political coalition emerged as an important factor in policy approaches and therefore in neighborhood transition.

Thus, whereas the de facto suspension of municipal

governance from 1975 to 1978 placed drastic constraints on policy options, the period 1979-1982 witnessed the gradual restoration of local political rule and the emergence of a conservative coalition (led by Mayor Ed Koch) as a dominant shaper of policy orientation. While this conservative coalition remained in power for most of the remainder of the decade, it was not impervious to pressure; in the period 1986-87 the Koch administration, responding to new economic and political conditions, "liberalized" in significant respects its policy approach toward neighborhood revitalization before reverting to earlier form between late 1987 and 1989. After 1989, the election of Mayor David Dinkins ushered in a liberal coalition with significant differences in policy orientation. This coalitional shift brought about discernible changes in New York City's approach to the process of neighborhood revitalization in the Lower East Side.¹⁷

2.7. Market, Community, Local State: Policy and Neighborhood Evolution

This study brings together into a single analytical focus the various shifts in market activity, community strategy and local-state orientation that have been outlined. By examining the shifting relationships between

market, community and state, it traces the evolution of local policy and neighborhood revitalization in the Lower East Side between 1975 and 1990.¹⁸

As each successive shift alters the relationship between the three sets of actors, policy and neighborhood evolve through six distinct phases over the course of the fifteen-year period. By examining each phase, the study observes the way in which different actors shape revitalization at different moments throughout the process. The shifts and outcomes of each phase, which are examined in detail in subsequent chapters of this study, are presented schematically in Table 1 (see the following page).

This schema serves to orient the analysis of the Lower East Side, but it does not attempt to provide a deterministic model of neighborhood outcomes. On the one hand, this is because the framework remains open to exogenous forces, which, as they become pertinent to neighborhood events, are integrated into the analysis. On the other hand, the analysis attempts to balance generalizable explanation with an appreciation that certain developments in the Lower East Side story are inherently unique or are the result of contingent circumstances. Throughout, this study seeks to advance persuasive interpretations of the revitalization process by examining both general and specific social processes.

TABLE 1

Actors and Outcomes in the Lower East Side, 1975 to 1990

Phase	Actors (* = most important shift[s] of each phase)			Outcomes
	Market	Community	State	
1975-78	Decline*	Self-Help Rehabilitation	Little Local Autonomy	Planned Shrinkage and Neighborhood Decline
1979-82	Expansion*	"	Conservative Coalition*	Market- Oriented Policy and Neighborhood Gentrification
1982-83	"	Alliance to Defeat Artists Housing Plan*	"	Defeat of Artists Housing Plan and Continued Gentrification
1984-86	"	Mobilization Behind Alternative Plan for Neighborhood Preservation*	"	Conflicts Over Rival Plans and Continued Gentrification
1986-87	"	"	Koch Coalition Liberalizes*	Compromise Plan and Continued Gentrification
1987-90	Stagnation*	"	Liberal Dinkins Coalition (1990)*	Waning Gentrification and (in 1990) Implementation of 1st Phases of Compromise Plan

By conceptualizing interests in terms of market, community and local-state actors, this study does engage in certain simplifications. Processes of urban and neighborhood change invariably implicate an array of social and community interests (such as those based on race and gender, housing tenure, labor-market sector) that are not reducible to the categories utilized by our approach. More specifically, the study's formulation of actors -- market, state, community -- abstracts from a diverse array of economic, political, and community interests. Wherever possible, the study attempts to avoid reifying social actors by examining divisions between market actors, between various community groups, or between state policy approaches. It does not examine these divisions systematically, nor does it attempt to address the full range of complex alignments that emerge in the restructuring city (Mollenkopf and Castells 1991, Marcuse 1993). Nevertheless, the analytical framework used by this study can inform research in these areas and is amenable, in turn, to further development as new findings emerge.

NOTES TO CHAPTER 2

1. On definitional disputes over the concept of "restructuring," see Beauregard (1989) and Logan and Swanstrom (1990).

2. Neoclassical efforts to map out general stages in the process of neighborhood gentrification resulting simply from the economic logic of the filtering model (Gale 1979, Clay 1979, Schill and Nathan 1983) were similarly undermined by comparative findings (DeGiovanni 1983, 1984).

3. For the purposes of this study, the terms "neighborhood" and "community," while not always amenable to rigid distinction, are generally used in two different ways. A neighborhood is a geographic entity, an urban territory, a housing sub-market (the precise boundaries of which nonetheless remain open to perceptual disagreement). The concept of community, on the other hand, emphasizes a shared attitude or behavior which can be based on place as well as on occupation, class, race, ethnicity, religion, political orientation, etc. This study commonly employs the phrase "neighborhood change" or "neighborhood revitalization" to refer to spatial alteration, while speaking of "community resistance to gentrification" (which often mobilizes persons and interests beyond the neighborhood in question). "Community organizations" is a commonly accepted term for tenant and non-for-profit housing advocacy groups and is retained. The study also uses the term "community-oriented" to refer to developments or programs that benefit lower-income neighborhood residents, and which are contrasted with "market-oriented" initiatives that often do not.

4. Within the United States, the social-movements literature came to be dominated by approaches focusing on organizational and entrepreneurial resources (McCarthy and Zald 1977, Jenkins 1983) or on the relationship between protest and political institutions (Piven and Cloward 1977, Tilly 1978). By the 1980s, the resource-mobilization emphasis on strategic action was challenged by a "new social movements" approach stressing forms of alternative collective identity. For the latter perspective, see the collection of articles in Social Research Winter 1985.

5. For a useful overview, see Tarrow (1988).

6. The social movements literature has conceptualized these conditions as the "political opportunity structure" (Tarrow 1988). In the present study they are understood to be established by the process of economic restructuring (see our previous discussion in section 2.1 of this chapter) as well as by the state and local political institutions (see section 2.3, below).

7. While some studies have approached coalitions simply

as electoral assemblages, others have suggested that prevailing coalitions enjoy the broader capacity to guide and reshape forms of political interaction, alter the rules of decision-making and redefine social goals (Stone 1987) -- a definition closer to the Marxist tradition's use of the concept of hegemony (Gramsci 1971).

8. For examples of church/community, citizen/labor and community/labor coalitions, see Zukin and Zwerman (1985), Turetsky (1990), and various contributions in Social Policy 13 (Spring 1983).

9. Theorists in political economy have conceptualized this set of practices as a regime of accumulation (Aglietta 1987, Lipietz 1987) or a social structure of accumulation (Gordon 1980, Bowles et al. 1984). On certain weaknesses in these approaches, see Kotz (1990) and Zukin and DiMaggio (1990).

10. To say that outcomes are contingent does not mean, in the classical pluralist sense, that political competition is open or fair. Economic and political resources and the systemic biases of local institutions limit certain actors and assist others in defining public agendas and issues, initiating measures, participating in political processes and securing implementation of gains -- that is, to shape policies and compete for benefits. Local actors, moreover, are ideologically affected by broader definitions of local possibility, viable policy and compelling visions of the city. Contingency does mean, however, that local policy orientation can vary significantly because of the play of local forces, that urban development and neighborhood change are routinely contested, and that the outcomes of those conflicts cannot be simply deduced from exogenous forces.

11. See the extensive discussion in Logan and Molotch (1987, 17-19).

12. For different perspectives on this crisis, see Morris (1980), Tabb (1982), Shefter (1985) and Pecorella (1987). The crisis is also discussed in chapter 4 of the present study.

13. Moreover, the political goals and policy interests of key market actors may shift over the course of the business cycle. These shifts, by changing the nature of political pressures on state officials, also impact indirectly on the process of neighborhood revitalization.

14. This study documents market conditions through various sources: market studies of the Lower East Side,

tax arrears data, census data, studies in the political economy of New York City, and local and neighborhood publications (such as Real Estate Newsletter, New York Times, Village Voice, and The Villager).

15. Voting members of New York's Board of Estimate included both city-wide officials -- including the mayor, the city council president and the city comptroller (each holding two votes) -- and the presidents of each of New York's five boroughs (each holding one vote). In 1989, the U.S. Supreme Court ruled that the voting structure of the board violated the one-person, one-vote standard protected by the Fourteenth Amendment, and in November of that year New York voters approved a city charter revision that abolished the Board of Estimate. Many of the board's powers over land-use were assumed by the City Council. For a detailed discussion of charter revision, see Viteritti (1990).

16. This study documents community-group activity through a variety of sources: the minutes and resolutions of Manhattan Community Board 3 in the Lower East Side; interviews with local community actors; JPC and CB 3 planning documents and publications, and publications reporting on New York City tenant and community organizations (such as City Limits, Tenant and The Villager).

17. Source material on local coalitions includes a range of political analyses (such as Fainstein and Fainstein 1984, 1991, Bellush 1990, Shefter 1985, Sleeper 1987 and Mollenkopf 1986, 1992), developer policy papers, and press reports.

18. In documenting local policy, this study focuses most centrally on the disposition of New York City's in rem (tax-foreclosed) properties in the Lower East Side. Nevertheless, it also locates in rem policy within a broader set of local programs, proposals, and uses of public resources and the planning process that had an important impact on development, housing and neighborhood revitalization. These include tax subsidy programs, zoning policies, development spending, planning-department studies of revitalization, housing programs, and so forth. Sources on this material derive from data, reports and press releases of various municipal agencies (Department of Housing Preservation and Development, Department of City Planning, Division of Real Property of the Department of General Services, Office of the New York City Comptroller), the proceedings and decisions of the City Planning Commission and the Board of Estimate, and an array of non-governmental policy studies and journalistic sources.

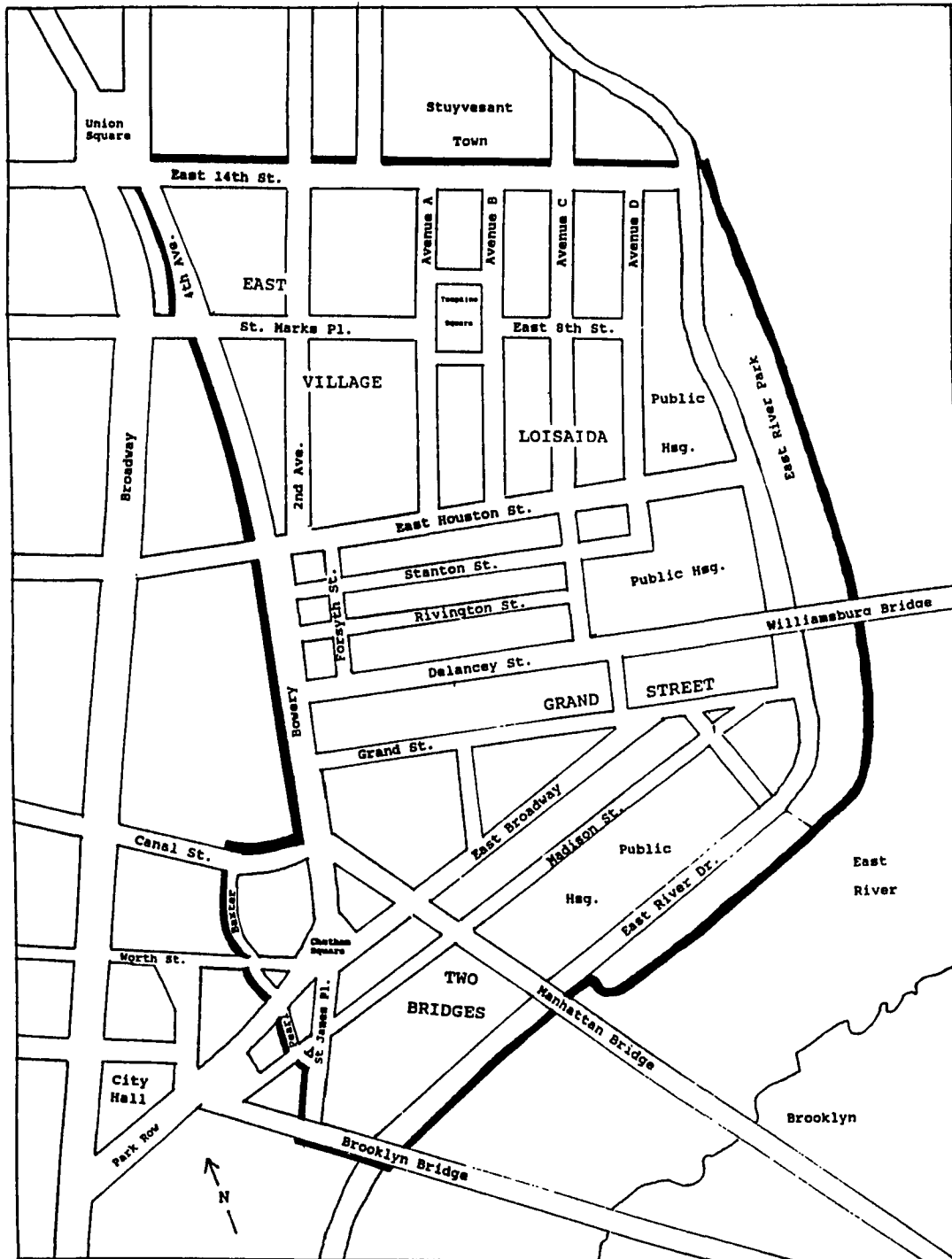
CHAPTER 3
NEW YORK'S LOWER EAST SIDE:
INTRODUCTION TO THE CASE STUDY

This section of the study examines broad changes in the Lower East Side from 1975 to 1990. After defining the area geographically and historically, I compare neighborhood conditions at the beginning and end of the period of study using data on population, income, rents, housing abandonment and city-owned property holdings. Data indicate the presence of a gentrification process but also show continued lower-income settlement. This section concludes with a summary of revitalization in the Lower East Side as it evolved through six distinct phases, which are examined in detail in chapters 4 through 9.

Lower East Side: The Making of a Lower-Income Neighborhood

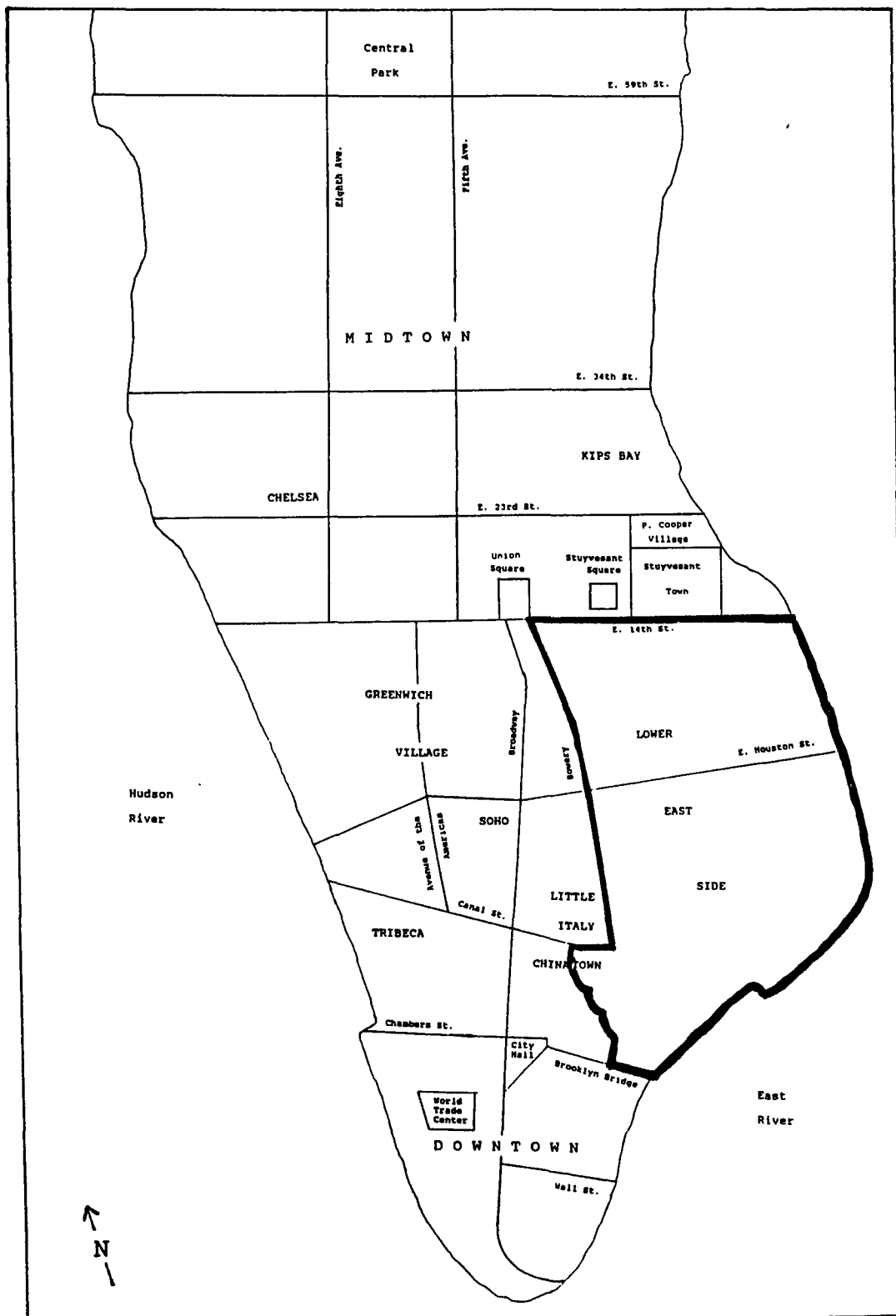
The Lower East Side occupies a trapezoid-shaped area of approximately 1.8 square miles along the East River in Lower Manhattan (City of New York, Department of City Planning 1989). The neighborhood's traditional boundaries are East 14th Street to the north, Bowery and its extensions to the west, and the Brooklyn Bridge to the south (see Map 1 on the following page). At certain places these boundaries no longer differentiate

Map 1: Lower East Side (Manhattan Community District 3)



Boundaries of Manhattan Community District 3 are indicated

Map 2: Lower Manhattan



distinct areas of settlement, and within the Lower East Side lie diverse geographic sub-areas and ethnic enclaves, such as Loissaida, the East Village, Grand Street and Two Bridges. Nevertheless, the Lower East Side has traditionally shared a characteristic set of traits with respect to economic status of residents, housing mix and political culture, and it continues to be recognized by local actors as a community of place. The area's boundaries are coterminous with those of Manhattan Community District 3. Because community districts¹ remain significant jurisdictional areas for government service-delivery, they reinforce a shared political identity and perpetuate the Lower East Side as a distinct arena of political mobilization.

The Lower East Side lies in close proximity to distinct areas of commerce and settlement. The area is bracketed geographically by the two nodes of Lower Manhattan's CBD (see Map 2 on the previous page). To the southwest, Downtown is home to Wall Street and City Hall, and remains the financial and political center of New York. Midtown, to the northwest, is dominated by a newer group of corporate headquarters, hotels, communications media and business services. Between the two commercial nodes lie diverse residential and mixed-use areas traditionally more affluent than the Lower East Side. Stuyvesant Town and Peter Cooper Village, privately owned

middle-income high-rise residences, are north of East 14th Street. To the west, Greenwich Village and SoHo, which in earlier periods served as "bohemia" for low-income artists, are relatively affluent areas. To the southwest lies the old immigrant neighborhood of Little Italy, much of which has been absorbed by an expanding Chinatown to its south.

The Lower East Side has been a lower-income area for over 150 years. Its early history is well documented and remains important for understanding the economic conditions and political culture of the community today.²

In the half century following the Irish immigrations of the 1840s, the Lower East Side became one of the most densely populated working-class communities of the industrial city. Successive waves of immigrant poor continued to settle in the area's tenement housing through the first two decades of the twentieth century. A vital center of the socialist labor movement, the Lower East Side also became an important incubator of radical activism and progressive social philosophy on housing issues (Joselit 1986, Spencer 1986).

Major changes in the urban economy and new restrictions on European immigration brought about steady declines in population and property values in the Lower East Side in the 1920s and '30s. Ambitious proposals to replace slum housing with high-income developments did not

come to fruition, and by the end of the 1930s the neighborhood was home to union-sponsored cooperative housing as well as several of the first public housing projects in the country (Buttenwieser 1986, Geneviro 1986, Simon 1984, Amalgamated Cooperative Housing 1954-55).

After World War II, suburbanization further depleted housing investment in inner-city areas such as the Lower East Side (Grebler 1952). As the neighborhood's older immigrant populations declined they were joined by new black, Hispanic and Chinese arrivals, as well as by an influx of young whites drawn to a reviving East Village bohemian counterculture. Despite these newcomers, total population in the Lower East Side fell by 20% from 1950 to 1970 (Schwartz 1973, 13).

Meanwhile, large-scale construction of publicly supported housing refashioned significant stretches of the neighborhood. The Lower East Side evolved into a major locale for federally funded low-income projects, as well as for urban renewal and co-operative housing available mainly to the middle class.

Urban renewal projects in the early postwar years were promoted by Lower East Side leaders associated with the garment-union-supported United Housing Foundation. These middle-class interests later coalesced around the United Jewish Council (UJC), a coalition of social, political and religious organizations dominated by

Orthodox Jewish leaders of the Grand Street area. Control over local political clubs, business community resources and close ties to important Manhattan politicians gave the UJC significant influence over neighborhood development, particularly in its "home turf" in the Grand Street area south of Delancey Street (Gendrot and Turner 1983).

Urban renewal and tenants rights developed into a long-term battleground in the Lower East Side as a second alliance of community organizations gained increasing prominence. These lower-income advocacy groups -- such as the East Side Tenants Council (later the Lower East Side Branch of the Metropolitan Council on Housing, a city-wide tenant union), the Cooper Square Development Committee, Mobilization for Youth, Pueblo Nuevo, Adopt-a-Building and others -- fought residential displacement by slum clearance and landlord neglect and worked to develop alternative neighborhood and housing preservation strategies (Schwartz 1986, Piven and Cloward 1971, 290-95, Lawson 1986a). In the late 1960s, many of these groups formed the Lower East Side Joint Planning Council (JPC), a coalition of housing advocates, settlement houses, churches and cultural institutions (Klokiw 1983).³ The conservative UJC and the liberal/left JPC clashed repeatedly on housing issues.

By 1975, when the period of this study begins, the chief threat to the Lower East Side, and to much of New

York's inner city, appeared to be continuing disinvestment and decline. Of the Lower East Side's roughly 65,000 dwelling units, half had long been classified as deteriorated or dilapidated (Schwarz 1973, 53). Most of these were apartments in the five- and six-story tenements built at the turn of the century. Occupying the geographic center of the neighborhood, tenement housing still comprised the largest type of privately owned properties in the area. Another 14,000 units of low-income public housing occupied the eastern edge of the neighborhood.⁴

The Lower East Side also held approximately 12,000 publicly subsidized middle-income units, most of them centered in a southeastern enclave near Grand Street. And in the neighborhood's northwestern corner were located a cluster of newer, privately owned high-rise towers for wealthy and middle-income residents.

The Lower East Side, then, remained in 1975 a predominantly lower-income neighborhood⁵. Despite some newly added housing and new resettlement, the area continued to experience long-term decline in overall population and private-housing conditions. As market changes made property ownership in lower-income areas increasingly unattractive, the Lower East Side seemed destined for further economic decline (Schwarz 1973, 56-57).

Gentrification or Neighborhood Preservation? The Lower East Side, 1975 and 1990

In this section we examine certain empirical measures of neighborhood change in the Lower East Side between 1975 and 1990. We have already discussed, in general terms, the way in which restructuring during the 1970s and '80s began to reverse long-term trends toward urban disinvestment and decline (see chapter 2). In New York City, these forces brought about a dramatic revival in the CBD areas of Manhattan. Midtown, whose southern reach had traditionally stopped at 34th Street, expanded southward to 14th Street over the course of the 1980s (Commission on the Year 2000, 1987, 37). Property values rose in nearby areas such as Kips Bay, Stuyvestant Square and Union Square. Revival of commercial activities associated with tourism and entertainment, fashion and the arts also boosted real-estate values in districts south of 14th Street, such as Greenwich Village, SoHo and Little Italy/Chinatown. Market revival spread to the Lower East Side in late 1970s, first along the area's western fringes and then, over the course of the 1980s, extending eastward.

Did revitalization in the Lower East Side "gentrify" the area for a higher class of residents? Or did

revitalization stabilize and preserve the neighborhood for its traditional poor and working-class residents? Data on population and housing indicate that the Lower East Side experienced a complex set of changes from 1975 to 1990.

Certain evidence indicates that revitalization took the form of a gentrification process. The area's total population increased between 1980 and 1990, reversing a half-century of gradual decline (see Table 2). New arrivals included Asians (mainly Chinese) in the southwestern sectors of the neighborhood and young moderate- and middle-income whites in the East Village and Loissaida areas. Hispanics (predominantly Puerto Ricans) and blacks, the area's poorest groups, experienced substantial population losses, as did the neighborhood's aging cohort of lower-income ethnic whites.⁶

Changes in income levels in the Lower East Side indicate the presence of gentrifying pressures. From 1979 to 1989 median household income in the area increased 33.5%, greater than for New York City as a whole, which rose 26.1% (see Table 3). Rents increased even faster. From 1980 to 1990, median contract rents in the Lower East Side rose 45.1%, again outstripping increases in the city (see Table 4). In short, shifts in population, incomes and rents all signaled a gentrifying trend.

Certain neighborhood characteristics, however, do not indicate a "gentrified" area. Despite population

TABLE 2
Population in Manhattan Community District 3,
1980 and 1990

	1980	1990 (% change)
Hispanic origin or descent	56,690	52,217 (- 7.9)
White Nonhispanic	47,671	47,392 (- 0.6)
Asian and Pacific Islander Non- hispanic	34,979	47,883 (+36.9)
Black Nonhispanic	14,813	13,387 (- 9.6)
Other Nonhispanic	695	738 (+ 6.2)
Total	154,848	161,617 (+ 4.4)

Source:

City of New York, Department of City Planning. 1992.
Demographic profiles: A portrait of New York City's
community districts from the 1980 & 1990 censuses of
population and housing. August.

TABLE 3

**Median Household Income in Manhattan Community District 3
and New York City, 1979 and 1989**

	1979*	1989	(% Change)
Manhattan CD 3	\$14,989	\$20,007	(+33.5)
New York City	\$23,649	\$29,823	(+26.1)

Sources:

City of New York, Department of City Planning. 1984.
Community district statistics: A portrait of New York City
from the 1980 Census. June.

City of New York, Department of City Planning, Population
Division. 1992. 1990 Census: Household income in 1989: New
York City, boroughs and census tracts. June 3.

City of New York, Department of City Planning, Population
Division. 1992. 1990 Census: Household income in 1989: New
York City, boroughs and community districts. June 23.

*Figures from 1979 have been adjusted to 1989 constant
dollars, based on: U.S. Bureau of the Census. 1992. Table
no. 739: Consumer price indexes -- Percent changes in
major groups -- All items. Statistical abstracts of the
United States: 1992 (112th edition), p. 469. Washington,
D.C.

TABLE 4

**Median Contract Rents in Specified Renter-Occupied
Housing Units with Cash Rent, in Manhattan Community
District 3 and New York City, 1980 and 1990**

	1980*	1990	(% change)
Manhattan CD 3	\$240	\$348	(+45.1)
New York City	\$340	\$448	(+31.8)

Source:

City of New York, Department of City Planning. 1992.
Demographic profiles: A portrait of New York City's
community districts from the 1980 & 1990 censuses of
population and housing. August.

*Figures from 1980 have been adjusted to 1990 constant dollars.

declines among Hispanics, for example, this relatively poor group remained the area's largest residential cohort in 1990. And income gains notwithstanding, the Lower East Side median income amounted to only two-thirds of New York City's median income in 1989. Fully 29.5% of Lower East Side households earned less than \$10,000 in 1992 (City of New York, Department of City Planning 1992). Increases in neighborhood median income did not significantly reduce the percentage of residents dependent on government income supports. In 1988, that figure stood at 21.5%, down only slightly from 22.1% in 1980 (City of New York, Department of City Planning 1989). Despite displacement, the Lower East Side remains home to a large number of the very poor.

Market revival during the 1980s also failed to end housing abandonment in the Lower East Side. In 1980 New York City owned 506 in rem properties in the area. By 1990 the number of these in rem holdings had dropped only to 449. Successful disposition of 230 properties had been countered by 173 new acquisitions (see Table 5).

City actions towards in rem holdings made local government an important neighborhood housing provider during the period of this study. Between 1976 and 1990 the City of New York disposed of 294 properties. Were those holdings privatized to provide housing for higher-income in-movers, or were they earmarked for lower-income residents increasingly priced out by higher rents on

TABLE 5

**City-Owned (In Rem) Properties: Vestings, Dispositions
and Holdings, Manhattan Community District 3, 1975 to 1990**

	Vestings	Dispositions	Holdings
1975	--	--	116
1976	63	4	175
1977	89	13	251
1978	298	22	527
1979	4	12	519
1980	0	13	506
1981	70	35	541
1982	2	24	519
1983	0	14	505
1984	0	13	492
1985	44	27	509
1986	0	26	483
1987	32	17	498
1988	6	31	473
1989	10	19	464
1990	9	24	449

Data compiled by the author from the following sources:

City of New York, Department of General Services, Division of Real Property. 1991. Integrated Property Information System (IPIS) database. February 4.

City of New York, Department of General Services, Division of Real Property. 1990. City owned properties: Physical and ULURP data by community district. April 2.

Vestings include properties seized by the City of New York for nonpayment of taxes. They do not include: properties transferred to the New York City Housing Authority and designated urban renewal sites, vestings vacated by the Department of Finance or by Comptroller's Application, or properties acquired by purchase or condemnation. Dispositions include: mandatory and discretionary releases of properties to former owners (redemption), auction sales, negotiated sales, alternative management sales, and dispositions under the Neighborhood Industrial and Commercial Program (NICOP). Holdings include: in rem vacant land, vacant buildings and occupied buildings held by the Division of Real Property and the Department of Housing Preservation and Development as of the end of each calendar year.

TABLE 6

**City-Owned (In Rem) Property Dispositions,
Manhattan Community District 3, 1976 to 1990**

	Redemption	Auction Sales	Negotiated Sales	DAMP Sales	NICOP
1976	3	1	0	0	0
1977	5	7	1	0	0
1978	18	4	0	0	0
1979	10	2	0	0	0
1980	7	5	1	0	0
1981	26	2	3	4	0
1982	11	7	0	6	0
1983	1	7	2	4	0
1984	1	3	6	3	0
1985	6	1	18	2	0
1986	21	0	3	2	0
1987	10	1	3	3	0
1988	14	1	8	7	1
1989	10	1	4	4	0
1990	3	1	16	3	1
Total	146	43	65	38	2

Data compiled by the author from the following source:

City of New York, Department of General Services, Division of Real Property. 1991. Integrated Property Information System (IPIS) database. February 4.

Redemption involves the release of properties to their former owners.

Auction sales refer to the public sale of properties via competitive bidding.

Negotiated sales include purchases by selected developers.

DAMP sales refer to properties which have completed one of the city's Division of Alternative Management Programs and are sold to tenants, community management organizations or homesteaders. Other data furnished to the author indicate DAMP sales of between 42 and 48 properties (City of New York, Department of Housing Preservation and Development, 1991, DAMP workload and sales. July).

NICOP (Neighborhood Industrial and Commercial Program) is a program to spur expansion by adjacent-site businesses.

market housing?

Data on New York City in rem holdings indicate that 86% of the Lower East Side properties that were disposed from 1976 through 1990 went to market actors. These properties include those returned to previously defaulting owners or sold to new owners via public auctions and negotiated sales. A much smaller number (13%) were sold to neighborhood tenants, community management groups and homesteaders (see Table 6). This pattern may be changing, however. By the end of 1990 the city and community groups had begun new programs that aimed to create one thousand lower-income apartments (approximately 75 buildings) in vacant city-owned properties in the Lower East Side.

The evidence reviewed thus far indicates that the Lower East Side experienced considerable gentrification pressures between 1975 and 1990, but also that the area remains poorer than the city as a whole, that it retains a sizeable low-income stratum and that it continues to face abandonment. It also indicates that city-owned properties were transferred primarily to market rather than community actors, but that certain efforts to promote neighborhood preservation are underway.

The foregoing comparison of neighborhood conditions in 1975 and 1990 offers only limited insight, however, into the process of revitalization in the area. It serves to identify a complex set of outcomes, but it does not

explain them. The remainder of this study attempts to deepen understanding of the Lower East Side by employing an analytical approach, elaborated in chapter 2, that focuses on the evolution of exogenous forces and market, community and state actors. By tracing the revitalization in detail as it evolved over the course of a fifteen-year period, the study explains the dynamics of neighborhood transition in a manner that accounts for the complex outcomes already identified.

Phases in the Evolution of Neighborhood Revitalization in the Lower East Side, 1975 to 1990

Neighborhood change in the Lower East Side has been a fluid and complex process. This study claims, however, that revitalization evolved in six distinct phases from 1975 to 1990. In each phase, certain shifts in larger economic and political forces or in local activity by market, community and state actors substantially altered the conditions in the Lower East Side. By examining each of these phases in turn, I trace the way in which the evolution of the revitalization process was influenced by a combination of exogenous and endogenous forces. My analysis of each of these phases, which is presented in detail in the following chapters, is summarized below.

Market Decline and Triage: Expanding City-Owned Properties, 1975-78

External economic and political forces played a decisive role in the accelerated decline of the Lower East Side between 1975 and 1978. Economic stagnation, federal conservatism and urban fiscal crisis led to unprecedented levels of housing abandonment in the area and a rapid expansion in the stock of city-owned properties. By 1978, however, a series of local pressures resulted in programs to promote community-oriented rehabilitation, which appeared to run counter to the dominant conservative approaches to urban decline.

Market Revival and Conservative Policy: Property Sales? 1979-82

After 1978 New York's downtown economic expansion spurred market revitalization in the Lower East Side. This revival resulted in a partial reversal of neighborhood decline but also brought to bear certain gentrifying pressures on long-time residents. Local policy debate focused on the appropriate use of city-owned properties in reviving areas. While neighborhood change and local policy during this period continued to be shaped primarily by larger forces, they were increasingly influenced as well by a conservative political coalition led by Mayor Ed Koch and united around business expansion

and lower-income austerity. In such a context, Lower East Side groups succeeded in holding off administration pressures to sell city-owned properties to developers, yet their support of the dwindling community rehabilitation programs did little to address the needs of many lower-income residents.

**Community Resistance: The Rise and Fall of Artists
Housing, 1982-83**

In 1982 the Koch administration attempted to implement a plan to develop abandoned city-owned properties in the Lower East Side to benefit artists. Whereas city officials claimed the effort would promote neighborhood preservation, many Lower East Side groups criticized the plan as a government attempt to stimulate gentrification and displacement. Community groups mobilized an effective coalition, including artists, to defeat the plan, signaling the emergence of community resistance as an important factor in the revitalization process.

Community Resistance: A Battle of Plans, 1984-86

Restructuring and municipal policies continued to fuel gentrifying pressures in the Lower East Side, but with the expansion of the city's economy local political conditions began to shift. The unevenness of economic

development and stabilization of municipal finances, in particular, offered increasing opportunity to challenge the conservative vision of urban revival. Lower East Side groups developed a plan to rehabilitate all of the in rem properties to contribute to lower-income neighborhood preservation; this was countered by an administration proposal to sell nearly all of the area's in rem properties to market-rate developers. In the ensuing stalemate, the administration remained unwilling to co-plan with community groups but was unable to impose its own proposal on the Lower East Side.

Market and Community Pressures Converge: The Compromise Plan, 1986-87

Faced with broad-based pressures -- from market actors as well as from community groups -- the Koch administration began to chart a new, more liberal direction in its approach to housing policy issues. Exemplified by New York's 10-Year Housing Plan announced in 1986, this general shift in policy, coupled with more specific pressures on both community leaders and city officials, led to a series of intensive negotiations to hammer out a compromise plan. The ensuing agreement, signed in September 1987, stipulated that city-owned holdings be divided evenly between market and lower-income housing and promised special anti-displacement services

for Lower East Side residents.

Market Stagnation and Political Inclusion: Implementing the Plan, 1987-90

The onset of economic stagnation altered the pace of neighborhood change and narrowed the range of political choices for local actors. As gentrifying pressures waned, market interest in in rem properties abated, the Koch administration reverted to more conservative approaches to ward off decline, and the Lower East Side compromise plan unraveled. In 1990, a new liberal administration headed by Mayor David Dinkins began to work with community groups to implement the lower-income initiatives of the plan. As broader economic and fiscal conditions deteriorated, however, the plan's long-term viability was now jeopardized by the decreasing space for community-oriented policy.

Conclusion

The case study of the Lower East Side, which has been summarized above, traces a fifteen-year period in the revitalization process. By focusing on market, community and local-state actions within changing conditions shaped in part by larger forces, the study attempts to deepen understanding of the evolution of the Lower East Side

beyond the basic empirical measures reviewed earlier in the chapter. The following chapters analyze that process in detail and, in the final section of the study, draw out its implications for the study of urban change.

NOTES TO CHAPTER 3

1. New York's community districts were established in their present form in 1975. During the period of this study, each city district was represented by a community board, whose 50 members (maximum) were appointed by the area's borough president and city councilmember. The board's most important function has been its advisory role in the ULURP process. For an analysis of New York's community boards, see Marcuse (1987).
2. On early Lower East Side history, see Howe and Libo (1979), Sanders (1979), Ford (1936), Ewen (1985), Gabaccia (1984), Jackson (1976), Schoener (1967) and Riis (1957).
3. These groups trace their origins to many different eras in the history of community struggle in the Lower East Side. The settlement houses were developed by slum reformers during the Progressive era. The East Side Tenants Council was founded by activists from the Communist Party and trade-union movement. Cooper Square and Pueblo Nuevo emerged to fight against "slum clearance" urban renewal, and Mobilization for Youth (subsequently MFY Legal Services) evolved from New Left community organizing efforts of the 1960s. Adopt-a-Building was formed to counter landlord disinvestment and pioneered "self-help" sweat-equity rehabilitation in the 1970s.
4. Data on publicly subsidized housing are drawn from Klokaw (1983).
5. In this study, the term "lower-income" is used generally to refer to housing occupied by Lower East Side residents whose incomes are below the median income for New York City households; the remainder are termed "higher-income." As will be established, the category "lower-income" includes the majority of Lower East Side residents throughout the period of this study. In discussions of housing plans, the more specific

designations "low-income," "moderate-income" and "middle-income" are often employed. In such cases both low-income and moderate-income usually comprise what we have termed "lower-income" housing. Based on 1970 census data, Schwartz (1973) classified roughly 40,000 of the area's 70,000 households as low-income, with the remainder being a mix of moderate- and middle-income. In 1989, two-thirds of the Lower East Side's 65,000 households earned less than the New York City median income (City of New York, Department of City Planning 1992).

6. DeGiovanni (1987) indicates significant increases in education levels among whites and provides documentation of gentrification-induced displacement of lower-income residents in general.

7. The evolution of city in rem holdings and housing programs is discussed in detail in chapters 4 through 9 as well as in the appendix.

**NEIGHBORHOOD REVITALIZATION
IN THE LOWER EAST SIDE**

CHAPTER 4
MARKET DECLINE AND TRIAGE: EXPANDING
CITY-OWNED PROPERTIES, 1975-78

From 1975 to 1978 the problem of decline and abandonment deepened in the Lower East Side. While the housing debate often focused blame on poor tenants, slum property owners and government inefficiency, larger economic and political forces played a decisive role in the process of neighborhood destruction and in ushering in the conservative policies -- symbolized by notions of "planned shrinkage" and "triage" -- that accelerated this process. This chapter traces the politics and economics of neighborhood decline in New York City, as well as the way in which short-term circumstances led by 1978 to the emergence of fledgling programs to promote community-oriented housing rehabilitation. These initiatives ran counter to the dominant conservative approaches to urban decline, and it remained to be seen whether such programs represented a new level of community and tenant influence over neighborhood change.

SUMMARY OF EVENTS

Housing abandonment came to be regarded, by the mid-

1970s, as a critical problem in the Lower East Side and in New York City generally. The city's poorer neighborhoods had long suffered from housing problems: overcrowding, crumbling structures, insufficient maintenance. By 1975, however, many such areas began to experience dramatic increases in owner abandonment, and over the following three years entire sections of the South Bronx, Bushwick, Brownsville, Harlem, the Lower East Side and other lower-income areas became little more than blocks of vacant shells. As private owners walked away from their buildings, a glut of abandoned properties fell into the reluctant hands of city government. This growing stock of publicly owned, in rem holdings -- some of them vacant buildings, others still occupied by some of the city's poorest tenants -- became a major focus of debate over the relationship between government and housing. How should local government address neighborhood abandonment? And what should be done with the increasing numbers of properties already in public hands?

Blame for the crisis of abandonment was apportioned differently by the major participants in the in rem debate. For tenants, property owners were a major culprit. Slum landlords, in the view of Lower East Side tenant leader Esther Rand, tended to "bleed" their buildings by pocketing rents and city taxes, refusing to provide services and abandoning tenants (Rand 1975, 30).

Owners and their supporters, in turn, blamed tenant "militancy," burdensome municipal regulations (such as housing code enforcement and rent controls) and "bureaucratic incompetence," all of which were making it impossible for property investors to turn a profit (Tomasson 1975, 10; Salins 1980). Tenants and landlords alike accused city officials of attempting to minimize the problem. Administrators claimed, however, that abandonment was difficult to measure or predict and that the capacity of government to address the problem was uncertain, particularly amidst new budget pressures (Fried 1976b).

As housing abandonment appeared to worsen, local officials attempted to discourage tax delinquency by changing the vestings law. In 1976 Mayor Abe Beame introduced a measure that became known as the "quick vestings" or "fast foreclosure" law (DeRienzo and Allen 1985). As passed by the City Council, the law empowered city government to seize properties in tax arrears after only one year (as opposed to between three and seven years under previous law). While there was some confusion over the intent of the change, the main argument appeared to be that the threat of imminent foreclosure might well pressure property owners to stay current on their taxes. It soon became apparent, however, even before the first vestings under the new regulations, that many owners who

had been "borrowing" against their taxes now decided to throw in the towel. By early 1978, as officials prepared for the first vestings under the new law, it was clear that the city's in rem holdings would expand dramatically.

The impending influx of properties sparked a major reexamination of the way in which in rem properties were administered and "disposed" (returned to private hands). City-owned properties typically were offered up for sale at public auctions. But as a new administration headed by Mayor Edward Koch took office in 1978, auction sales came under increasing attack. Tenant complaints that many buyers of in rem stock already owed taxes on other properties led to wider investigations. City and state officials began to echo the charge that unscrupulous landlords used the auctions to buy up slum properties cheaply, "milk" them by collecting rents without making repairs or paying taxes, and then abandon them (Kifner 1978b). Properties that occupied designated urban renewal sites were also being sold, suggesting administrative disarray or outright corruption (Kifner 1978a). Government audits, meanwhile, indicated that 94% of the buildings sold at auction were in arrears four years later, and that on 25% of the properties no taxes had been paid at all (Kifner 1978c). Efforts to reform the auction procedures were soon overshadowed by the administration's inability even to inventory its incoming stock. Many properties, in

any event, remained unsaleable by auction because of a lack of interested buyers.

In the Lower East Side, a neighborhood "town meeting" in early 1978 elicited widespread opposition to auctions (City Limits 1978a). When the administration submitted 80 in rem parcels to the area's community board for sales approval, the board voted overwhelmingly against the request and asked that a "hold" be placed on all city-owned properties in the district (City of New York, Manhattan Community Board 3 1978a, 1978b). Noting the board's opposition, the City Planning Commission also recommended disapproval of sales pending development of a plan for the use of in rem properties in the area (City of New York, City Planning Commission 1978). The Board of Estimate, the city's executive body, concurred in April 1978 (City of New York, Board of Estimate 1978). After officials' statements appeared to back away from the new position, Lower East Side board members pressured the city's housing commissioner into reaffirming it (City of New York, Manhattan Community Board 3 1978c). The Koch administration soon suspended auction sales in most of the city's poorer community districts (Baldwin 1978b). Never embodied in a formal resolution, the "moratorium" on auctions (as it came to be called) represented nonetheless a major shift in in rem policy.

In the wake of expanded vestings and the moratorium,

an alternative strategy to rehabilitate low-income areas began to be taken seriously. Many community groups had long argued that a different approach to in rem properties could play a critical role in the rebuilding of poor neighborhoods. Pressing for government sponsorship of tenant- and community-based housing rehabilitation, the groups proposed models such as sweat equity, low-income cooperatives, and non-profit community management and development organizations. These strategies were offered as an alternative to the private housing market and to traditional forms of public housing construction, which emphasized large-scale construction and bureaucratic management rather than small-scale rehabilitation and tenant and community control. In the early 1970s, groups such as Interfaith Adopt-a-Building in the Lower East Side had pioneered this approach, with modest support from various government sources (Lawson 1986a, Klokiew 1983).

In May 1978 a mayoral proposal endorsed community management and rehabilitation as significant components of a new policy toward city-owned properties (Wilkins 1978). City Hall and the In Rem Task Force, a group of community-based housing advocates, began to work together on devising programmatic vehicles for the new approach (Baldwin 1978a). An administrative reorganization soon followed, shifting responsibility for much of the in rem stock from the auction-oriented Department of Real Estate

to the newly created Department of Housing Preservation and Development (HPD). HPD set up the Division of Alternative Management Programs (DAMP) to coordinate several initiatives stressing tenant- and community-led rehabilitation. Whereas the bulk of occupied in rem units were overseen by HPD's Office of Property Management (more commonly referred to as Central Management), DAMP programs such as the Tenant Interim Lease (TIL) program and the Community Management Program (CMP) would hire residents or neighborhood groups to manage and repair in rem buildings, in some cases toward eventual ownership (City of New York Department of Housing Preservation and Development 1979).

By late 1978, in rem policy was officially committed to an expanding community-oriented approach. HPD Commissioner Nathan Leventhal maintained that the DAMP programs, while initially small, would soon play a major role in the rehabilitation of New York City neighborhoods. "I'm not really interested in programs of 100 buildings," he declared. "We've got to have programs of quantity considering the housing problems we have in New York" (City Limits 1978b, 12). The commissioner also claimed that existing community groups would continue to play an important role in developing the new programs.

We're going to have an office of management alternatives which is going to be headed by somebody with a great deal of community background and commitment to this kind of housing.... We're going to be working with the same community groups we have

been working with from the first day we took over to work out those issues. The thing that has changed is that we do not come down [from] on high and say, 'Here is how we are going to do it.' The very questions you're asking about are going to be developed in conjunction with all the community groups that are interested in these subjects (City Limits 1978b, 10-11).

Many community groups eagerly embraced the new orientation at City Hall. Philip St. Georges, a prominent community housing advocate, was hired to run HPD's DAMP programs. By the end of 1978, the first efforts of the Community Management Program were underway (City Limits 1978c).

Tenant leaders noted that the majority of New York City's in rem properties remained under the administrative aegis of Central Management or the city's Division of Real Property, and thus continued to face poor maintenance and underutilization, with no tenant or community input. And DAMP itself was bitterly attacked by property owners right from the start (Moses 1978). Yet for community advocates the in rem debate had clearly evolved in a promising direction since 1975, and the new DAMP strategy was taken by many as evidence of a new level of community influence over city policy.

ANALYSIS

The foregoing summary has traced the way in which

local government's approach to abandoned properties underwent a complex evolution, leading eventually to a new emphasis on community-oriented neighborhood preservation. By narrowly focusing on the in rem developments of the period, however, it is easy to overlook the broader economic and political forces behind local policy and neighborhood decline in the Lower East Side.

I argue that these larger forces were, in fact, decisive during the period 1975 to 1978, and that they led to economic changes and conservative local policies that were quite harmful for Lower East Side residents. The demise of postwar economic growth and liberal federal urban policy played a important role in local fiscal crisis, which in turn entrenched new conservative approaches toward the restructuring city. Policies of planned shrinkage and triage encouraged abandonment of lower-income areas, while new business subsidies laid the basis for a new strategy of economic growth.

The rise of the DAMP programs, on the other hand, is explained as the result of more specific forces. From 1975 to 1977 local policy toward city-owned properties in poor areas like the Lower East Side mirrored the new conservative priorities. City government, slow to seize the thousands of lower-income properties abandoned by their owners, pursued an auction sales strategy that only exacerbated neighborhood decline. By 1978, however, a

combination of persistent local stagnation, short-term budgetary pressures, public outcry over auction-sales corruption, and community initiatives by President Jimmy Carter led to an embrace of new rehabilitation programs by the Koch administration.

A genuine departure from traditional in rem policies, the alternative management programs were too new to evaluate by the end of 1978. Nevertheless, it was not clear how self-help community rehabilitation, notwithstanding its advantages over auction sales, was expected to counter the powerful economic and political forces behind neighborhood destruction.

Urban Restructuring and Fiscal Crisis

Neighborhood decline in the Lower East Side resulted from longer-term economic and political trends as well as from more immediate developments in the mid-1970s. For this reason, it is necessary to examine in some depth the history of inner-city decay and government response during the decades following World War II before addressing the impact of New York's fiscal crisis on lower-income communities.

Late-nineteenth-century New York, like other industrial cities in the U.S., relied on densely populated working-class districts in the urban core. By 1920,

however, a gradual process of metropolitan deconcentration was already underway (Jackson 1984). Industrial jobs and urban residents migrated farther out from the city center, while downtown business districts expanded as headquarters locations for national firms (Gordon 1984). After World War II, the dramatic wave of suburban expansion came increasingly at the expense of urban disinvestment and decline. Over time, the relocation of manufacturing activities, housing construction and middle- and working-class populations to suburbs and newer regions of the country undermined much of the economic base in older cities like New York. This long process of deindustrialization eroded more than half a million of the city's manufacturing jobs over the three decades after 1950 (Fainstein and Fainstein 1987). While certain core business districts remained vital, overall economic decline in the city center was reflected in falling land values, infrastructural decay and housing deterioration, which only further encouraged the out-migration of more economically mobile residents.

Postwar disinvestment and population decline took a heavy toll on the Lower East Side. From 1950 to 1970 the number of residents fell by nearly 20% (Schwartz 1973, 13). In the slack real-estate market, housing decay and abandonment grew more acute, and "redlining" -- the withdrawal of lender financing -- emerged as a serious

problem (Grebler 1952, Schwartz 1973). Except on a few thriving commercial blocks, boarded-up storefronts became a common sight.

Neighborhood decline in the Lower East Side was partly offset by government initiatives, resulting in a very substantial sector of non-market housing. Postwar liberal approaches to the city had a dual focus, emphasizing government intervention to stimulate market revitalization while also developing initiatives to assist residents who were poorly served by the market. These distinct objectives were more or less embodied in the two major federal urban programs of the period, urban renewal and public housing. Urban renewal brought together federal funding, municipal officials and local developers in projects to stimulate private investment through "slum clearance" and the construction of middle- and upper-income housing (Gans 1971, Kleniewski 1984). Public housing, on the other hand, evolved into a federally funded, locally administered program to build affordable public-sector housing for poor people (Bratt 1986).

The postwar nexus of federal/local redevelopment had great impact in New York, where it was directed by development "czar" Robert Moses (Caro 1974). The Lower East Side became an important site for both types of housing (as was discussed in the previous chapter). Amid market decline, middle-income housing served as a partial

anchor of economic stability, while low-income public housing helped protect its residents from displacement pressures.

By the late 1960s and 1970s, however, structural problems in the U.S. economy and acute local stagnation began to unravel liberal policy approaches and accelerate neighborhood decline. Confronted by new profit pressures and international competition, American corporations made concerted efforts to cut labor costs, shift investment to new sectors and redirect government policies to benefit business (Harrison and Bluestone 1988). The new corporate strategy had immediate effects on cities. By shifting capital investment to new sectors and locales, this corporate restructuring ushered in a much more volatile economic environment. Capital mobility forced greater competition among cities for investment and jobs, while the downward pressure on wages began to leave many cities with greater numbers of poor residents.

New economic conditions went hand-in-hand with a shift in national policy approaches to cities, reducing the federal commitment to urban assistance and curtailing requirements that earmarked funds for the poor. In 1972 the Nixon administration's moratorium on housing subsidies forced New York City to depend on its own resources for low-income housing construction, and by 1974 the Housing and Community Development Act had replaced the most

important neighborhood-planning programs with revenue-sharing (Frieden and Kaplan 1975, 239-240). These measures not only added to local budget pressures but also served to reduce the moderating effect of public intervention on neighborhood decline, discouraged local experiments in community rehabilitation, and undercut the influence of community organizations on local politics (Lawson 1986a, Fainstein 1987b).

Economic stagnation, and corporate and federal response, put increasing strain on New York City finances and on local efforts to combine anti-poverty programs with market stimulus. New York's political leaders had responded to community pressures by assembling a complicated electoral alliance between middle-class whites and racial minorities, while retaining business support with development projects and incentives in the Manhattan CBD. To sustain the disbursement of public benefits to this diverse coalition amid an eroding revenue base, officials increasingly relied on debt and questionable accounting practices. These practices were encouraged by the city's financial community, whose large commercial banks acquired large and profitable portfolios in tax-exempt municipal bonds (Tabb 1982, 22-23).

In the early 1970s, however, as declines in manufacturing continued and the city's core service-sector businesses stopped growing, New York also retreated from

the bolder redistributive commitments of the liberal agenda. Policy initiatives focused on stimulating CBD development, resulting in large increases in core office space, but white-collar job loss meant high vacancy rates (Fainstein and Fainstein 1984, 16-17). With the onset of recession from 1973 to 1975, even New York's commercial banks faltered, and they began to reconsider their complicity in local government's reliance on borrowing to cover revenue shortfalls (Shefter 1985, 107-109).

Beginning with a struggle to avoid municipal default in 1975, New York experienced a severe fiscal crisis that also proved to play a major role in redefining the function of the city and its neighborhoods. As crisis and restabilization pushed aside the redistributive concerns of postwar liberalism, local policy focused with a new singlemindedness on reestablishing the city as an environment conducive to business expansion. A resurgent conservatism blamed government and the poor for the decline of the city, arguing that liberalism, however well-intentioned, had failed to support market growth sufficient to underwrite fiscal health or assistance to the poor. Only by reducing public-sector commitments, and thereby shrinking the numbers of dependant poor, could New York become a leaner, more competitive entrant in the new economic environment. In the long run, conservatives argued, market-led growth would benefit the city as a

whole by providing a job and revenue base to meet the needs of residents.¹

In the meantime, however, restructuring the urban environment for future growth meant administering certain harsh measures. The concept of "triage" was used to rationalize the abandonment of many of the city's poorest residents and neighborhoods entirely, shifting public resources to areas deemed more salvageable. While this approach, as will shortly be seen, would actually accelerate the decline of housing and neighborhoods occupied by the city's poor, the latter were seen as unproductive "service demanders" and a major obstacle to growth. This approach had become necessary, it was argued, not simply because public funds were limited but because only by shrinking the number of poor people could the city become an efficient economic unit.

These draconian measures were facilitated by a de facto suspension of formal democratic processes. As a condition for avoiding default, New York City government was forced to surrender much of its policy-making autonomy to a group of business leaders and state and national officials who coordinated the bailout effort (Alcaly and Bodian 1976, Pecorella 1987). These elites, acting through the Financial Control Board (FCB) and the Municipal Assistance Corporation (MAC), enforced more than simply new accounting practices and austerity budgets;

they also institutionalized a new set of political norms that evaluated local policy priorities in terms of their responsiveness to business interests. Thus the fiscal-crisis years not only disciplined government spending. They ushered in a political environment in which government sought to create new ways to subsidize private investment (Bailey 1984, 174-75).

Central to this effort were new tax-incentive programs to benefit businesses, developers and higher-income residents. A program to administer industrial revenue bonds and property-tax abatements through the Industrial Development Authority was created in 1974 (Mollenkopf 1983a, Turetsky 1986). J-51 tax abatements, originally enacted in the 1950s to upgrade cold-water flats, were retailored in 1975 to stimulate privately financed condominiums, cooperatives and residential conversions (Kaiser 1976). Amendments to the 421a program expanded the use of tax exemptions to promote new, mostly upper-income residential construction (Sternlieb and Listokin 1985, Fainstein and Fainstein 1984). In 1977, regulations on cooperative conversions were loosened (Lawson 1986a, 254) and a local Industrial and Commercial Incentives Board began offering tax incentives to businesses (Mollenkopf 1983a, Nostitz 1986). None of these measures brought about a sudden economic revival. Taken together, however, they would eventually give shape

to future expansion.

We can see, then, that both long-term trends and the economic and political shifts of the 1970s had a considerable impact on New York City. Secular economic decline, accelerated by corporate restructuring and changes in federal policy, played an important role in unraveling liberal policy approaches in New York City. With the onset of fiscal crisis, a new conservative ascendancy dramatically altered the way in which government sought to address the effects of market decline on lower-income neighborhoods. It is within this context that I now reexamine the logic of in rem policy during the crisis years and its consequences for the Lower East Side.

In Rem Policy and Neighborhood Decline

New York's approach to neighborhood abandonment and in rem properties from 1975 to 1977 reflected the new conservatism's emphasis on drastic measures to restructure the city.

For postwar liberalism, neighborhood decline had revealed that market forces were insufficient to meet the housing needs of the poor. While liberals rarely questioned the market basis of housing production, they did concur on a supplemental role for public-sector

housing and community assistance. By the mid-1970s, however, government programs were seen as counterproductive, and the fiscal emergency provided an opportunity to establish conservative housing approaches as a dominant strategy of urban revival.

Planned shrinkage and triage solutions to the housing crisis were openly championed by the Beame administration's housing commissioner, Roger Starr (Fried 1976a). Blaming abandonment on poor residents themselves, Starr argued that "destructive elements" within the lower-income population were making many such neighborhoods unsalvageable. Rather than concentrating significant local resources on the worst areas of the city, as had been done in the 1960s, New York City government should

recognize that every city has had a permanent slum, and we ... [can] simply withdraw all housing construction effort from certain sections where the disorderly and disorganized families concentrate, where there is a critical mass of very, very difficult people (Starr 1975, 262).

Far from being assisted, slum residents should be urged to leave. "We should not encourage people to stay where their job possibilities are daily becoming remote," said Starr (Tabb 1982, 39). By targeting resources to more salvageable areas, on the other hand, government could facilitate the creation of a smaller, wealthier city more conducive to market standards of economic viability.

Starr's penchant for openly championing this urban

vision made him a political liability for the Beame administration (Fried 1976c). Although similar views were occasionally advanced by civic leaders like financier Felix Rohatyn (Clines 1976), the more palatable public rationale for triage was that it had become an unfortunate necessity. And indeed, whether city officials chose to view the new approach as a long-term opportunity or a short-term exigency, the austerity budgets dictated by fiscal monitors left elected officials and administrators little actual room for maneuver.

For in rem policy, the new priorities encouraged city government to ignore its legal authority to foreclose on tax-delinquent properties. As abandonment increased and the pressure for property seizures mounted, the city's Department of Real Estate placed parcels on the auction block as quickly as possible. From the vantage point of community groups, auction sales of buildings in poor condition amid a declining market only encouraged deterioration and thus made little sense as a housing policy. And while the sales were defended as fiscally unavoidable, there was also some question as to whether they actually eased short-term budget pressures: The fact that auction sales and tax-arrears payments on slum properties generated little revenue was apparently a well-known secret among Beame officials (Kifner 1978c). From the perspective of planned shrinkage, however, auction

sales were consistent with the broader political project of divesting the public sector of the sort of housing responsibilities that had plagued the liberal city. The cycle of property sales, owner defaults and neighborhood decline may have been harmful both to buildings and to residents, but it was a logical consequence of the broader movement to reassert market priorities over government policy and urban communities.

As long as the city's housing crisis was overshadowed by its budget crisis, critics had a hard time gaining a hearing for plausible policy alternatives. Community groups criticized triage and in rem auctions as poor policy because of its effects on neighborhoods and on housing resources. As fiscal pressures continued, however, it was difficult to offer alternatives that did not require greater financial resources from a local government which had fewer -- and did not even control those which it had. Even community programs that enjoyed minimal levels of funding had a difficult time surviving during a time in which saving neighborhoods was no longer a priority. Low-income advocates had now been defined as part of the city's problems, and politicians now under fire to prove their fiscal prudence hastened to distance themselves from community demands. Community influence over city government receded, and the Lower East Side experienced drastic reductions in public services, waning

housing code enforcement, and, in certain tracts, widespread abandonment.

Market decline, accelerated by the policy orientation reviewed here, brought unprecedented levels of housing decay and abandonment to the Lower East Side. City tax-foreclosed holdings grew to 527 properties by 1978 (see Table 5 in chapter 3). These properties included vacant land, vacant buildings and occupied structures. Because of a reluctance by city government to foreclose on tax-delinquent properties, as well as an eagerness to sell properties after it did foreclose, in rem holdings at any given time understated the real magnitude of abandonment.² In 1977, the number of Lower East Side residential properties that were delinquent in tax payments for at least three quarters reached 1119 properties, an increase of 56.7% from four years earlier (City of New York, City Planning Commission 1979).

Widespread housing destruction went hand-in-hand with a precipitous decline in residential population. The Lower East Side had already experienced gradual population loss throughout the postwar years, but from 1970 to 1980 the number of residents fell by another 14.8% (City of New York, Department of City Planning 1992). In Loisaida, the predominantly Puerto Rican areas in the eastern and southern tenement districts, losses were much higher. Increases in arson, vandalism and crime further signaled

deterioration in the area's social community.

Neighborhood groups struggled to salvage housing, mount clean-ups and substitute for declining services, but shrinking public funds and the spiral of decline were also leading to factionalism (Trachtman 1978). Residents who remained in abandoned buildings fared poorly even when the city finally took title. Many subsisted without minimal building services or even notification that the City of New York was now their landlord.

Housing Crisis and the Emergence of Self-Help Programs

Despite the success of conservatism in defining New York's problems and solutions, an unforeseen series of pressures brought about a significant shift in in rem policy in early 1978. Several of these pressures were related to the short-term consequences of the conservative "solution" itself; others evolved from public outcry and unexpected initiatives from Washington. Taken together, they drove the new local administration under Mayor Edward Koch to embrace, at least rhetorically, an in rem policy emphasizing community-oriented programs to promote neighborhood revitalization.

Planned shrinkage, I have argued, represented an elite effort to restructure government and the city in ways conducive to business expansion. For elites, fiscal

restabilization was not simply an end itself, but was an instrument by which to create a new economic and political environment in the city. In the short run, however, the policy measures employed to accomplish this task tended to exacerbate local market decline. Fiscal retrenchment reduced the economic stimulus provided by government spending, while triage-abetted decline further contracted the flow of revenues generated by real-estate taxes. National economic "malaise," moreover, meant that no broader recovery had appeared that might lift New York out of stagnation.

As budgetary pressures persisted, the dominance of fiscal concerns began to lead to short-term policy measures that proved shortsighted even by conservative criteria. Revenue pressures created a political climate in which public officials, eager to establish themselves as fiscal conservatives, became increasingly attentive to the revenue potential of tax-delinquent slum properties. (Owners of these properties also made for more politically vulnerable targets than the many large developers who were also in arrears.) The City Council's Local Law 45, the fast-foreclosure law, was conceived primarily as a fiscal measure to pressure "deadbeat" owners to pay up on threat of rapid property seizures. Community advocates, who generally applauded the enhanced foreclosures, apparently were not major participants in the legislative debate

(DeRienzo and Allen 1985). It was soon clear that the law's conservative supporters underestimated the weakness of the private housing market -- that is, the degree to which slum ownership depended on "loans" from the city in the form of unpaid taxes.³ When owners responded to the law by escalating abandonment, local government found itself forced to follow through on property seizures on a scale requiring extensive -- and expensive -- administrative reorganization.

While the fast-foreclosure law boosted the "in-take" of city-owned housing, the increasing discredit of auction sales prevented corresponding rises in "out-take" via privatization. Auction sales, it has been argued, typically failed to revive housing or communities, but by early 1978 it became public knowledge that they also failed to generate much in the way of revenues (Kifner 1978c). Deprived of their public rationale, auction sales were suspended while the administration sought to inventory the massive wave of newly vested properties.

Community groups, meanwhile, attempted to seize on the unexpected turn of events. In this they were assisted by a new policy initiative from Washington. In October 1977 President Jimmy Carter, during an unexpected visit to the devastated South Bronx, had embraced community self-help rehabilitation as an antidote to urban destruction. Amid the publicity that followed, the coalition of New

York's self-help community groups led by the Association of Neighborhood Housing Developers (ANHD) found itself flooded with attention and new public and private financial backing (Lawson 1986a).

Distanced from 1960s liberalism by an emphasis on self-help and from 1970s conservatism by a genuine concern with saving neighborhoods, the self-help housing approach claimed to combine the equity concerns of state initiatives with the entrepreneurialism of market activity. In origin an oppositional grassroots movement, self-help advocacy championed "sweat equity" urban homesteading as a means by which poor residents could rebuild their own buildings and communities while avoiding the passivity said to be fostered by government clientalism.⁴

While one might expect conservatives to applaud the self-improvement ethic in sweat equity, conservative reactions tended more often to echo the sentiments of former housing commissioner Roger Starr, who was said to have commented that giving government funds to community groups was "like giving hand grenades to the PLO."⁵ Claiming that city in rem seizures were "confiscatory" to begin with, property owners argued that turning over buildings to tenants was a legitimization of squatters' rights and a recipe for further abandonment (Moses 1978).

For critics of New York's elite-dominated

restructuring, the DAMP programs were certainly salutory to the extent that they engaged the political energies of ordinary residents in a practical opposition to austerity and market decline. The self-help orientation nonetheless posed several troubling questions. On the one hand, could community groups generate the kinds of resources -- economic, technical, organizational -- to successfully rehabilitate neighborhoods on the scale required? If not, would the groups themselves be blamed for what were primarily market and state failures? On the other hand, if self-help rehabilitation was successful, would it create better housing and communities for existing residents or for others?

By 1978 it appeared that New York was now the testing ground for self-help community revitalization. Community advocates who had been relegated to political bystander status by the fiscal crisis suddenly became, in the wake of the Carter visit, important participants in the city's in rem debate. The Koch administration, saddled with thousands of new properties, seemed to embrace the new approach and by the end of the year had set up the major alternative management programs. It remained to be seen how successful the programs would be. But it was already clear that the enormous expansion in city-owned properties had become a vulnerable political target for critics from all sides. And in areas like the Lower East Side, where

neighborhood groups had already begun reconstructing abandoned tenements, the new approach appeared to offer significant promise (Reif 1976).

CONCLUSION

I have argued that the evolution of neighborhood decline in the Lower East Side from 1975 to 1978, as well as the emergence of the city's DAMP programs, need to be understood in the context of broader economic and political changes. By tracing the urban consequences of postwar economic growth, and the way in which economic stagnation in the 1970s engendered a far-reaching restructuring of some U.S. cities, this analysis has emphasized the extent to which New York and its neighborhoods were shaped by forces beyond local control. It has also demonstrated that New York's crisis of the mid-1970s was more than simply a consequence of these forces: Fiscal crisis became a vehicle by which new urban priorities were institutionalized and neighborhood destruction accelerated.

This chapter has also traced, however, the manner in which the fluid circumstances of the crisis period made possible an unanticipated endorsement by local government of the kinds of rehabilitation strategies advanced by community advocates. Several key events in the period

1977-78 pushed the in rem debate in a direction that ran counter to the dominant political forces of the day. Whether or not the new strategies would come to challenge broader market and policy trends harmful to low-income neighborhood residents remained to be seen.

NOTES TO CHAPTER 4

1. For a variety of conservative interpretations of fiscal crisis, see several of the contributions to New York Times (1976) as well as the Temporary Commission on City Finances (1978), Peterson (1981) and Morris (1980).
2. Properties were acquired through vestings, which are mass foreclosure proceedings against tax-delinquent properties of a given area. Because of the city's reluctance to seize properties as well as the time lag between abandonment and vesting, the number of in rem properties at any given time did not accurately reflect the severity of abandonment. Moreover, as the size of the vestings increased, precise figures remained difficult to come by because of the frequency of sales (and the time delays for closings), the infrequency of vestings and the poor record-keeping of the city's Department of Real Estate.
3. Market-oriented conservatism, which stresses government regulation rather than market flaws as the cause of economic decline, leads policymakers to underestimate market dysfunctionalities. Structural economic failures -- in this case the inability of the low end of the real-estate market to provide tenants with decent, affordable housing or landlords with sufficient investment returns -- tend to be overlooked, or to be seen, through the lens of fiscal crisis, as simply a technical problem of revenue collection.
4. For sympathetic accounts of the self-help movement, see Boyte (1980, 1984) and Kolodny (1986); for critical treatments from a left perspective, see Schuman (1986) and Katz and Mayer (1985). See also Lawson (1986a).
5. The quotation is reproduced in the obituary of Robert

Schur, a DAMP proponent and former city official, in City Limits (1982b).

CHAPTER 5
MARKET REVIVAL AND CONSERVATIVE POLICY:
PROPERTY SALES? 1979-82

After 1978 New York's downtown economic expansion spurred market revitalization in the Lower East Side. This revival resulted in a partial reversal of neighborhood decline but also brought to bear certain gentrifying pressures on longterm residents. Local policy debate focused on the appropriate use of city-owned properties in reviving areas, with the administration increasingly favoring auction sales over the kinds of self-help housing programs it had so recently endorsed.

This chapter argues that neighborhood change and local policy during the period 1979-82 continued to be shaped primarily by larger forces: economic restructuring, federal policy priorities and enduring fiscal constraints. It also examines, however, the way in which Mayor Koch constructed, within these conditions, a successful conservative coalition centered on business expansion and lower-income austerity. The in rem debate is reinterpreted within this context, with the effect that both property auctions and the dwindling self-help rehabilitation programs are seen as failing to address the needs of lower-income residents. While Lower East Side groups succeeded in holding off auctions in their area,

conservative dominance on local development issues appeared to make property sales in the Lower East Side only a question of time.

SUMMARY OF EVENTS

The preceding chapter traced the process by which the issue of neighborhood change in New York City had become embedded, over the period 1975 to 1978, in a debate over in rem policy. By the end of that period it appeared that community advocates had "won" the debate: After declaring a moratorium on auction sales of city-owned properties, local officials created an array of alternative management programs (DAMP) emphasizing community self-help rehabilitation as a solution to neighborhood decline. In 1979, however, the debate between auction sales and DAMP was re-engaged, and over the following three years the Koch administration gradually shifted in rem policy: first, to an effort to combine not-for-profit DAMP programs with auctions and for-profit programs; by the early 1980s, to a strong emphasis on auction sales at the expense of the DAMP programs; and by late 1982, to an incorporation of profit and revenue concerns into the DAMP programs themselves.

The specific disagreements over in rem policy may have varied, but the underlying conflict was a basic rift

between the administration and community groups over the most effective way to use city-owned properties to promote neighborhood revitalization.

The mayor and top housing officials supported a return to auctions, arguing that these sales were better for both poor neighborhoods and city government. A large stock of city-owned properties, they maintained, was an obstacle to revitalization in areas with the potential to draw investor interest. In auctions the city had a speedy mechanism for returning the properties to private owners, who, by rehabilitating them, would further stimulate market activity to benefit the area. Neither government nor community organizations possessed the resources, experience, or incentive to rehabilitate and manage properties as effectively as real-estate professionals. Returning properties to private hands, moreover, returned them to the tax rolls and strengthened the city's revenue base.

Most community groups, on the other hand, argued that the DAMP programs comprised a more promising approach to housing and neighborhood revitalization. Claiming that auction purchasers were just as likely to abandon properties as fix them up, community advocates argued that residents themselves were an untapped source of self-help labor and expertise which, provided they were supported by government programs, could be channeled to rehabilitate

and operate their own housing. Even if private investors did successfully renovate abandoned and decaying structures, they would not necessarily provide new housing affordable to lower-income residents: Gentrification could price out the poor. Self-help projects, on the other hand, would anchor long-term residents to the neighborhood. Advocates argued, as well, that "sweat equity" projects would prove less expensive to underwrite than traditional forms of public housing provision and would empower ordinary tenants.

By early 1979 the Koch administration announced, even while the DAMP programs were still being set up, a shift in in rem policy to include for-profit actors. The latter would participate via reformed auction sales and "private management," which would enable real estate firms to use federal funds to manage, and eventually own, some of the better in rem properties (Bird 1979, Cohen and Baldwin 1979). New regulations governing auctions set up stricter controls on who would be permitted to buy property, while approved purchasers would be allowed to raise rents in order to ensure an adequate return on their investments (Smothers 1979).

Housing officials suggested that these new privatization initiatives came from the very top of the administration. "The Mayor is pushing us very strongly on this," said HPD Commissioner Leventhal (Bird 1979, B6).

The administration was sensitive to the fact that this new turn was controversial. It stressed that private managers and auction purchasers would be carefully screened to eliminate those with a history of tax default and housing abandonment. While Board of Estimate approval for lifting the moratorium was not legally necessary, the mayor was careful to seek its endorsement. "With something as dramatic as this policy change," Koch announced, "we need Board of Estimate support to go the next step" (Smothers 1979, B4).

Community groups strongly opposed lifting the auction moratorium and offered extensive public testimony against the action (City of New York, Board of Estimate 1979). In August 1979, however, despite the temporary occupation of the housing commissioner's office by opponents, the Board of Estimate voted overwhelmingly to lift the moratorium on auction sales (Smothers 1979). Sales of vacant residential properties recommenced by the end of the year (Baldwin 1979).

In the Lower East Side, opposition to auctions remained strong. Community groups feared that, with private investors attracted to the soundest in rem stock, the DAMP programs would be left with the buildings in poorest condition. Many vacant buildings blocked by the housing department from entering the TIL or CMP programs were being "held" (set aside) by Community Board 3 for

various neighborhood groups that hoped to rehabilitate them but had yet to secure financing. The administration exerted pressure to begin auctions in the Lower East Side, but the area's community board resisted. CB 3 argued that the city had not produced a plan for the neighborhood, as the City Planning Commission had recommended upon first halting auction sales. Enlisting the support of Manhattan Borough President Andrew Stein, the board demanded and, by September 1979, received a two-year extension of the auction moratorium for its district (City of New York, Manhattan Community Board 3, 1979a, 1979b, 1979c).

Where auctions were permitted, the administration aggressively promoted the property sales as a new "self-help" opportunity (Thomas 1980). Officials portrayed auctions as fostering a kind of bootstrap entrepreneurialism, offering working-class New Yorkers the opportunities of home-ownership and participation in the "renaissance of New York" (Baldwin 1979, City Limits 1981). First reintroduced as simply one of several disposition mechanisms, their success -- as measured by the rise in numbers of properties sold and the increasing prices they fetched -- led officials to expand them over the coming years. From 1980 through 1982, over 13 auctions of residential in rem properties were held, and with each successive sale the revenues generated appeared to climb (Howell 1982). In a city that seemed to be

perpetually fraught with budget pressures, sales proceeds became a powerful public rationale for property auctions.

Community advocates argued that auctions, upon closer examination, failed to constitute good housing or fiscal policy. The rate of default on properties bought at public auctions was in fact quite high, and critics estimated in 1982 that roughly 40% of the successful bidders were failing even to close the sale (Howell 1982). Many of these would-be "homesteaders" were working people who were contracting to buy vacant shells for more money than they could raise. In the absence of government-subsidized loans, these buyers were unlikely to rehabilitate their properties even if they could afford to hang onto them. "People with little experience," observed one real-estate broker, "come with their life savings to buy 'their' building. They buy lemons and the city knows it. It profits" (Howell 1982: 23).

Officials conceded from time to time that bootstrap auctions were far from a sure bet to create housing. As HPD Deputy Commissioner William Eimecke acknowledged in 1981,

The jury is still out on whether people can come up with the resources.... It may well be that three years from now, twenty, fifty or one hundred per cent of these buildings will come back into our hands. But we've decided to take a risk and see what happens (City Limits 1981, 23).

It was also unclear whether the budgetary impact of

auction sales revenues was all that significant: Annual revenues from 1981-1983 probably averaged only about 2.5% of the yearly budget of the housing agency's Division of Property Management -- given the high default rates, even less.¹

As auctions intensified, CMP and TIL, the community-oriented self-help programs, failed to enjoy the rapid growth promised at their inception. This was particularly true in areas which now enjoyed nascent market revitalization. In the Lower East Side, an early expansion of CMP and TIL soon slowed. Increasing numbers of tenant groups that had been managing their own buildings now found the self-help programs off-limits; the housing department, they argued, was now less interested in sponsoring them than in evicting them (Ledwith 1981). By fiscal years 1983 and 1984, the official workload of the two programs combined had stagnated at roughly 30 buildings in Community District 3. Most of these were TIL projects, and many remained far from completion. An average of only four Lower East Side properties were sold annually to tenants over the first five years of the program, after which sales all but halted (City of New York, Department of Housing Preservation and Development 1991b).

Were the programs at fault? Or were they never given a chance? DAMP advocates blamed the administration for a

lack of commitment to the community-oriented approach, pointing to cumbersome regulations and the absence of significant rehabilitation subsidies as the major reasons for the failure of TIL and CMP projects to reach completion (Brower 1982). HPD Assistant Commissioner Philip St. Georges echoed these complaints, noting that the Board of Estimate was willing to process "5,000 buildings for public auction asking almost no questions" while it demanded detailed reports about each tenant and community group involved in alternative management (Baldwin 1979, 10-11).

In its defense, the housing department insisted that DAMP funding was limited by very real budget constraints (DeRienzo and Allen 1985). Officials also argued that the programs were inherently inefficient. Property management and rehabilitation by inexperienced residents and community groups led to slow progress and required extensive agency supervision. And as increasing numbers of city-owned properties were attracting investor interest, officials openly questioned the wisdom of disposing of highly-valued properties to lower-income tenants.

By 1982, conflicts centered increasingly on the narrow question of the terms of purchase for tenants in TIL buildings. From its inception, the program had promised tenants who successfully rehabilitated their

buildings the opportunity to buy their apartments for a token sum (usually \$250). While the administration had long pressed to sell the apartments at market value, TIL tenants demanded adherence to the original commitment. Community advocates, meanwhile, continued to disagree among themselves over whether resale restrictions should be established to limit profitmaking by TIL tenants and to ensure long-term affordability (Cohen and Baldwin 1980). After much debate, the administration gained the Board of Estimate's endorsement of a sales policy that allowed original TIL tenants to purchase for \$250 and placed no restriction on resale prices. It added, however, a new provision: If tenants re-sold their apartments, local government would "recapture" as revenues 40% of these "windfall" profits.²

For administration supporters, the resolution of the TIL sales price issue brought the program into line in a way that balanced out conflicting interests in an equitable fashion (New York Times 1982). TIL tenants retained the original purchase option at reduced values, subsequent sales would reflect market conditions, and city government would recoup its past subsidies in the form of revenue recapture.

Critics saw the matter differently. Large developers, they noted, were rarely subject to such "recapture" regulations when they received city subsidies.

More generally, it was not appropriate, they argued, for "community-oriented" programs to be animated more by market and revenue considerations than by a concern with creating non-profit low-income housing. While the resolution effectively allowed some TIL tenants to keep their homes, low-income advocates interpreted the decision as a final blow to the already-emfeebled DAMP programs (Schanberg 1982a, 1982b, Brower 1982).

ANALYSIS

In this section the in rem debate is reassessed within the broader economic and political environment of the period. The basic theme of the analysis is that the evolution of city policy and neighborhood change from 1979 to 1982, as in the preceding period, was shaped primarily by larger forces. Economic restructuring produced gentrifying pressures in the Lower East Side and other core areas; restructuring, shifts in federal urban policy and enduring budgetary constraints also reinforced the market-oriented conservatism that had been established during the early fiscal-crisis period. A secondary theme, however, is that within these conditions the local conservative hegemony depended increasingly on a political coalition led by Mayor Koch. The chapter concludes with

an analysis of property auctions and DAMP programs, arguing that neither approach sufficiently addressed the needs of lower-income residents in revitalizing neighborhoods.

Urban Restructuring and Neighborhood Revival

From 1979 to 1982 New York City experienced what was, in many ways, a remarkable economic revival. Throughout most of the 1970s the city had been mired in a nearly decade-long slump. Dramatic losses in employment and population, steep declines in office and housing construction, and deepening fiscal crisis led to predictions by some that New York's economic troubles augured a bleak long-term future (Sternlieb and Hughes 1975, Berry 1976). Even downtown and midtown Manhattan, as discussed in Chapter 4, were hurt by the market downturns of the 1970s, and the devastated areas of the South Bronx, Brownsville, Harlem, and the Lower East Side were often seen as symbols of impending urban collapse.

By the early 1980s, however, the city seemed to be on its way to a rapid turnaround. From 1977 to 1982, the local economy regained one quarter of the jobs lost during the 1969-77 period (Mollenkopf 1983a). By 1980 office construction, which had shown some signs of life in 1977 and 1978, was beginning to rival the pace of the early

1970s (Fainstein and Fainstein 1984). New housing construction remained relatively modest, but residential rehabilitation and conversion was emerging as a major housing-market activity -- comprising 80% of the new housing units created from 1981-83 (Sternlieb and Listokin 1985). Neighborhood revitalization, while sometimes exaggerated, was particularly apparent in certain core-adjacent areas. Greenwich Village, the Upper East Side and the Upper West Side in Manhattan, and Park Slope and Brooklyn Heights in Brooklyn, all experienced increases in higher-income residents, educational attainment and rent levels (Chall 1983-84).

While the Koch administration hastened to claim credit for this "urban renaissance," New York City was hardly alone in experiencing CBD business revival or neighborhood revitalization. By 1981 similar developments had been reported from many U. S. cities and abroad.³ Comparative study has since confirmed that in most cases revitalization was quite sensitive to fluctuations in macroeconomic conditions (DeGiovanni 1983, 1984). New York's revival, as we will see, did depend in some measure on specific local conditions. Its primary impetus, however, came from broader shifts in the national and international economy.

The preceding chapter examined the manner in which postwar economic developments contributed to the process

of suburban expansion and urban disinvestment. While the onset of market stagnation in the 1970s accelerated metropolitan decline, it also served to prepare cities like New York for a new wave of growth by shrinking dependance on emfeebled manufacturing industries, devaluing core land sufficiently to entice new real-estate investment and shifting local subsidies to promote business expansion. Growth in the early 1980s was led by service-sector industries; New York, by virtue of its long-standing function as a center of international finance, was well-positioned to play a pivotal role. Job growth lay in construction and in industries directly tied to the corporate headquarters complex of the CBD: finance, real estate, insurance and various business services (Mollenkopf 1983a).

New York's service sector growth played a double role in stimulating neighborhood change in areas like the Lower East Side during this period. By raising core land values, CBD growth created widening real-estate ripples in the urban land market, strengthening affluent and middle-income residential areas and pushing smaller speculators to seek profitable opportunities farther afield (Ponte 1985). Despite its deterioration, the Lower East Side, sandwiched geographically between the midtown and downturn business centers, was well-situated to attract new investors, particularly along its western corridor. The

service-sector boom also spurred revitalization by drawing to Manhattan increasing numbers of white-collar service workers, both professional/managerial strata and a less-affluent army of office workers. Following a long period of shrinking housing supply, the new demand for inner-city housing, particularly by wealthier strata, raised property values and rents in more established residential areas, which in turn fueled the "upfiltering" cycle noted by housing-market analysts (see chapter 2). This process pushed less-affluent residents to seek affordable housing in more "marginal" areas, such as the western districts of the Lower East Side. Value increases there, in turn, pushed others farther east.

Nascent economic revival first radiated from the stable northwest corner of the Lower East Side. Commercial activity began to flourish in the East Village, particularly along St. Mark's Place and Second Avenue (Stern 1979). Within several years, increases in sales prices, rents and numbers of white residents were reported as far east as Avenue C. New investors, with the exception of several well-known developers, were young speculators or "flippers" (Oser 1980, Goldstein 1980, Robbins 1981, Gottlieb 1982). The area's new profitability also encouraged increasing numbers of tax-delinquent owners to reclaim their buildings under the city's "redemption" procedure (City of New York,

Department of General Services 1991). Overall, the transformation of the Lower East Side market was remarkable: Median sales prices in the area nearly tripled (from \$3,389 to \$10,158 per unit) between 1979 and 1982 (DeGiovanni 1987: 24).

The new investors insisted that they were improving the area, saving it from the depredations of "slumlords." As one put it, "If you define gentrification as renovating dilapidated buildings, then I'm guilty. But I've put my money and my sweat into stopping these places from becoming abandoned shells" (Robbins 1981, 9). Some residents found that changes brought significant improvements in safety and commercial vitality (Stern 1979). The United Jewish Council, a community group representing middle-income residents of the Grand Street cooperatives, supported the process because it slowed what the group regarded as black and Hispanic encroachment into their area (Gottlieb 1982). Even many observers fearful of the new trend acknowledged that the Lower East Side, after such a long period of neglect, needed the investment.

But it was also becoming apparent that along with new capital came harassment of poor and minority tenants, higher rents and even, in some cases, declining housing conditions (Maynard 1980, Gottlieb 1982). One market study of the period demonstrated that decline remained a

problem for the neighborhood. Several deteriorating tracts, in fact, were areas of high-volume real-estate transactions -- supporting tenant accusations that "first-stage" ownership actually worsened conditions to drive out tenants so that "second-stage" owners could operate with a freer hand (Porras 1983).

Many Lower East Side low-income advocates were quick to question the benefits of revitalization. Housing groups such as Adopt-a-Building, Cooper Square Community Development Committee, the East Side Tenants Council, Good Old Lower East Side (GOLES) and It's Time warned against the potential for gentrification to transform the entire neighborhood into a place for more affluent residents (Goldstein 1980, Gottlieb 1982). They also argued that city government, partly because of its property ownership in the Lower East Side, would play a significant role in hastening or controlling the revitalization process.

Federal Policy and Fiscal Constraints

Economic restructuring, as we have seen, brought about significant changes in local patterns of investment, job creation and housing activity. As New York sought to adapt to the new economic pressures, local options were also affected by new federal priorities with respect to cities.

During the final two years of the Carter administration (1979-1980), the Democratic president's urban proposals offered sharp reductions in spending to help the inner-city poor. A major revitalization initiative, the Urban Development Action Grant, was oriented mainly toward subsidizing private-sector commercial development projects (Tabb 1984, 258-59). Under Ronald Reagan, the conservative trend in federal urban policy was accelerated. Calling for a "new federalism," the new administration dramatically reduced the federal share of social-service spending and, in urban enterprise zones, pressed for a tax-incentive approach to reviving cities (Tabb 1984). Programs for low-income housing construction were cut back, self-help development grants were terminated, and Community Development Block Grants targeted fewer outlays to projects benefitting low- and moderate-income households (Hartman 1986).

These changes in policy accelerated a trend toward retrenchment in national assistance to cities. Federal aid had accounted for 22% of New York City's revenues in 1976. Four years later it comprised only 19%. By 1984, it had further declined to 15% (Krauskopf 1989). New York State, it is true, came to assume a greater financial role in the city's welfare, but an increasing percentage of the municipal budget derived nonetheless from locally generated revenues. For proponents of the new federalism,

this meant greater flexibility for cities; for critics, it resulted in more dependence on local business elites.

The national ascendancy of Reaganism reinforced local conservatism, seeming to vindicate New York's policy about-face during the fiscal-crisis period. Crisis policies, and crisis actors, remained a powerful local presence. After 1978 the city's Emergency Financial Control Board began to take a less directive role in city politics, but its influence was still large. City government was wedded to the crisis-period's fiscal restabilization program, and as a condition for continued federal assistance a long-term function for the board was guaranteed (Shefter 1985, 139).

Restabilization meant ongoing austerity, which proponents argued was necessary for budget balancing. Critics insisted that the city was essentially restructuring short-term debt into long-term obligations in the form of a growing "services deficit" (Tabb 1982: 33-34). Regardless of the wisdom of the strategy, it was apparent nonetheless that the oversight institutions created during the fiscal crisis remained powerful overseers of local government. Through the end of the 1970s and into the '80s, federal retrenchment and the persistence of fiscal monitoring placed significant limits on local policy options.

The Koch Coalition and Local Politics

Despite the importance of larger economic and political forces during this period, a measure of control over local policy was reverting gradually to the city's elected officials. And as the economy revived and fiscal elites withdrew into the background, Mayor Koch assembled a local coalition capable of sustaining the conservative ascendancy under non-crisis conditions.

When Koch was first elected mayor in 1977, it was not clear what sort of relationship the new mayor would have with the city's business elite. According to one early Koch supporter,

When he [Koch] first came into the mayor's office in 1977 the business community in general was skeptical. He didn't have much identifiable executive experience, and his record in Washington didn't focus on the hard issues that New York City faced, such as fiscal and budget issues (Shefter 1985, 175).

The new mayor soon proved to be, however, a champion of the prevailing conservative credo. Shortly after taking office, he asserted,

The main job of municipal government is to create a climate in which private business can expand in the city to provide jobs and profits. It's not the function of government to create jobs on the public payroll (Shefter 1985, 175).

Koch quickly endeared himself to the city's monitors by embracing fiscal retrenchment, taking a tough stance with municipal service unions and resolving disagreements with

the FCB privately. The latter rewarded the mayor by reducing its overt interference in imposing cuts and by facilitating the city's renewed access to the credit markets in 1979 (Shefter 1985). Spending in support of economic development, which had waned during the Beame years, rose 72% by the end of Koch's first term (Brecher and Horton 1983).

Koch's willingness to position himself as a proponent of fiscal austerity, and his ability to distance himself politically from the consequent decline in public services, was put to the test in the mayoral campaign of 1981. Buoyed by the Manhattan-led economic recovery, and by his effectiveness in selling the inevitability of business subsidy and service retrenchment, Koch won reelection by an overwhelming margin. The mayor had, in fact, assembled a formidable political coalition. On one hand, Koch's economic development approach reaped the candidate substantial financial rewards in the form of campaign contributions from real-estate developers and ringing endorsements from business leaders (Bellush 1990). On the other hand, the mayor was able to unite a diverse array of political factions -- machine and reform, Democratic and Republican, Jewish and Catholic voters -- into a powerful voting bloc, at least in part by blaming the city's continuing problems on municipal employees, racial minorities and low-income community advocates

(Shefter 1985, Mollenkopf 1988, 1992). While Koch's reelection resulted to some degree from a fatalistic acceptance of retrenchment, the victory clearly demonstrated that the new conservative ascendancy in New York City could outlive the crisis period without direct control by the financial community and under conditions of electoral review.

Koch's reelection also dramatized the continuing political weakness of community organizations since the onset of the fiscal crisis. It was apparent after several years of operation that the community-board system, while it might provide a focus for organizing, did not necessarily translate into greater influence at City Hall and could actually balkanize low-income neighborhoods (Marcuse 1987, Fainstein and Fainstein 1991). Federal cuts, moreover, had a profound effect on the formerly burgeoning self-help wing of the tenant movement. As ANHD-affiliated groups lost much of their funding, many discovered that their rapid growth had transformed them into housing managers out of touch with grassroots constituencies (Lawson 1986a). Preserving the funding pipeline of the DAMP programs, however meager, became in part an issue of organizational survival. For conservatives, on the other hand, the economic revival had made the groups superfluous or, worse, mere political claimants whose activities were more likely to obstruct

than assist the market-led renewal.

Neighborhood Gentrification and the In Rem Debate

The in rem debate can now be assessed in the context of broader economic and political conditions of the period. After evaluating the relative benefits of the two approaches and explaining the administration's preference for auctions, the case is made that neither property auctions nor the DAMP programs offered significant help to lower-income residents beset by gentrifying pressures. In this perspective, the in rem debate is seen to have provided an inadequate forum for understanding the dynamics of market, policy and neighborhood change.

Despite administration claims to the contrary, auction sales in revitalizing lower-income areas were well suited to provide economic benefits to more affluent market investors and poorly equipped to create needed housing. As with deteriorated properties in private hands, investors who purchased vacant city-owned properties were attracted by opportunities to gain from rising land values. In the event buildings were rehabilitated, they provided homes for a higher stratum of occupants -- newcomers who, themselves, would soon become pressured by more affluent arrivals. According to a later study sponsored by the advocacy group Coalition for

the Homeless, in fact, profits were achieved in most instances without actually creating any housing at all (Lang 1989).

While well-intended, the DAMP approaches supported by self-help advocates also revealed significant problems. These flaws went beyond the chronic struggles with inadequate funding. To be sure, the lack of major rehabilitation subsidies for DAMP projects played an important role in dragging out renovation efforts and increasing the rate of failure. But it was also true that the self-help model simply failed to engage with the real conditions of many of the people most in need of affordable housing. For large numbers of the poor, the problems of inadequate housing were linked to or compounded by unemployment, low incomes, declining income supports, racism, health problems, poor education and training, and a host of other burdens. It was simply unrealistic to expect many such individuals to bring to bear the substantial economic, physical and entrepreneurial resources demanded by self-help housing rehabilitation -- unless they were supported a much more far-reaching array of social and economic programs. The programs tended to be most successful, therefore, for young, white, more financially stable "urban pioneers." Doubtless, many of these individuals were also in need of housing, yet they constituted a different population than

the neighborhood movement originally promised to serve and empower.

Divisions among community advocates over TIL resale rules suggested, moreover, that there remained a basic confusion over the long-term goal of the DAMP programs. Was it the purpose of TIL to provide individuals with an opportunity for upward mobility through home ownership? Or was the goal to increase a neighborhood's stock of permanently affordable housing? Community advocates like Andrew Reichler, a director of the Urban Homesteading Assistance Board, argued that resale restrictions would deny opportunities for low-income owners that were routinely available to other, more affluent property owners (Cohen and Baldwin 1980). While this argument may have seemed compelling, the opportunity to profit from rising real-estate values in a gentrifying area -- for "homesteaders" no less than for market speculators -- would be encouraged only at the expense of neighborhood preservation.

These inherent problems made self-help housing a relatively weak tool with which generate opposition to gentrification. They also facilitated the co-optative pressures on the self-help movement by an administration with a quite different agenda toward neighborhood change (Katz and Mayer 1985).

Why did the Koch administration expand in rem

property auctions and reconfigure the DAMP programs during this period?

There is little question that larger constraints on local policy, as we demonstrated earlier in this chapter, remained quite powerful. Within those conditions, however, local choices were shaped as much by conservative ideology as by pragmatic accommodation to "city limits." As with planned shrinkage, conservative approaches to revitalization focused on re-making the city to serve market interests in profitability. In strictly market terms, the occupation by poor people of increasingly valuable inner-city real estate was economically irrational. The goal of policy, therefore, was to facilitate their removal. As both city policy and neighborhood change should be subordinated to market processes, dislodging long-term residents was not an unfortunate side effect to neighborhood revitalization but an integral component. Property auctions, while they often failed as a mechanism to create housing, were nonetheless the most effective way to spur the rising market values that defined, for conservatives, neighborhood revival. This may have encouraged what were, in the view of critics, secondary displacement pressures; for market proponents, however, this was "leveraging" -- deploying public resources for private expansion.

Top officials, of course, usually did not publicly

endorse gentrification or displacement, instead arguing that in the long run the benefits of revitalization would be widely distributed. But lower-level housing administrators sometimes grew uncomfortable with the role of city policy in neighborhood change. As one complained with regard to Clinton, a revitalizing area on Manhattan's West Side,

The problem is 'gentrification,' and we're being asked to go along with it.... This is a hot area, and I can understand that, but I do have problems understanding it when people's lives and investments are at stake. It's wrong to allow people to spend money fixing up their buildings only to tell them later they have to get out to make way for progress (Baldwin 1980, 11).

Top officials also argued that fiscal concerns lay behind their preference for auctions and the changes instigated in the DAMP programs. Budgetary constraints were indeed significant, as we have seen, and large-scale government-subsidized rehabilitation would have been quite expensive. Nevertheless, it is notable that as fiscal constraints slowly began to loosen from 1979 to 1982 the in rem emphasis on revenue generation did not abate. I have already noted the relatively small revenues generated by auction sales. Revenues from DAMP's recapture provision, meanwhile, were projected to be practically minuscule -- no more than \$5 million over the coming 25 years (Schanberg 1982b). These anomalies suggest that changes in housing policy did not simply reflect "pragmatic" fiscal concerns. Policies were animated to a

considerable extent by a conservative political agenda rooted in market-oriented interests.

Stepping outside the in rem debate, we can see the extent to which that forum substituted for a broader debate over local development and neighborhood change. In the aftermath of the fiscal crisis, under conservative hegemony, it was assumed that local economic expansion and neighborhood revitalization were entirely unproblematic. In such a climate, the city's tax-incentive programs to spur development and gentrification -- a much more significant instance of leveraging than in rem auctions -- escaped major political challenge. Broader debate focused not on what relationship should exist between market-oriented goals and otherwise-defined public interests, but rather on which government policy instruments best furthered market-defined goals. Under those criteria, the answer to the in rem question was not difficult to find: property auctions.

Conclusion

I have argued that larger economic and political forces -- from market restructuring to federal policy shifts and fiscal constraints -- were primarily responsible for local housing policy and neighborhood change in the Lower East Side during the period 1979 to

1982. This chapter has shown nonetheless that, within those conditions, a local conservative coalition able to withstand electoral review played an increasingly important role in adapting in rem programs to fit market-oriented goals.

By the early 1980s, lack of community-group influence over City Hall meant that political conflicts over gentrification were often fought out neighborhood by neighborhood. Lower East Side organizations had successfully extended the auction moratorium in their area but held no illusions that the pressures for property sales would go away. Market forces, in any case, were quickly altering neighborhood conditions, and based on the rapid rate of change critics issued dire predictions as to the area's future.

Today in the midst of an unprecedented wave of real estate speculation triggered by the city's intense housing shortage, the Lower East Side is once again becoming a place unknown to those who are not part of it.... After close to a century at the bottom of the barrel, the neighborhood is living out the predictions of bank and real estate interests who have seen its future in the enormous latent value of its land. And if city officials are aware of what's taking place, they are doing little to try to insure that the change benefits those who need decent housing most, the impoverished people of the neighborhood who are losing their homes (Gottlieb 1982, 10).

NOTES TO CHAPTER 5

1. Author's calculations based on revenue and budget data in DeRienzo and Allen (1985) and City of New York, Department of Housing Preservation and Development (1983).
2. For more detailed accounts of the complex debate over TIL sales policy, see Baldwin (1982), Brower (1982), Dunlap (1982) and Schanberg (1982a and 1982b).
3. Already by 1980, these cities included, among others, Washington, D.C. (Zietz 1979, Gale 1980), Philadelphia (Levy and Cybriwsky 1980, Smith 1979a), New Orleans (O'Loughlin and Munski 1979), Columbus, Ohio (Fusch 1980), Charleston (Tournier 1980), San Francisco (Clay 1980), St. Louis (Cicin-Sain 1980), Seattle (Hodge 1980), and Vancouver (Ley 1980).

CHAPTER 6
COMMUNITY RESISTANCE: THE RISE AND FALL
OF ARTISTS HOUSING, 1982-83

In 1982 the Koch administration attempted to implement an Artists Home-Ownership Program (AHOP), a plan to develop abandoned city-owned properties in the Lower East Side to benefit artists. Claimed by city officials to promote neighborhood preservation, AHOP was criticized by many Lower East Side groups as a government effort to support gentrification and displacement. The plan was approved by Community Board 3 and the City Planning Commission, but it was voted down by the city's Board of Estimate in early 1983 after mounting community opposition.

This chapter examines the artists housing plan and its relationship to neighborhood revitalization in the Lower East Side. Analysis focuses on the broad set of forces linking artists to urban restructuring and gentrification, as well as on the local political conditions encouraging the market-oriented policies of the Koch administration. This analysis suggests that opponents' fears of AHOP were well-founded and that a broad-based campaign of opposition by community groups was primarily responsible for the defeat of the artists housing plan. The campaign signaled the emergence of Lower East Side community groups as an

increasingly significant political actor in the revitalization process.

SUMMARY OF EVENTS

City officials presented artists housing as a program to assist those who had become victims of revitalization. Mayor Koch, who was said to have personally suggested the program, noted that the fate of artists amid economic revival was not a happy one:

Artists are always displaced. They go in before anyone else, they do all the work, and then the people behind them get the benefits, as in SoHo. They rent lofts, fix them up, and then avaricious landlords sell them for hundreds of thousands of dollars. I'm not against SoHo, but we should try to create neighborhoods where artists won't be displaced. By building in their ownership, they can stay permanently, and keep the benefits for themselves (Glueck 1981, C9).

The Lower East Side, officials suggested, offered an opportunity to redress this injustice. By creating a program to convert abandoned city-owned properties into spaces for artists, the administration would assist artists as well as residents of the surrounding neighborhood in a novel and effective way.

As a first step, the city's housing department solicited proposals to rehabilitate 16 vacant in rem tenements into artists cooperatives. The properties -- 10 on East 8th Street between Avenues B and C, 6 on Forsyth

Street between Stanton and Rivington streets (see Map 1 in chapter 3) -- were to be converted by developers or artists into "live/work" space, with financing offered in the form of federal mortgages or through a city loan program. The units would be sold to moderate-income artists for between \$40,000 and \$50,000 (Glueck 1981).

Applicants included artists from the Lower East Side and elsewhere. Many artists responded eagerly to the proposal, drawn not only by the chance for affordable working/living space amid an increasingly tight real-estate market but also by the "sense of community" in the Lower East Side itself (Delaney 1981). Other artists complained that funding for the program was insufficient. Still others expressed ambivalence about their own role in neighborhood revitalization. "I wouldn't want me moving into my neighborhood," said one artist (Delaney 1981, 21).

Many Lower East Side housing groups, particularly those affiliated with the Joint Planning Council (JPC), were strongly critical of the proposal. They argued that the plan was misguided at best -- in its choice of beneficiaries, in the use of public monies, and in its probable effect on the neighborhood. As one activist insisted,

To build artists' co-ops at \$50,000 a throw is not meeting the needs of the neighborhood, which is for low-cost family housing. This is making gentrification public policy, and it will inevitably displace people who live here (Bennetts 1982, B6).

A JPC spokesperson argued that the plan was intentionally designed with that end in mind.

The Mayor wants to make the neighborhood attractive to developers and speculators, and he's handing over valuable resources and giving all kinds of city assistance to accomplish that goal (Bennetts 1982, B6).

The city's housing commissioner, Anthony Gliedman, insisted that the plan was intended to "economically integrate" the area, creating a mix of lower- and middle-income people (La Rosa 1982). City Council member Miriam Friedlander of the Lower East Side, a JPC ally, disagreed: "That's no longer needed here, it's taken place, we need to anchor low-income residents" (Delaney 1981, 21). JPC groups submitted a counter-proposal for the sites to create two- and three-bedroom apartments for low-income residents. It was not accepted, and the JPC vowed to fight the artists housing plan at each stage of the public land-use review process.

By May 1982, five artists groups and two developers had been chosen to renovate the spaces (to result in 51 and 69 units respectively). Purchase prices were now projected at \$50,000 each. Budgeted for \$7 million, the program would lend more than \$3 million in city money at nominal interest rates, with the remainder being lent by banks at the market rate (Bennetts 1982).

When the plan was submitted to Community Board 3, the first step in the public approval process, it sparked

acrimonious debate. Artists whose proposals had been accepted spoke in favor of the program, and support was led by a group of board members from the middle-income cooperatives in the Grand Street area. This faction was affiliated with the United Jewish Council (UJC), an alliance of social and religious organizations representing the Orthodox Jewish community in the Lower East Side. Opposition was led by JPC-affiliated leaders and board members, many of them representing black and Hispanic constituencies. Mutual denunciations grew bitter, and at least once the confrontations became physical (Berman 1983). In October 1982, Community Board 3 voted 25 to 13 to support the artists home-ownership proposal.

After the vote, opponents of the plan argued that racial imbalance in the board was responsible. A leader of Cooper Square Community Development Committee, a JPC group, criticized the "disproportionate" number of Jewish members on the board (La Rosa 1982). Other low-income community advocates made similar complaints. It was noted that while the Lower East Side population was 46% Hispanic and black, 30% white and 23% Asian, the board's membership was 18% Hispanic and black, 72% white, and 6% Asian. White residents of the Grand Street co-ops apparently accounted for nearly one third of the board's membership (City Limits 1983).

Debate continued at the next stage of the review process, the City Planning Commission. At a public hearing in November 1982, the commission heard testimony from proposal supporters and opponents (City of New York, Board of Estimate 1983a). Opposition testimony centered on three main objections: The use of federal Community Development (CD) funds, intended to benefit low-income residents, was illegal or inappropriate in the AHOP program; the plan was racially biased because the application process had favored white artists; and the program failed to assess the likely neighborhood impact and threatened to contribute to secondary displacement of Lower East Side residents.

Supporters of the proposal, including the city's housing officials, responded that proposals from minority-group artists had failed to demonstrate architectural and financial feasibility; that the project complied with CD requirements; and that participants were not financial speculators but working artists. On this last point, artist-designees stressed that many had themselves been victims of displacement. As working artists they had special needs, but also made valued contributions to the neighborhood and larger cultural community. The AHOP project, they argued, had unjustly been targeted as a symbol of gentrification.

The commission approved the proposal, agreeing on the

whole with proponents' claims. On the issue of secondary displacement, the commission argued that, unlike in SoHo, Lower East Side residents were protected by the rent-regulation system. Those protections, along with the already-existing public housing stock in the area, were likely to ensure the neighborhood's continued diversity. The commission recommended, in fact, that the program be expanded to other neighborhoods (City of New York, Board of Estimate 1983a).

However, two commission members, both black, submitted statements expressing substantial criticisms of the plan. They argued that the use of CD funds was against the spirit of the regulations governing their use. The statements also objected to the absence of minority-group involvement, the plan's failure to meet the housing needs of low and moderate income families and the lack of sale and resale restrictions. Finally, the dissenting members noted the active opposition of large numbers of Lower East Side groups, and urged the development of a more comprehensive plan for the area (City of New York, Board of Estimate 1983a).

In February 1983, AHOP came before the New York City Board of Estimate, the final step in the review procedure. Supporters and opponents energetically lobbied board members for their votes, as well as important artists and arts community leaders for their

testimony. Under pressure from opponents, several prominent figures of New York's downtown arts scene pledged to reconsider their original endorsement. New York theater producer Joseph Papp, an influential voice on downtown culture, spoke out against AHOP late in the hearings. In his testimony, Papp urged:

Let's get rid of this program. I mean, just put it away and get some people who don't have a vested interest in the area to come up with something that satisfies the real needs of artists (Goldstein 1983, 41).

As the vote grew near, key board members began to withdraw their support for AHOP and the mayor no longer pressed as hard for the program. The final vote was not close: 8 to 3, the artists homeownership proposal was defeated (City of New York, Board of Estimate 1983b).

ANALYSIS

Artists housing drew the attention of a number of insightful contemporary assessments. While these accounts located important aspects of the conflict, they also tended to emphasize certain dimensions of the issue to the exclusion of others. This resulted in too much emphasis on the culpability of artists (Deutsche and Ryan 1984), the inexorability of market forces (Unger 1984) or the intransigence of community groups (Berman 1983).

The approach taken here begins by addressing the

significant relationship between artists and gentrification, examining its roots in the economic and cultural dynamics of restructuring. It also focuses, however, on the ways in which the artists housing plan in the Lower East Side bore the imprint of specifically local political conditions. It is argued that the most important development of the artists housing period was the emergence of community resistance as a major factor in the revitalization process in the Lower East Side. By forming a broad coalition against artists housing, community groups also demonstrated that artists could become allies in a struggle to oppose gentrification.

Restructuring, Gentrification and Artists

In the preceding chapter, gentrifying pressures in the Lower East Side were linked to economic restructuring and the revival of the Manhattan CBD. Despite national recession during the 1982-83 period, New York's core economic rebound proved resilient and the Lower East Side continued to show relatively strong market activity.

Capital investment and in-migration remained significant in the Lower East Side during this period (Daly 1983). But the initial wave of speculative flipping began to slow, as indicated by sharp declines in the annual number of property sales in the area. Sales

prices, after dramatic increases from 1979 to 1982, pulled back somewhat in 1983 (DeGiovanni 1987, 24, 30-31). These market changes encouraged recent investors to achieve desired rates of return through rental income, exacerbating pressures on long-term residents paying lower rents. In the Lower East Side, harassment of tenants -- in the form of threats, physical abuse, suspicious fires, illegal rent charges or declines in vital building services -- became a widespread aspect of the displacement pressures brought on by restructuring (Gottlieb 1982, DeGiovanni 1987).

By 1982 it was clear that urban restructuring also involved an important cultural dynamic, one that placed artists at the center of public debate over revitalization. Expanding cultural markets and, more broadly, new forms of consumption -- both for professional/managerial strata and for less-affluent countercultural youth -- were integral to the emerging service economy of the city (Bourdieu 1984, 141; Beauregard 1986, Harvey 1989, Zukin 1991). New consumption activities played a double role in generating displacement pressures in transitional areas such as the Lower East Side. The growing demand for "trendy" consumption sites -- restaurants, bars, cafes, galleries, boutiques and the like -- crowded out traditional shopkeepers and the kinds of goods needed by lower-income

neighborhood residents. Furthermore, artists and countercultural white youth were increasingly seen as transitional agents or "pioneers" of gentrification, drawing in their wake more affluent residential groups (Zukin 1982).

The Lower East Side had been home to a bohemian counterculture at various times throughout the century. By the early 1980s, however, as New York's downtown cultural scene radiated from the booming area of SoHo, the Lower East Side was "discovered" by the established art world as a new center of the international avant-garde.¹ The gentrification process now received considerable stimulus from art investors and the host of new galleries, artists and culture consumers attracted by the East Village scene. For some critics, this made artists responsible for gentrification: as gentrifiers, and as aesthetic apologists for the effacement of traditional neighborhood cultures (Deutsche and Ryan 1984, Smith 1989). Other critics of gentrification stressed that artists themselves would also prove to be eventual victims, as "the cycle of artists followed by ad agencies, art collectors, furs and ferns" soon created a city with no room for working class families or working artists (Hatch and Kwartler 1983: 24). In either case, larger economic and cultural trends now seemed to many observers to make gentrification of the Lower East Side -- and any

other "discovered" areas -- fore-ordained.

Conservative Policy and Gentrification

In addition to those powerful trends, local political priorities also played a distinctive role in spurring the gentrification process. Many localities have turned, when faced with restructuring pressures, to artistic and cultural projects as a means by which to promote downtown economic revival (Whitt 1988, 1991). Conservative dominance in New York led to an aggressively pro-gentrification approach that resisted balancing arts-driven revival with concessions to community interests.

By the period 1982-83, the relative stability of New York's finances began to expand the local space for policy alternatives, and criticism of austerity and unreflective market-oriented policies became more pronounced (Robbins 1983). And indeed, local regimes in several other reviving cities -- notably Boston, San Francisco and Chicago -- had begun to set up "linkage" programs that mandated community benefits from development policy and planning. Under pressure to consider linkage, Mayor Koch, a vocal opponent of such programs, appointed a committee that rejected linkage as unnecessary and inappropriate (Keating 1986).

New York's approach continued to emphasize tax

incentives for corporate development and market-rate housing. The 421a and J-51 tax-incentive programs, which were now being applied for in record numbers, fanned gentrification pressures throughout much of Manhattan. In the Lower East Side, J-51 tax benefits subsidized the conversion or upgrading of over 1,500 units per year during 1982 and 1983 (City of New York, Department of City Planning 1985, 18-19). When tenant advocates in the New York State legislature sought to curtail J-51, the Koch administration fought successfully to retain the program in several areas, among them the Lower East Side, that were especially vulnerable to displacement (Domurad 1985).

Beyond the programs themselves, the process of policy making and implementation also continued to reflect uniformly conservative priorities. Project initiation and planning remained centralized within a nexus of private developers and top officials in the mayor's office (Gargan 1981). The City Planning Commission, stripped of its control over the capital budget and of much of its influence during the fiscal crisis, now voted simply to approve or disapprove projects assembled elsewhere. It was accused by many critics -- and at least one of its own planners (Moberg 1983) -- of being a rubber-stamp for the mayor's office and his developer allies.

Community boards also were revealed to be quite limited in their capacity to influence development and

neighborhood change. Board resolutions were not binding on city officials, and board members tended to be political allies of the borough presidents who appointed them. In the case of Manhattan Community Board 3, membership reflected the support of the conservative Grand Street leadership for Borough President Andrew Stein, who had been instrumental in defeating an earlier low-income urban renewal project in the area.²

In spite of the relative weakness and pliability of the community boards, Koch officials felt that their advisory capacity in in rem property decisions impeded the development process. Housing Commissioner Anthony Gliedman argued that both the boards and the City Planning Commission should trust the Board of Estimate to protect community and public interests (Oser 1982). The mayor attempted in 1982 to amend the City Charter to eliminate community-board review of city property sales, but was unsuccessful (Brower 1982).

In general, however, top officials succeeded in shaping local policy-making to suit the priorities of market interests. It is in this context that the artists housing plan is reexamined.

Artists Housing

The artists homeownership proposal was consistent

with the local conservative agenda to promote gentrification. By reexamining administration claims, we can observe that the plan offered no concessions to neighborhood preservation and stability.

The Koch administration claimed, correctly, that AHOP was an innovative effort to promote economic revitalization by addressing a genuine social need -- that of artists for housing. Despite some of the bitter denunciations of artists by AHOP's critics (see, for example, those reported by Berman [1983]), it was true that artists did make essential contributions to the life of the city. They were frequently displaced by revitalization. They needed special programs to assist them. The same could be said, nevertheless, about the city's poorer residents who were not artists. The administration, while publicly advocating "economic integration," rejected community proposals to combine artists housing with housing for the area's poorer families. The premises of AHOP were in fact similar to other city policy initiatives of the period: Poor non-artists were an obstacle to progress, and artists were -- willingly or not -- a spur to gentrification.

Would AHOP have encouraged displacement in the Lower East Side? City officials claimed that secondary displacement was inhibited by New York's rent-regulation system, according to which rent increases for most tenants

were voted on annually by a public board. After 1981, however, the mayor-appointed Rent Guidelines Board began approving yearly increases that outpaced inflation, while median renter incomes declined (Marcuse 1985a, Stegman 1985). Major capital improvements (MCIs), state-sanctioned rent increases for building improvements and certain repairs, also presented a major loop-hole in the rent laws. Co-op conversion, a change in housing tenure often associated with gentrification, further reduced the scope of rent regulation as a means by which to protect poor renters (Sternlieb and Listokin 1985). Within this kind of market and policy environment, the artists housing plan, like the DAMP programs or property auctions (see the preceding chapter), threatened long-term neighborhood residents and less-affluent newcomers alike.

There were other problems with artists housing that were pinpointed by community opponents or dissenting CPC members. But at root, the "economic integration" appeal of the AHOP plan and the arguments of its opponents embodied two quite different perspectives on neighborhood revitalization. Should revitalization proceed by changing the physical structures of the neighborhood in order to encourage the arrival of ever-more-affluent groups? Or should it seek to upgrade housing stock in a manner which stabilized the living conditions and balanced the needs of the multiple lower-income groups with a stake in the Lower

East Side's preservation? If the former perspective was correct, then anti-gentrification groups were guilty -- as Lower East Side developers argued -- of "selfishness" for resisting newcomers (Daly 1983). If the goal of policy was to benefit Lower East Siders, however, then AHOP was poorly designed to accomplish that end.

Certain evidence suggests that the administration may have presented artists housing to the Lower East Side as a more palatable in rem alternative to property auctions. During the AHOP debate, a "leaked" memorandum from the city's housing department disclosed that HPD had compiled a separate list of over 100 Lower East Side properties slated for auction sales (DeRocker 1982, City Limits 1982a). While it was uncertain whether or not the disclosure was intentional, the looming threat of auctions did cast AHOP as the lesser of two evils. And in political terms, artists housing was well-crafted to combine support from two quite different constituencies: the Grand Street faction, culturally conservative but pro-development, and downtown artists.

Community Resistance and Gentrification

The most significant aspect of the AHOP experience was the emergence of community resistance as an important factor in the revitalization process. Despite

restructuring and conservative hegemony, Lower East Side groups mounted a successful effort to recast the artists housing debate into a referendum on gentrification and to defeat the plan. They did so by building a cross-class, cross-constituency alliance that drew on a broad range of insurgent resources.

Prior to the AHOP fight, community advocacy had concentrated primarily on preserving the self-help DAMP programs. The defense of DAMP, as was observed in the previous chapter, had a cooptative effect on its proponents, restricting community groups to an arcane, increasingly narrow debate in which they were portrayed as special-interest claimants. The struggle over artists housing, in contrast, served to clarify the broader social issues raised by gentrification and public policy and mobilized new constituencies in defense of neighborhood preservation. The artists housing conflicts, while they began by focusing on the provisions of a fairly modest proposal, ended up raising the question of who was speaking for the city, for the neighborhood and for artists.

Lower East Side groups affiliated with the JPC responded quickly to the AHOP proposal with a quite extensive range of criticisms. Some were very specific (and were later picked up by several City Planning Commission dissenters): the nature of the funding,

purchase prices, and so forth. Others were quite broad, focusing on the the proposal as a gentrification plan. JPC leaders pointed to the mayor's ties to developers, and referred derisively to the plan's architect, Assistant Housing Commissioner Janet Langsam, as the "Commissioner of Gentrification" (Goldin 1991). While neighborhood activists continued to criticize "speculators," it was city officials who had actually become a more visible target for anti-gentrification sentiment.

AHOP opponents mobilized considerable pressure on Community Board 3, bringing, in effect, a new level of political focus on that body as a voice for neighborhood interests. The resulting vote, while it approved AHOP, actually undermined the legitimacy of the board in its current form. Highlighting the disproportionate influence of the conservative Grand Street faction, criticism of the CB 3 vote on artists housing led Borough President Stein to promise to alter the board's membership (Goldstein 1983).

The question of who spoke for the Lower East Side -- UJC or JPC -- was not a new one, having been raised in earlier conflicts over urban renewal (Gendrot and Turner 1983). The AHOP conflict presented in a highly visible forum, however, the quite conflicting definitions of the Lower East Side community that both sides argued needed saving. According to the UJC's Orthodox Jewish leaders,

the "historic Lower East Side" was essentially a Jewish community -- culturally and religiously unique, economically self-sufficient, and faced by powerful assimilationist pressures from its neighbors. While these concerns no doubt played a role in the UJC's general outlook, the conservative group's alliance with spiky-haired, leather-clad AHOP supporters suggested that the UJC position on artists housing was more animated by class interests than by religious and cultural solidarity.

JPC leaders also appealed to neighborhood traditions, but "their" Lower East Side was a multi-ethnic, multi-racial working-class community. This perspective resulted, at least initially, in considerable hostility toward young, white artists, who were denounced as frivolous, apolitical and culturally insensitive to neighborhood minority groups. At the community board hearings, bitter attacks on artists sometimes appeared to lead the anti-AHOP faction into a zero-sum debate over the needs of artists versus those of community residents who were not artists (Berman 1983). Artists for Social Responsibility sought to challenge, however, the impression that AHOP supporters spoke for artists on the issue. After the Community Board 3 vote, the JPC worked with lower-income artists to project opposition in city-wide forums and to enlist more affluent artists to speak against the plan. In its final form, the campaign against

artists housing was a cross-class, cross-constituency alliance of housing activists and artists stressing that the plan poorly served both groups.

The grassroots campaign against AHOP drew on a diverse array of tactical resources. Most important was a new effort to mobilize residents through public protest. In May 1982, the JPC drew over 2,000 participants to a march through the Lower East Side to City Hall (Bongiorno 1982). The parade focused criticism on real-estate development, gentrification and city plans like the artists housing proposal. The JPC and Artists for Social Responsibility also relied heavily on public testimony, sending speakers against the plan not only to CPC and BOE hearings but also to unrelated community meetings in other neighborhoods and boroughs to heighten city-wide awareness (Robbins 1983). The campaign against AHOP employed alternative planning as well, in an effort to demonstrate the feasibility of other, preferable uses for in rem property. Reviving a Lower East Side practice that had been successful against urban renewal over a quarter-century earlier (Schwartz 1986, 166-67), community groups returned to the sort of "advocacy planning" that would become increasingly important in neighborhood conflicts ahead.

Post-mortems of the artists housing defeat also pointed to less important contingencies that probably

helped AHOP opponents, among them Mayor Koch's defeat in a recent gubernatorial primary and the weighty testimony of theater producer Joseph Papp (Goldstein 1983, Robbins 1983). As one housing activist remembers it, however, even Papp's eleventh-hour opposition was not simply the result of good fortune.

[Assistant Housing Commissioner] Janet Langsam... recruited her good friend Joe Papp to speak for the plan. When [JPC supporter] Chino Garcia, also a good friend, gave him the real story, he said "Oh, my God, I didn't realize that." On the day of the Board of Estimate hearing, Janet was waiting for Papp to arrive and so was Chino. When she saw Papp, her face lit up and she said, "Oh, Joe, I'm so glad you're here!" And he said, "Not so fast, Janet." And Chino had to suppress guffawing. She said, "What do you mean?" And Papp said, "Well, um, I think I had my facts wrong and I'm speaking against the plan..." (Goldin 1991).

Regardless of how much importance one credits to Papp's testimony, the point remains that without the kind of community mobilization generated by Lower East Side groups AHOP would have passed. Not only was the plan defeated, but the opposition campaign had generated a new level of understanding of gentrification and public policy in the Lower East Side.

Conclusion

This chapter has traced the way in which urban restructuring -- as an economic and a cultural force --

propelled artists into a prominent role in neighborhood revitalization. Because of the nature of the restructuring process, these artists, like other "urban pioneers," brought significant economic and cultural disruption in their wake, harming long-term residents. Local officials, guided by conservative policy priorities, sought to capitalize on the ability of artists to spur gentrification by devising the Artists Home-Ownership Program.

This analysis has also made the case, however, that community resistance began to change the political environment in the Lower East Side. Neighborhood housing groups, in concert with concerned artists, built a heterogeneous alliance sufficient to defeat the artists housing plan. That defeat did not, of course, bring about significant changes in market forces, which continued to exert gentrifying pressures on the area. Nonetheless, community resistance held off city efforts to use public properties to fuel those pressures. The issue of neighborhood change had become highly politicized, turning Lower East Side residents into a significant political actor in the revitalization process.

NOTES TO CHAPTER 6

1. For a nuanced treatment of the aesthetic and political issues raised by the East Village arts scene, see Bowler

and McBurney (1989).

2. For a detailed account of the conflicts over the Seward Park Extension urban renewal site, see Gendrot and Turner (1983). In a statement at the time, Stein asserted,

It is ludicrous to suggest that economic development can coexist with low-income housing... Every experience with low-income housing shows that it creates numerous crime and social problems (Gendrot and Turner 1983, 90).

CHAPTER 7

COMMUNITY RESISTANCE: A BATTLE OF PLANS, 1984-86

In 1984 the Lower East Side Joint Planning Council (JPC) presented a plan for the community-controlled development and preservation of neighborhood housing. The JPC plan proposed new zoning regulations, anti-displacement protections and the redevelopment of all city-owned properties in the area for lower-income residents. The Koch administration responded with its own "cross-subsidy" plan to sell most properties to market investors, generating funds which it promised would be used to subsidize an uncertain number of low- and moderate-income projects. Community Board 3 rejected the administration's proposal and endorsed the principles of the JPC plan. After two years of intermittent negotiation, city officials and community leaders remained far apart and the administration insisted it would implement the cross-subsidy plan with or without board approval.

This chapter argues that community groups increasingly shaped the planning agenda in the Lower East Side during the period 1984 to 1986. Economic restructuring, federal programs and municipal policies continued to fuel gentrifying pressures in the area. But evolving local conditions -- in particular, the unevenness

of economic development and the stabilization of municipal finances -- offered growing opportunities to challenge the conservative vision of urban revival. And in the Lower East Side, a surge in anti-gentrification resistance brought new kinds of pressures on developers and city officials. Among them, the use of alternative planning by the JPC became an important vehicle for uniting local groups around a vision of community-controlled revitalization. The administration remained unwilling to co-plan, but was unable to gain community endorsement of its own initiative.

SUMMARY OF EVENTS

In the wake of the push for artists housing, the Koch administration remained committed to privatizing its city-owned properties in the area. Community Board 3 continued to reject administration requests for the sale of Lower East Side in rem properties "until a community-based disposition plan is approved" (City of New York, Manhattan Community Board 3: 1984a). Separate plans were developed by community groups and the administration, and over the following two years the two sides battled over different policy approaches to revitalization in the Lower East Side.

In March 1984, the JPC announced its own proposal for

the preservation and development of the area. Emerging from an assessment of market changes, displacement pressures and housing needs in the area, the JPC Plan (as it became known) articulated an ambitious community-based strategy to retain and generate affordable housing in the Lower East Side.

The JPC summarized the broad set of economic changes that it felt were endangering the area.

After a decade of accelerating housing abandonment, arson, and municipal service withdrawal, the Lower East Side is faced with a new threat which endangers the historic importance of the neighborhood as a safe harbor for the poor. While buildings continue to deteriorate and municipal services are sparse, a radical change is occurring in the housing market. Landlords are no longer walking away from their buildings, but are rehabilitating and renting or selling them to newcomers who can afford higher rents and sales prices.... [T]he poorer and older residents are being harassed out of their homes because owners have determined that their property can attract a much higher rent or purchase price.... As the occupants of more and more buildings change from the older class of poor and working people to the more affluent newcomers, basic neighborhood services that once thrived in storefronts along the avenues become increasingly scarce.... Displacement is further accelerated when tenants find they can no longer afford to patronize the nearby commercial establishments, and in this way the overall character and tradition of a neighborhood is transformed (Lower East Side Joint Planning Council 1984, 3-4).

The JPC study based its analysis on an assessment of real-estate transactions and rents supplemented by site visits to various buildings. The study found a "vital" real estate market in the Lower East Side, "very strong" in selected areas, with indications that those areas were

spreading (Lower East Side Joint Planning Council 1984: 12). Rent levels in rehabilitated apartments were found to be between three and five times as great as median Lower East Side rents. The market for co-ops appeared less strong. Displaced tenants were found most often to be unskilled workers and welfare recipients; Hispanic families were particularly vulnerable. Newcomers were often students, artists or young professionals.

The study argued that the pace and impact of gentrification called for an innovative strategy to "control, redirect and/or harness the gentrification process so it can benefit rather than wipe out the community" (Lower East Side Joint Planning Council 1984, 5). Calculating that over 20,000 units of low and moderate-income housing needed to be produced and/or preserved over the following three years to meet the needs of local residents, the JPC Plan proposed a set of initiatives that addressed not only the city-owned properties but housing in the private sector as well.

The strategy of the JPC Plan was threefold: to redevelop in rem properties to produce lower-income housing, to institute special zoning regulations to preserve and develop affordable housing in privately owned buildings, and to create a monitoring and enforcement body to protect neighborhood tenants from displacement.

The plan's in rem approach was to call for converting

all unused or under-used city-owned holdings to low- and moderate-income housing. Plan supporters estimated that if all of the roughly 500 sites were devoted to that end, perhaps 5,000 such units might be created (Sleeper 1984a). In its first two stages, the plan proposed setting up a Community Land Trust, a tenant- and community-controlled federation, to create 1,200 co-operative and occupant-owned housing units. Funding for these stages was specified at \$44 million, to be raised from a combination of public monies and private loans and grants.

To address gentrifying pressures in market housing, the JPC Plan proposed that the Lower East Side be declared a Special Community Preservation District. Under such a designation, property owners removing any low- or moderate-income unit from the market (either through renovation or warehousing) would be required to replace it. Inclusionary zoning regulations would mandate that new development or rehabilitation projects set aside 20% of their units for lower-income residents. "Up-zoning," the customary practice of granting as-of-right (automatic) permission to exceed building-height limits when owners agreed to provide set-asides, was rejected by the plan. Higher-density bonuses would be awarded, but only when projects exceeded the standard set-aside percentage. In short, the goal of special-district status, which often functioned to exacerbate gentrifying pressures, was in

this case to channel market development in ways that preserved and enhanced the low-income housing stock (City of New York, Manhattan Community Board 3, 1984b).

The third component of the JPC Plan recommended creation of a Local Enforcement Unit (LEU) to achieve the anti-displacement and inclusionary-housing goals of the plan. Existing regulatory agencies, the plan argued, failed to adequately protect tenants from harassment and displacement. As conceived by the JPC, the LEU would incorporate representatives from a wide range of city-government agencies and community groups, would have broad powers to enforce housing and zoning regulations and participate in ULURP reviews, and would be controlled by a board of directors with a JPC majority.

The JPC presented its plan to Community Board 3 in May 1984 (City of New York, Manhattan Community Board 3, 1984c, 1984d). After several stormy sessions, it was apparent that the board was not prepared to approve the plan in its entirety. In June, however, the board emerged with a statement to be presented to the Board of Estimate endorsing, in principle, a three-part preservation strategy to create inclusionary zoning, an enforcement vehicle, and "appropriate" city-owned property as a resource for low and moderate income housing (City of New York, Manhattan Community Board 3, 1984e). A Disposition Task Force with both JPC and other community

representatives was set up to discuss the proposals more fully and meet with city officials.

The administration declined to meet, and within a month Mayor Koch and Borough President Stein held a press conference at City Hall to present their own plan for the Lower East Side. Announcing a Cross Subsidy Funds Program, the administration planned to sell vacant, city-owned properties in the area at auctions and on the basis of proposals submitted by developers, who would be encouraged to set aside 20% of the units for low-income families. An unspecified portion of the sales proceeds would be used, said city officials, to rehabilitate 1,278 city-owned apartments in the area, to be sold at low cost (Purnick 1984). "The program," said the mayor, "will assure that the Lower East Side remains an area of great ethnic and cultural diversity and will revitalize one of our historically most important neighborhoods" (Michellini 1984). Added Housing Commissioner Anthony Gliedman,

Unless we act today we could have a situation where we could end up with only the very rich and the very poor. We don't want that. We want a truly economically integrated neighborhood (Seifman 1984).

JPC leaders were not allowed to enter the conference hall, whereas neighborhood leaders allied with the mayor were invited in. Supporters of the JPC Plan assailed the cross-subsidy plan as a "double-cross" and conducted a demonstration outside (Sleeper 1984b).

Later, city administrators explained that the JPC Plan was simply not realistic enough to provide a basis for discussion. Said an aide to the Borough President:

The JPC plan says in effect that there has to be a massive federal contribution. It's just not there. And sitting on the city-owned properties doesn't accomplish anything, either. It has become increasingly difficult to debate keeping them off the auction block (Sleeper 1984b, 9).

A housing department official added, "They didn't bite the bullet on where the dollars will come from" (Sleeper 1984b, 9).

JPC supporters responded that the city plan was much flimsier than their own. The cross-subsidy proposal cited no market or housing-need studies to buttress its recommendations, made no mention of how many properties would be sold, offered no dollar estimates of sales proceeds -- it included, in fact, little documentation of any kind. When pressed to support the claims of the city's plan, a housing official conceded, "I don't have a ream of policy decisions to back this up. Our intent was to make an announcement" (Sleeper 1984b, 8). JPC plan supporters also pointed out that most of the 1,200 units the city claimed to be saving were already in city programs committed to low- and moderate-income use (such as DAMP), and that the numbers of additional below-market units to be created under the plan were negligible.

The cross-subsidy proposal re-opened factional divisions within Community Board 3. Conservatives

supported cross-subsidy, JPC allies demanded adherence to the JPC Plan and other neighborhood housing groups came forward with their own proposals. Discussions between the board and HPD on cross-subsidy foundered, and Borough President Stein's offer to mediate was rejected (City of New York, Manhattan Community Board 3, 1984f, 1984g, 1984h). By May 1985 the board's Disposition Task Force had constructed a new compromise proposal, which was narrowly approved by the full board. This Community Board 3 Plan replicated two of the provisions of the JPC Plan: inclusionary zoning and a less-powerful enforcement unit that would offer legal assistance. On the third issue, in rem properties, the board offered a compromise between the JPC Plan and Cross Subsidy. City-owned properties would be divided 50/50: For each market-rate and middle-income unit, one subsidized low- and moderate-income unit would be developed.

Conservatives on the board questioned the legality of inclusionary zoning and argued that the Lower East Side market would be depressed, thereby reducing the amount of subsidy raised through property sales. HPD did not respond to the board's new compromise plan, despite a JPC-initiated petition campaign to generate pressure on the department (Daily News 1985). The administration insisted that it would proceed with cross-subsidy property sales. After several such sales, a JPC protest march brought the

housing department back to the bargaining table (La Rosa 1985, Schwartz 1985, City of New York, Board of Estimate 1985a, 1985b, O'Donoghue 1985). Yet the two sides remained far apart. The housing agency refused to agree to the 50/50 arrangement. It insisted that the local enforcement unit must be funded internally (by cross-subsidy-generated funds), and that inclusionary zoning could only be established by the City Planning Commission. Moreover, the housing department maintained that it would also reserve the option to sell Lower East Side properties outside of any negotiated framework, and that all sales would be pursued with or without CB 3 approval.

By April 1986, the board's task force concluded that further negotiations were fruitless. It began an effort to interest more elected officials in the issue, and concentrated on upholding the moratorium on further property sales in the area (City of New York, Manhattan Community Board 3, 1986a, 1986b, 1986c, 1986d). Planning for the Lower East Side had reached an apparent stalemate.

ANALYSIS

This section reexamines the debate over the JPC and cross-subsidy plans within the context of market, policy and community pressures of the period. It begins by tracing the considerable extent to which restructuring,

federal policies and local priorities continued to stimulate gentrification in the Lower East Side, where powerful market investors now were active. Analysis also reveals, however, that the negative consequences of New York's economic recovery and the increasing fiscal capacity for local action were beginning to undermine conservative hegemony. In the Lower East Side, community groups increasingly defined the political agenda for revitalization by generating diverse kinds of anti-gentrification resistance, including the campaign to support community-controlled planning. There remained, nevertheless, substantial obstacles to community-group ambitions, among them the enduring differences between community and administration approaches to revitalization.

Restructuring, Local Policy and Gentrification

This study has already examined at length the relationship between urban restructuring and New York's market revival in the early 1980s (see chapters 4 and 5). Expanding core industries in finance and business services stimulated rapid increases in service-sector employment and a downtown boom in construction and land investment. While momentarily slowed by recession, New York's CBD expansion resumed strongly during the period 1984-86. Construction starts promised to add a total of 18.1

million square feet of office space (Lueck 1991). By the end of 1986, assessed valuation of Manhattan real estate had risen 78% over the preceding eight-year period (Fainstein, Fainstein, and Schwartz 1989). Neighborhood revitalization had spread well beyond the traditional urban core, with lower-income minority areas such as East Harlem and Manhattan Valley reporting gentrification pressures (Marcuse 1985a, 1985b). With major redevelopment projects poised for downtown Brooklyn, lower-income neighborhoods nearby braced for similar kinds of pressures (Neuwirth 1986).

The Koch administration continued its conservative approach to development, though with a somewhat more ambitious public-sector role. Two major commercial development projects (at Times Square and in Long Island City) began to move forward under the auspices of relatively autonomous public authorities (Neuwirth 1984, Fainstein and Fainstein 1987). Still relying on tax and zoning incentives to encourage business and residential expansion, much of local policy remained wedded to encouraging market activity to go where it was going anyway (Mollenkopf 1989). Developers registered their approval by donating heavily to top elected officials. In the 1985 local elections, in which Mayor Koch won a third term, over half of the recorded campaign contributions to the mayor, the borough presidents and other members of the

Board of Estimate were from developers, with financiers accounting for a good portion of the rest (Barbanel 1985).

The administration's first major study of neighborhood revitalization, issued in 1984, emphasized its benign effects (City of New York, Department of City Planning 1984). City planners concluded that private reinvestment in two sample areas had improved housing conditions, stemmed deterioration, increased assessed values and strengthened neighborhood commercial areas. The report noted that "reinvestment caused some displacement" (126) but did not attempt to measure it. As in the artists housing proposal (see chapter 6), the study suggested that residential tenants were protected from displacement by existing rent regulations.

In the Lower East Side, market and public-policy stimulus continued to funnel investment and new residents to the area. In 1984, market observers reported a surge in apartment rehabilitation in instances where seller financing was available (ser 1984). While many speculators had reportedly moved on to new territories, "long-term players," such as major developer Kalikow Realty, now were accumulating sizeable holdings in the area. By late 1985, institutional lenders such as Bank Leumi, Chemical Bank, Barclay's and Citibank began to provide loans to Lower East Side owners (Real Estate Newsletter 1985). In a move that many investors regarded

as a bellwether of the area's future, Citibank provided financing for the conversion of the 16-story Christadora, an abandoned settlement house on Avenue B, into luxury co-ops. Whereas city officials continued to claim that this kind of revitalization did not promote significant displacement of long-time residents, investors were more forthright with their vision of the area's future. According to one Citibank official promoting the Lower East Side,

This can't be a slum forever. I'm a Manhattanite and I know what young professionals are thinking. This could be another SoHo (Real Estate Newsletter 1985, 2).

Urban Problems and Conservative Concessions

Despite the impressive staying power of gentrifying trends and of conservative ascendancy at City Hall, it was clear by the mid-1980s that the economic and political climate in the city had begun to change. As New York's economic recovery continued to bestow benefits unevenly, pressures mounted for local officials to address social inequalities and secure greater public returns from private development.

From the mid-1970s on, conservatives had argued that local business growth would eventually benefit all New Yorkers. CBD expansion, after anchoring a solid base of

jobs and investment in the Manhattan core, would radiate throughout the city, and hitherto neglected districts and social groups would be lifted by urban revival. And indeed, revitalization did spread, as we have seen, to certain areas long suffering from decay and neglect. Yet it was also apparent that New York's economic expansion remained very uneven.

This unevenness was manifested in acute imbalances in economic activity between city districts, industrial sectors, building uses and social groups. Dramatic real-estate and employment growth in Manhattan could not hide the fact that areas in other boroughs, especially those inhabited by racial minorities, remained mired in decline (Savitch 1988). The robust service-sector expansion -- which came to some extent at the expense of manufacturing decline -- also revealed internal weaknesses, such as the loss of 25,000 back-office jobs to suburban locales between 1976 and 1983 (Commission on the Year 2000, 1987). New construction remained overwhelmingly geared toward creating commercial office space, while rates of housing construction still averaged less than half of those enjoyed before the fiscal crisis (Fainstein and Fainstein 1987). Housing abandonment persisted, with the city losing nearly 2,000 units every month in 1984 (Marcuse 1985a). As owner incomes increased, renter incomes declined. Homelessness, which conventional wisdom in the

early 1980s had linked to the deinstitutionalization of New York State psychiatric care, was now gaining recognition as a problem which had economic and political causes and which was not necessarily amenable to market-based solutions (Hayes 1985, Berger 1985). And while some conservatives continued to insist that removing poor people from cities was the best antidote to urban economic instability (Peterson 1985), local officials often found it necessary to promise at least some low-income benefits to keep development projects moving forward.

Municipal finances also seemed to make it possible for local government to do more. Budgetary stability weakened the appeal of austerity, which had become a powerful prop for market-oriented development policy. Cuts in federal aid to cities continued to be felt, and local budget surpluses did not bring about a full return to pre-fiscal-crisis confidence. But municipal notes and bonds were now awarded investment-grade ratings, and by 1984 the administration had launched large capital-budget programs for infrastructure renovation and economic development (Shefter 1985: 197-98). In such a climate, public-sector unions were no longer as amenable to austerity contracts (Goodwin 1984), and widespread criticisms of deteriorated city services during the 1985 mayoral campaign led Koch to promise an expanded city payroll. As an aide noted at the time, the mayor needed

to refurbish his message.

He's been told many times recently that the fiscal crisis is ten years old and that people are tired of hearing about how he balanced the budget.... It's fair to say he now realizes it's time to move on (Shefter 1985, 206).

On housing issues, concessions to community interests now took the form of prepackaged lower-income "set-asides." In cross-subsidy or "80/20" projects, public subsidies for predominantly market-rate housing were justified by promises to set aside a percentage of the units (such as 20%) for low-income renters. For critics, the many problems inherent to these schemes (including the imbalanced ratio, the loose definition of "low income," and the difficulty in actually securing the promised set-asides) were compounded by the city's reluctance to actually negotiate with community groups (Papenfuss 1985). Nevertheless, it was clear that the administration now conceded the need to build at least some explicitly low-income benefits into neighborhood development plans.

Lower East Side groups were increasingly well-positioned to exploit the greater opportunities for community influence. The period 1984-85 witnessed an upsurge in tenant organizing in the area. The neighborhood branch of the Metropolitan Council on Housing, the city's tenant union and a JPC ally, mounted a visible campaign to target "gentrifying landlords." By organizing and linking together tenant associations in

properties tied by common ownership, the group succeeded in highlighting patterns of harassment and promoting greater grassroots participation in neighborhood protest actions against gentrification and in support of the JPC plan (Sites 1985). Property owners were also forced to confront community resistance of a less organized kind. They complained that squatters, rent-collection problems and drug dealers were becoming routine obstacles to financial returns. Investors were beginning to acknowledge, however, that local residents needed to be won over. "Developers must work with community groups," cautioned a Citibank official involved in rehabilitation projects in the Lower East Side. "They can stop projects" (Real Estate Newsletter 1985, 4).

In the wake of the artists housing defeat, the new political appointments to Community Board 3 that had been promised by Manhattan Borough President Stein began to chip away at the dominance of the Grand Street faction (see chapter 6). JPC allies were still a minority on the board (Goldin 1991), and gaining endorsement of even the broad principles of the JPC plan was a lengthy process. Yet for city officials accustomed to an amenable board, the new independence was disconcerting. Complained one frustrated housing official, "All the opposing views in the community seemingly are represented on Board Three" (Real Estate Newsletter 1985, 6).

Alternative Planning and Competing Visions

In addition to grassroots organizing and greater influence over the community board, JPC groups increasingly relied on alternative planning as a means by which to shape the political agenda in the Lower East Side. An attempt to transform resistance into influence, the JPC plan was not only a mobilizing tool but an effort to give concrete substance to community demands that better policies could channel the revitalization process to benefit Lower East Siders.

Over three years in the making, the JPC plan evolved from the realization of local activists that reactive efforts were incommensurate with the displacement pressures brought on by gentrification. Noted JPC leader Frances Goldin, "We realized we were putting out one fire while three others were raging. We couldn't be just a fire brigade anymore; we had to have a 'grand plan'" (Sleeper 1984a, 16). Community-based planning was not new to the Lower East Side. A quarter of a century earlier, local groups -- among them several that still were prominent JPC organizations -- had assembled an alternative plan as part of a successful campaign to stop urban renewal in the Cooper Square area of the neighborhood (Schwartz 1986: 166-67). Now the JPC

enlisted technical aid from various architect/planners and non-profit assistance groups to attempt to assess market conditions and develop alternative methods of financing development.

The process of developing the plan actually radicalized the JPC's demands. Originally interested in developing a cross-subsidy-type proposal, planners explored using in rem properties to develop market-rate housing that would in turn subsidize large numbers of lower-income units on other in rem sites (Lower East Side Joint Planning Council 1984, 17). They soon discovered that such a plan would not be economically feasible. Even the high prices fetched by market-rate projects would not be sufficient to cope with the high costs of housing rehabilitation, the low incomes of poor neighborhood residents and the widespread need for affordable housing.

It was this discovery that led the JPC to begin again, this time with a social-equity premise that neighborhood needs must be met first. To accomplish such a task, it realized not only that all in rem properties needed to be developed for low- and moderate-income residents, but that the private housing market would need to be regulated to provide low-rent housing and prevent displacement. In effect, the JPC was arguing that only by broadening what was conventionally defined as politically realistic could community groups and local officials hope

to revitalize the Lower East Side for the people who lived there. This implied a qualitatively different role for local government -- one in which administrators, working with community groups as well as developers, attempted to balance interests within both public and private property holdings in the area. The plan, while assuming a robust market, also implied government subsidies that went well beyond what the Koch administration had been willing even to consider.

A major weakness of the initial JPC proposal was its difficulty in locating credible, or at least immediately available, sources of financing. The plan listed a smorgasbord of private, religious and other charitable institutions that could offer subsidies, but it still envisioned public-sector contributions to support the bulk of the rehabilitation projects. While the JPC did point to potential federal funding sources, the continued entrenchment of conservative priorities made Washington an unlikely ally for the near future. The plan's first 1,200 units were estimated to require \$24 million in public-sector subsidies -- over half of the annual community development funding devoted to all of New York's in rem properties (DeRienzo and Allen 1985, 42). The plan referred as well to the potential use of the city's capital budget, but did not specify its role.

Political weaknesses also hampered the JPC. Lacking

majority control over Community Board 3, the group was forced to settle for the 50/50 scheme endorsed by the board. For the JPC this was a pragmatic concession to gain board approval; the organization remained opposed in principle to using public resources to create market-rate housing (Goldin 1991). It was a distinction that would become important later, when the market-rate component of the plan appeared to unravel (see chapter 9).

The perspective of the Koch administration, on the other hand, had not evolved very far. To be sure, top officials realized that it was now pragmatically necessary to build community concessions into neighborhood redevelopment plans. But the main emphasis of cross subsidy remained to facilitate gentrification, and whatever lower-income benefits would be distributed were to be offered on a "take it or leave it" basis and were strictly subordinated to market-stimulus goals.

Developers certainly had few illusions about the likely outcome of selling off all or most of the Lower East Side in rem properties in such a market. In late 1985, when sales appeared imminent, one real estate journal noted,

Realtors who for years have been eyeing the numerous vacant New York City-owned residential properties on Manhattan's Lower East Side may within the next 12 months finally have a chance to begin buying them -- possibly with few or no strings attached. The city has already agreed to sell two vacant city-owned buildings on East Second Street to developers under its new "cross-subsidy" scheme, and more are expected

to become available in the future.... Realtors eager to participate in the ongoing gentrification process in the area have viewed these buildings as wasting assets that could be turned into mid and high priced apartments or condominiums (Benedict 1986a, 1).

Housing officials were apparently under considerable pressure from the area's owners to sell off city-owned property. In the context of criticizing Lower East Side community groups, one top HPD official suggested that these groups nonetheless needed to be placated in order to accommodate the needs of property owners.

It's tough to come up with consistent policy because with some of [the community advocates], things are all or none. We hope to allay their fears. The owners aren't happy action wasn't taken earlier but everybody knows something must be done soon (Real Estate Newsletter 1985, 6).

Housing officials also argued that deterioration remained a more pressing danger to the neighborhood than gentrification.

People are moving in on the fringe, Avenue A and B. But when you talk about Avenues C and D, there is nothing going on there at all. They are still facing the threat of continued deterioration, which is a far worse threat than eviction (Schwartz 1985: 7).

This assessment was contradicted by a local real-estate broker: "Almost every building east of Avenue A that is not owned by the city has work going on in it" (Oser 1985: 20). Broker hyperbole aside, there was ample evidence that the reinvestment trend was spreading eastward (Real Estate Newsletter 1985). More importantly, the administration's perspective failed to acknowledge the extent to which housing deterioration and gentrification

were linked. Decline had become part of a strategy employed by owners to empty buildings of low-rent-paying tenants (see chapters 5 and 6), and the ensuing market renovation was not a process that benefitted poorer residents.

The administration's response to the JPC plan also suggested a fear that community participation would lead to a loss of control over the political conditions of redevelopment. The lessons that conservatives had drawn from the fiscal crisis, and upon which Mayor Koch had constructed nearly a decade of political success, were still reflected in the dominant policy approach: Public participation could only hamper the accommodation of market interests.

In the meantime, however, it was also clear that the administration's role was increasingly reactive in the Lower East Side. Unwilling to negotiate a plan with neighborhood groups and unable to impose their own proposals, housing officials seemed to prefer, at least for the time being, to wait.

CHAPTER 8

MARKET AND COMMUNITY PRESSURES CONVERGE:

THE COMPROMISE PLAN, 1986-87

In late 1986 the Koch administration proposed meeting with Community Board 3 to develop a plan for the Lower East Side, and over the following nine months representatives of the two sides negotiated intensively. By September 1987, both parties had agreed to a compromise plan that was embodied in a Memorandum of Understanding signed by the housing commissioner and by the chairperson of Community Board 3. Under the terms of this agreement, city-owned holdings in the Lower East Side would be split 50/50 between market and lower-income development, and special anti-displacement services would be provided by the city. The issue of inclusionary zoning was not addressed in the accord.

This chapter relates the emergence of a compromise plan to a broader convergence of market and community pressures for a greater public role in housing production. An ensuing "liberalization" of local policy created new possibilities for rapprochement between Lower East Side community advocates and the administration, and several more specific pressures on the negotiators facilitated the process of compromise. Within this framework of analysis, the compromise plan of 1987 is assessed to be a

significant, but limited, victory for lower-income community interests.

SUMMARY OF EVENTS

For several years the debate over the future of the Lower East Side had been defined, as the preceding chapter noted, by two distinct alternatives. On one side, Community Board 3 had endorsed a proposal, based on a plan by the Lower East Side Joint Planning Council (JPC), to rehabilitate half of the area's city-owned properties to create lower-income housing. The CB 3 plan also called for inclusionary zoning regulations on private redevelopment to produce additional lower-income units, as well as a special agency to protect Lower East Side residents from displacement pressures. On the other side, the Koch administration pressed for a cross-subsidy plan that emphasized using city-owned properties for market-rate development. Similar to other 80/20 schemes, the city's plan proposed auctioning most of its parcels to developers and promised to devote a portion of the sales proceeds to rehabilitate (at an unspecified point in time) a maximum of 20% of the properties for lower-income housing. The cross-subsidy proposal did not contain inclusionary zoning or anti-displacement protections.

Intermittent discussions had long failed to resolve

the differences, and through most of 1986 the city's Department of Housing Preservation and Development (HPD) and Community Board 3 remained far apart on the question of a plan for the Lower East Side. JPC allies on the board's negotiating team maintained that the housing agency refused to seriously address the concerns of the board's plan. City officials, in turn, continued to insist that community fears of gentrification were exaggerated, and persisted with requests that the board approve the 80/20 provisions of the cross-subsidy plan (City of New York, Manhattan Community Board 3, 1986f). After public forums and a JPC-led protest march to generate pressure on the board and on city officials, the board's negotiating team was reconstituted to include more JPC-affiliated representatives. But the lack of movement was creating considerable dissension among board members on how to proceed (City of New York, Manhattan Community Board 3, 1986e, 1986g). Discord also appeared to exist within the housing department. One HPD administrator accused top city officials of indecisiveness and implied that a change in administration might be required to spur movement (Real Estate Newsletter 1986).

In late 1986, however, Housing Commissioner Paul Crotty agreed to meet personally with members of the board's negotiating team. The two sides set up a series of sessions beginning in January 1987 to discuss the rival

plans (City of New York, Manhattan Community Board 3, 1987a). Over the following months a range of issues were explored. HPD presented a list of city-owned properties and corresponding assessments of land values. Community Board 3 hired its own planner-consultant to assist with a new neighborhood survey to draw up its own property lists, establish market values and define income categories (low, moderate, middle and high income). Basic differences remained, but negotiators evinced a cautious optimism. In March, the team reached a tentative agreement with Commissioner Crotty to arrive at a resolution before the board's summer recess in June (City of New York, Manhattan Community Board 3, 1987b).

The housing agency's approach apparently had shifted as much in tone as in substance. The major substantive innovation in the city's new proposals -- to give vacant properties to market-rate developers, who would then be required to rehabilitate abandoned buildings for low- and middle-income residents (Foderaro 1987) -- was soon jettisoned. Moreover, the fundamental issue remained in dispute throughout the negotiating sessions: What would be the ratio of market-rate to subsidized housing that would be created from city-owned properties? The board continued to hold out for a 50/50 split; the administration maintained for months that it could not commit itself to such a ratio (City of New York, Manhattan Community Board

3, 1987c). Yet negotiations continued to be unusually amicable. In May, Commissioner Crotty reported:

We're making progress. When I came in, I found there was a great deal of misunderstanding between this agency and the community. We're now proceeding on the basis that we understand each other (Foderaro 1987, 8).

Luis Nieves, chair of Community Board 3, was equally positive.

We are closer to an agreement than ever before. We've been pleasantly surprised by the whole tone of the meetings; there has been a general sense of cooperation on both sides (Foderaro 1987, 8).

By early June, HPD and the board's negotiators had "tentatively" agreed on a goal of producing 1000 market-rate and 1000 low- and moderate-income from city-owned properties in the Lower East Side (City of New York, Manhattan Community Board 3, 1987d). A draft agreement, termed a Memorandum of Understanding, was drawn up committing both sides to a negotiated plan. On June 23, Community Board 3 approved the memorandum overwhelmingly, and on September 30 it was signed by Commissioner Crotty and Community Board Chair Nieves (City of New York, Manhattan Community Board 3, 1987e; Memorandum of Understanding 1987).

The Memorandum of Understanding was essentially a list of guiding principles for the redevelopment of city-owned properties in the Lower East Side according to a modified cross-subsidy scheme. Its provisions specified

housing production goals, the relation of market-rate to subsidized housing, phases of redevelopment, and HPD commitments to involve community groups in the redevelopment and maintenance of subsidized housing.

The bulk of the agreement covered the redevelopment of the city's in rem properties. In each of five phases, 200 market-rate and 200 subsidized units would be produced. Vacant land would be sold to developers, not by auction but to bidders who submitted acceptable development proposals. Those sales, calculated at prevailing market prices to generate \$49,000 per unit, would be used to subsidize the rehabilitation of low- and moderate-income housing estimated to cost \$70,000 per unit. In the first phase -- 200 units each of market and non-market housing -- the difference between the subsidy generated through land sales and the subsidy required for non-market units (\$21,000 per unit) would be provided by the housing department. HPD would also attempt to make up shortfalls in subsequent phases from funds in other city housing programs. A complicated "maintenance of effort" formula was devised to ensure that cross-subsidy-generated housing would provide low- and moderate-income units above and beyond the average number of such units created over the previous decade.¹

Other issues were less fully addressed. The compromise plan did establish that the subsidized units

would be operated as part of a mutual housing association to ensure "permanent affordability," but how this entity would function remained undefined. The agreement stipulated the creation of a Local Enforcement Unit (LEU) by January 1988, but its powers were not fully specified. After temporary funding supplied by HPD, the LEU was to be financed annually through the city's general revenues. The document did not mention inclusionary zoning at all, though a CB 3 chairperson later claimed that Commissioner Crotty had "agreed to express his support to the CPC [City Planning Commission] for an inclusionary zoning provision" (Johnson 1989).

The memorandum committed the administration to involving CB 3 and Lower East Side housing groups in further phases of planning and implementation, including decisions about development methods, ownership models and management of the subsidized units. The document also stipulated community participation in designating development sites, in setting the size and scheduling of each redevelopment phase and in the selection of tenants for the subsidized housing units. Forty percent of those units would be reserved for Lower East Side residents and 10% for homeless people referred by city agencies.

There were clearly many details still to be worked out. Nevertheless, there now existed, nearly a decade after property auctions were first suspended, a compromise

plan for the Lower East Side.

ANALYSIS

What led to a negotiated settlement between two sides which had been at loggerheads for so long? And how to assess the memorandum of understanding as a political agreement and a planning document?

This analysis explains the Lower East Side compromise in terms of the changing political climate in New York City. By tracing significant shifts in the local development debate in the period 1986-87, I argue that diverse social pressures led the Koch administration to embrace a more liberal policy approach to housing issues. This new public-sector role created, in turn, opportunities for rapprochement with community groups in the Lower East Side. Analysis also focuses on the more specific pressures on community advocates and administrators to reach an agreement, as well as contingencies in the negotiating process, that facilitated the compromise. In this context, a careful examination of the memorandum suggests that the settlement was a significant victory for lower-income interests in the Lower East Side but that the plan fell short of the goal of community-controlled revitalization.

Housing and the Liberalization of Local Policy

The period 1986-87 witnessed a substantial shift in the role of New York City government in the provision of housing. Evolving economic conditions and pressures from business and low-income advocates alike changed the terms of local debate, leading the Koch administration to announce an ambitious housing plan for the city. By assuming new responsibilities as a housing provider, the administration was also encouraged to work with community housing groups that could otherwise set up obstacles to its goals.

The mid-1980s were boom years for the New York economy. The preceding chapter traced the way in which robust revival in the Manhattan core was now spreading, often with the help of zoning incentives and public development projects, to other business districts in West Midtown, Queens and Brooklyn. With economic recovery came market revitalization in adjacent neighborhoods and even in long-depressed areas in northern Manhattan, as well as greater fiscal stability for local government. It was also noted, however, that the weaknesses of the recovery were becoming increasingly apparent, as large areas of the city, certain types of building uses and less-affluent social groups all continued to suffer from market neglect. As public debate evolved from a consensus on spurring

growth and balancing the budget to a consideration of the social costs of economic expansion, discussion focused particularly on housing as a crisis in the making.

The housing question was framed somewhat differently by disparate local groups.

For low-income advocates and a growing number of middle-class critics, the budding crisis was a problem of homelessness and the Koch administration's ineffectiveness in addressing it. Conservative conceptions of urban revival had postulated, as we have seen, that if the city was made inhospitable to the "dependent poor" they would seek productive employment or move elsewhere. Early in his tenure Mayor Koch tended, accordingly, to characterize the city's homeless population as mental incompetents or able-bodied malingerers (Tobier 1989). Court rulings won by the advocacy group Coalition for the Homeless forced the administration to set up shelters, but these accommodations were designed to be temporary and inhospitable (Hayes 1985). By the mid-1980s, the city's shelter system was receiving widespread criticism as being overburdened, inhumane and financially wasteful. Furthermore, the city's homeless population appeared to be growing. For increasing numbers of critics, homelessness symbolized not only a weakness in social-service provision but an underlying failure of city development incentives to produce low-income housing. New York City government's

legacy as a housing provider, which had been interrupted by the 1970s fiscal crisis, was once more invoked by supporters of a broad public initiative to develop permanent housing for homeless and low-income New Yorkers (Purnick 1986).

For the city's business community, on the other hand, the most pressing issue facing the city was the dearth of housing for the upper middle class. Professional workers integral to the growing service economy faced an inflated housing market throughout the metropolitan region. Construction activity remained heavily oriented toward commercial office space, with most new residential projects producing luxury housing for the affluent. The Koch administration, which had long won kudos from business leaders for its generous financial inducements to retain large firms, now found itself criticized from the same quarters for failing to respond to the need for sufficient middle-income housing to sustain the regional economic expansion (DePalma 1985, Lueck 1987a, 1987b).

Beginning in 1986, city officials began to chart a new direction in their approach to housing. The mayor announced a 10-Year Housing Plan, pledging \$4.2 billion (later increased to \$5.1 billion) to "build or rehabilitate" 250,000 vacant and occupied housing units for "low, moderate and middle-income New Yorkers" through a combined effort of private developers, non-profit

housing organizations and city in rem housing (Purnick 1986). A dramatic expansion of the local use of public subsidy to produce housing, the plan was claimed to be the most ambitious housing initiative ever undertaken by any municipality in the country.² Among its various and complicated components, the proposal packaged together two distinct initiatives: A smaller portion sought to provide permanent housing for some of the city's shelter occupants, and a larger portion aimed to create apartments (mostly homeowner units) for residents with annual incomes over \$32,000 (Brower 1989).

The 10-Year Plan did not signal a radical break from New York City policy over the preceding decade. The bulk of the plan responded to market-based imperatives and was designed to benefit more affluent New Yorkers. The numbers of housing units for the homeless, as critics pointed out, did not match local needs (Brower 1989). Nor did the plan address the combination of market conditions and policy incentives that continued to produce homelessness. Nevertheless, the 10-Year Plan represented a significant policy shift in several respects. The program involved a qualitatively new kind of public intervention -- along with a quantitative increase in financial commitment -- to sustain the market expansion. The plan also took on public-sector responsibility for permanently housing at least some residents who were not

served by the market. Moreover, the new approach showed a willingness to involve non-profit community groups into the housing effort, at least in its execution if not in the planning process. This liberalization of local housing policy signaled, to some extent, a turning away from the conservative reliance on development solely for the wealthy and stigma and shelters for the poor.

The shift in attitude toward community groups should not be exaggerated. It did not mean involving the groups in the broader definition of policy goals, or even, when it was avoidable, in the approval of publicly sponsored housing projects.³ Yet political pressures on housing issues were now encouraging practically minded local officials, in New York and elsewhere, to construct new "public/private partnerships" to produce units. Along with local business corporations and philanthropic entrepreneurs and foundations, and stimulated by federal tax credits, community development corporations (CDCs) were becoming important participants in these partnerships as well as significant producers of non-luxury housing (Teltsch 1987, Lueck 1989b).

In short, the 10-Year Plan was a response to the changing economic and political conditions of the mid-1980s. It signaled, if not a new vision, at least a new public role and a new openness to alliances. These pressures to create housing also generated a greater

effort to resolve long-term logjams like the Lower East Side.

Negotiating a Settlement in the Lower East Side

Beyond the shift in broader political conditions, a range of neighborhood factors contributed to the settlement in the Lower East Side. Pressures from various quarters fostered a sense of urgency that apparently prodded negotiators on both sides of the Lower East Side debate.

The Community Board 3 negotiating team was pushed by both economic developments and political considerations. The spread of market revitalization to some of the most depressed areas of the Lower East Side encouraged the perception that time was running out for neighborhood groups to achieve concrete gains in low-income housing. The JPC, whose allies on the board now had greater sway, was also induced to cut a deal by political pressures from its right and its left. From the right, more conservative community advocates accused the JPC of following a non-negotiating strategy of "stall, stall, until you get what you want" (Danziger 1991). From the left, the JPC and the community board were beginning to be threatened with a loss of control over the very resources under discussion: Groups of squatters,

impatient with years of delay, had begun to seize and occupy increasing numbers of vacant in rem buildings in the Lower East Side. As it became clear that the administration would not budge on the CB 3 proposal's demand for inclusionary zoning, the board reluctantly agreed to negotiate a deal that focused only on in rem properties and the local enforcement unit (Goldin 1991).

The city's housing agency was also under considerable prodding to hasten a settlement in the Lower East Side. A bureaucratic shakeup at HPD in January 1987 was reportedly the result of the mayor's impatience at the agency's slow progress on the politically important housing initiatives (Robbins 1987). Lower East Side developers were also increasingly critical of city officials for failing to offer sufficient community concessions to free up in rem properties for development. Claimed Harry Skydell, co-owner of the Christadora:

The greatest crime is the one being perpetrated by the city. They are allowing vacant buildings to sit barren and abandoned. We have all this housing stock with many developers ready to put in private money, to work out some kind of accommodation to satisfy the low-income needs (Foderaro 1987, 20).

Lower East Side investors pointed to the continuing presence of large numbers of abandoned buildings and garbage-strewn lots as the single greatest brake on increases in property values. Even low-income homesteaders, one real-estate broker suggested, would be

preferable to the current stasis (Williams 1987).

In addition to these pressures, negotiations were facilitated by the personal involvement of Housing Commissioner Crotty. Participation by a high-level official signaled to community groups that the administration was indeed serious in its intention to reach a settlement. Tenant and community leaders, moreover, had long been skeptical toward former commissioner Anthony Gliedman's professed commitment to low-income housing and proclaimed it fitting when Gliedman resigned his post to take a position in developer Donald Trump's organization (Benedict 1986b). Lower East Side housing advocates were unanimous in crediting Crotty, who was appointed in 1986, with introducing a new tone into the agency's relationship with neighborhood groups. Board member Carol Watson later commented that the commissioner was the first housing official to give the CB 3 plan a fair hearing: "Crotty was the first one who took it seriously" (Finder 1988c, 34). Even JPC leader Frances Goldin, normally quite critical of Koch officials, conceded that Commissioner Crotty "started the ball rolling. I think that he opened it up and I think that he met with us in good faith.... I could work with him" (Goldin 1991).

We have seen, then, that in addition to a broader shift in Koch administration policy, there were more

specific pressures on both sides of the Lower East Side conflict to work out a settlement.

Evaluating the Compromise

The negotiated settlement in the Lower East Side was a significant political accomplishment on the part of community groups. Despite its limitations, the accord reflected community-based, rather than market-oriented, interpretations of the dangers and possibilities of revitalization and committed city government to a substantial role in creating subsidized housing in the Lower East Side.

The major provisions of the compromise plan stipulated in concrete terms the obligations of city government to work with community groups to create low- and moderate-income housing (see section 1 of the Memorandum of Understanding [1987]). Unlike previous city proposals for the Lower East Side, the Memorandum of Understanding did not contain broad rhetorical flourishes promising "renewal," "economic integration" or the preservation of "ethnic and cultural diversity." Instead, the MOU was written in the form of a no-nonsense legal contract enumerating the responsibilities of the city's housing agency and concrete numerical goals for housing production. In tone and format, the document reflected

community suspicions that their concerns would be lost in the planning process unless city officials were explicitly bound to pay heed to them. Many provisions of the MOU appeared to be an attempt by community leaders to anticipate -- and eliminate -- possible loopholes through which city planners might evade following through on the commitment to provide subsidized housing.

Despite the absence of an explicitly stated broader vision, the memorandum did in fact reflect community-oriented approaches in its insistence that market-rate development of in rem properties could only proceed in tandem with subsidized housing. Earlier city plans for the Lower East Side had argued that devoting the bulk of those properties to market-rate development would be necessary to sustain economic revival and would benefit neighborhood residents. The compromise plan made no such claims. On the contrary, its provisions assumed that the market would not provide housing affordable to long-time residents and was, instead, continuing to generate displacement. In the MOU, Lower East Side community groups won acceptance of the notion that market processes must be counterbalanced by a public commitment to address neighborhood needs.

Beyond this ideological victory, community groups had gained city government's willingness to furnish public subsidies beyond those generated by market sales. This

commitment allowed the unusual 50/50 ratio, promising to result in 1,000 affordable housing units. One criticism of linkage-type programs in other cities was that they failed to generate substantial numbers of subsidized housing units (Keating 1986). And it was true that the original JPC Plan in 1984 had envisioned 5,000 -- not 1,000 -- lower-income units in the Lower East Side.⁴ Yet it is noteworthy that in Boston, where the administration of Mayor Raymond Flynn was applauded by community advocates for using city land to create affordable housing, only 4,000 units were constructed from 1984-88 citywide (Dreier and Keating 1990). In this context, the plan to create 1,000 such units in the Lower East Side alone was relatively ambitious.

The MOU was also a considerable accomplishment for community groups relative to what the administration had previously been willing to concede. The earlier city proposals for the Lower East Side that we have surveyed -- from property auctions and artists housing to the original cross-subsidy plan -- offered few concessions to lower-income neighborhood interests. Even as late as June 1987 Housing Commissioner Crotty was reported to be holding out for a 70/30 ratio between market and subsidized housing, but he settled nonetheless for 50/50 (Williams 1987).

These observations indicate, therefore, that in key respects the compromise plan represented a substantial

gain for community interests in the Lower East Side. This does not mean, however, that there were not limitations and problems with the plan. While many of these drawbacks will be discussed in remaining chapters and in the appendix, we focus here on several weaknesses that were already visible at the time of the plan's signing.

The most obvious limitation to the MOU, in the eyes of JPC leaders, was its failure to extend any significant controls over the private market in the Lower East Side. The compromise plan failed to mandate inclusionary zoning or, despite creating a Local Enforcement Unit (LEU), to establish strict protections against lower-income displacement.

The original JPC plan, as was noted in chapter 7, called for inclusionary zoning to mandate that developers construct a set percentage of lower-income housing if they wished to create market-rate housing in the private sector. The city's housing department continued to argue, however, it had no jurisdiction over zoning provisions. The Department of City Planning and the City Planning Commission, which did have jurisdiction, were not receptive to community-based initiatives in general -- CPC Chair Sylvia Deutsch referred to them as "the worst kind of planning" (Mollenkopf 1989, 159) -- and CB 3 made little headway. The LEU, as well, offered no strong set of protections against displacement pressures -- merely an

additional neighborhood office to which tenants could take their grievances and receive legal assistance. In short, the MOU was weakest where gentrification pressures were strongest: in the private sector.

As for the strongest provision of the plan -- the 1,000 units of lower-income housing to be created from in rem properties -- its major weakness was that the source of much of the direct financial support to make up for the inadequate revenues raised by market sales funding was not specified. While the MOU promised an effort by city government to find subsidies for all of these units, funding sources were not identified for housing after the first phase (200 units) of the plan. The MOU remained, in other words, an uncertain promissory note. Furthermore, the fact that the lower-income in rem housing was to be subsidized in part by market sales of other in rem properties could potentially create a paradoxical situation: Revenues from those sales would rise in proportion with the escalation in market values (i.e. gentrification) in the Lower East Side.

More immediately pressing was the question of how deep was the administration's commitment to actually implement the compromise plan. The MOU was hailed by Community Board 3 and its allies as a major achievement, but city officials held no special press conference to share the agreement with the public and press. It may

have been significant that in the spaces for signatures on the final page of the MOU, those for the housing commissioner and the community board chair were filled but the one for the Mayor of New York remained blank.

Conclusion

The compromise plan indicated substantial political movement on the part of the administration -- what I have termed a liberalization of local policy -- resulting from economic and political pressures during the mid-1980s. This movement led the administration to make new concessions to the kinds of community demands embodied in the Memorandum of Understanding signed in 1987. The memorandum promised significant gains in subsidized housing in publicly owned properties, as well as the substantial involvement of community leaders in the process of planning and creating that housing. At the same time, the compromise plan fell short of the goal of community-controlled revitalization. The plan freed up many city properties for market-rate development, neighborhood groups remained dependant on city officials to locate promised subsidies, and nothing in the MOU set out to control, channel or significantly cushion the negative effects of gentrification in market housing in the Lower East Side.

NOTES TO CHAPTER 8

1. The purpose of the formula, for community groups, was to prevent the housing agency from claiming it was fulfilling the plan by pointing to housing units already slated for creation by other programs.

2. From its inception, the 10-Year Plan was dogged by controversy over precisely how many units of what kind of housing were involved. For instance, fewer than one quarter of the 250,000 units announced were actually intended to be created (as opposed to being upgraded or preserved). Later on, an audit ascertained that the 10,722 units of renovated housing for the homeless that the city claimed to have created by July 1987 actually comprised about 5,600 apartments (City of New York, Office of the Comptroller 1988). See also Turetsky (1988).

3. Two years after being announced, the 10-Year Plan had not been submitted to any public or community review process despite an apparent legal obligation to do so. One city official argued, somewhat dubiously, that public review was not required in this case because the plan was only "a commitment to spend money, not a plan per se" (Turetsky 1988, 3).

4. By 1987, community groups and city officials agreed that there existed a "universe" of only 2,000 potential new units of housing within the Lower East Side. The shrinking of this universe -- relative to JPC visions in 1984-- was probably related to several factors.

Incidents of redemption -- the practice whereby former owners of seized in rem properties could pay up their outstanding tax debt and reclaim their properties -- had contracted the numbers of publicly held parcels in the Lower East Side. From 1979 to 1987, 93 properties in the area had been reacquired by their owners. During the same period, 64 properties also had been sold to other owners despite the moratorium on sales (City of New York, Department of General Services, Division of Real Property 1991). Moreover, the city's practice of demolishing in rem structures -- at least 218 in the Lower East Side between 1979 and 1987, according to city records -- made a rehabilitation approach to many parcels no longer feasible (City of New York, Office of Management and Budget and Department of Housing Preservation and Development 1979-1989).

It may also be the case that the original JPC

estimate was overgenerous.

CHAPTER 9

MARKET STAGNATION AND POLITICAL INCLUSION:

IMPLEMENTING THE PLAN, 1987-90

The negotiated cross-subsidy plan for the Lower East Side may have been signed in 1987, but implementation was slowed by many delays and difficulties. After two-and-a-half years of further discussion and planning, work finally began in 1990 on the first phase of rehabilitating in rem properties to produce lower-income housing. By that time, no market-rate sales had taken place, and lower-income housing rehabilitation subsidies were provided by the city's housing department.

Major shifts in the local economic environment played the central role in shaping the revitalization process in the Lower East Side during the period 1987-90. After 1987, the onset of economic stagnation altered the evolution of neighborhood change and narrowed the range of political choices for local actors. Gentrifying pressures waned but so did investor interest in the sale of in rem properties, thereby unravelling the negotiated plan's financing mechanism for subsidized housing. Market stagnation also led the Koch administration to revert to more conservative, market-oriented approaches to stave off decline, creating new conflicts with community groups. With the advent of a liberal administration headed by

Mayor David Dinkins in 1990, a renegotiated plan finally began to result in lower-income housing rehabilitation. Yet already by the end of 1990, as economic and fiscal conditions worsened, the limits of local policy were more strongly apparent than at any time since the 1975 crisis.

SUMMARY OF EVENTS

Signed in September 1987, the Memorandum of Understanding (MOU) committed Community Board 3 and the city's housing department to jointly implement a negotiated cross-subsidy plan for the Lower East Side. Yet no sooner had the agreement been signed than a lengthy series of disagreements and problems threatened the plan. Not until two and a half years later was ground broken on the first of the plan's slated lower-income units. By that time, the plan itself had changed in many ways. Its market-rate component had never been implemented, and the eventual completion of the 1,000 subsidized units originally agreed upon remained uncertain. A Local Enforcement Unit, designed to protect tenants from harassment and displacement, was in place. No agreement had yet been reached, however, on inclusionary zoning, which had not been specified in the MOU but which community groups continued to pursue.

The first major impediment to the plan emerged in

early 1988. In February, public announcement was made of a separate housing agreement between the Koch administration and developer Samuel LeFrak to redevelop an old Lower East Side urban renewal site. The LeFrak plan slated a mix of mostly market-rate and middle-income housing units on land to be donated by the city (Finder 1988a). Many community leaders in the Lower East Side opposed the plan, complaining that it contained no low-income housing, that former site tenants who had been displaced should be included in the plan, and that the secret negotiations leading to the deal between LeFrak and the administration had been illegal or improper (Kaplan 1989, Chan 1990). As the controversy continued, HPD slowed down negotiations over revisions to the compromise settlement.

Meanwhile it had become necessary to revise the compromise plan because of declining investor interest in Lower East Side in rem properties. The 1987 Memorandum, as was discussed in chapter 8, envisioned a cross-subsidy plan: The bulk of the program's lower-income subsidies were to be generated by proceeds from the sale of in rem vacant land. By early 1988, however, lack of developer interest in Lower East Side land meant that the plan's low-income housing component, if it was to go forward, would need to be funded entirely from other sources. Community Board 3 and the administration began discussions

on city funding -- as had been stipulated by the MOU -- in mid-1988 (City of New York, Manhattan Community Board 3 1988a, 1988b). Not until early 1989 was an amendment to the MOU ready to be signed (City of New York, Manhattan Community Board 3, 1989a). The revised plan severed the lower-income component from the now-dormant market-rate component and stipulated that the housing agency would pay for all predevelopment and rehabilitation costs of the first phase -- that is, the first 200 of the projected 1,000 subsidized apartments (Amendments to the September 30, 1987 Memorandum of Understanding [1989]).

The process of reformulating the plan also involved negotiations between the community board and neighborhood groups whose interests that had not been reflected in the original 1987 settlement. The MOU's stipulation that in rem vacant properties be used for market rate housing had ignored the fact that some of those plots had already been cultivated by local residents as gardens and parks (City of New York, Manhattan Community Board 3, 1987e, 1987f). Over the coming years, the board and neighborhood "open-space" advocates -- and later the city's housing and parks departments -- began to broaden the planning process to resolve conflicts over the use of in rem vacant land (City of New York, Department of Housing Preservation and Development 1991a). Long-term negotiations were also necessary to address the status of diverse groups of

squatters who had come to occupy many abandoned buildings now slated for rehabilitation.

Community and administration negotiators also haggled over setting up a mutual housing association to manage the lower-income units (once they had been created). The original 1987 MOU had specified only that subsidized housing created under the agreement would be developed and maintained as "permanent" non-profit housing in a manner to be mutually agreed upon. Subsequent discussions focused on placing the units within a mutual housing association (MHA) that already existed in the Lower East Side (and which was affiliated with a national network). The board rejected this solution, and voted to create a new MHA over which it would retain long-term oversight, despite criticisms that this path would cause further delay and could foster unhealthy competition among Lower East Side groups (City of New York, Manhattan Community Board 3, 1988e). While the January 1989 MOU Amendment committed the city's housing department and the board to creating such an entity, the board struggled with the organizational and financial problems of doing so. After refusing to finance the set-up costs of the MHA, the city relented in mid-1989 (City of New York, Manhattan Community Board 3, 1989b).

The 1987 agreement had also envisioned a Local Enforcement Unit to protect Lower East Side residents from

harassment and displacement pressures. The city's housing department, however, argued the following year that such an entity was unnecessary and declined to fund it (City of New York, Manhattan Community Board 3, 1988d). Meanwhile, Lower East Side groups continued to seek inclusionary zoning regulations, which would mandate that private developers creating new market-rate units in the area also produce a certain number of low-income apartments affordable to neighborhood residents. In discussions with the City Planning Commission, however, community board negotiators were unable to obtain regulations substantial enough to lead to significant numbers of low-income apartments (Goldin 1991).

The implementation process began to accelerate in 1990. In March of that year, a new administration headed by Mayor David Dinkins formally approved rehabilitation of the first 55 units of lower-income housing slated by the amended Lower East Side plan (City of New York, Manhattan Community Board 3, 1990a). The following month, the People's Mutual Housing Association, an organization to coordinate lower-income rehabilitation and management, was incorporated (Lambert 1991). During the remainder of the year, rehabilitation work began, the local enforcement unit was started up, and the next round of lower-income housing creation was placed in the pre-development pipeline (City of New York, Manhattan Community Board 3,

1990d, 1990f, 1990h, 1990i, 1990j). New procedures were also worked out to resolve board conflicts with squatters more amicably (City of New York, Manhattan Community Board 3, 1990g).

By the end of 1990, however, budgetary problems imperiled city funding of subsequent phases of lower-income rehabilitation. The housing department proposed implementing the second round of 200 units through a combination of national non-profit corporations and foundations and neighborhood community housing groups. Community Board 3 agreed, yet the shift set off rancorous competition between Lower East Side groups eager to be selected (Danziger 1991, City of New York, Manhattan Community Board 3, 1990b, 1990c, 1990e).

Overall, the period 1987 to 1990 had brought progress on implementing the Lower East Side plan. Much of that progress, however, had come during the last year, and the bulk of the plan's 1,000 lower-income apartments had yet to be created. The city's funding problems, moreover, now added an additional uncertainty.

ANALYSIS

What accounted for the difficulties in implementing the negotiated plan? While inexperience and organizational conflicts among community groups did slow

the process, this section of the study argues that changes in the local economic and political environment played the dominant role in hindering the rehabilitation of lower-income housing in the Lower East Side during the period 1987-90. The Wall Street "meltdown" in October 1987 ushered in an era of market stagnation that reversed the direction of neighborhood change and narrowed the range of local policy options. The prospects for lower-income housing gains in the Lower East Side, eroded by market stagnation after the 1987 downturn, were further diminished by the Koch administration's reversion to conservative priorities favoring market stimulus and higher-income development. A more liberal Dinkins administration -- operating within similar constraints -- at first was able to work quickly with community groups in early 1990 to initiate implementation of the first phase of lower-income rehabilitation. Despite such progress, the economic and fiscal constraints binding local government by the end of 1990 promised to place significant limits on potential low-income community gains.

Market Stagnation and the Eclipse of "Cross-Subsidization"

The onset of local economic decline changed both neighborhood conditions and the context of potential

political outcomes for the Lower East Side during this period. As stagnation set in after 1987, the gentrifying trend of the preceding decade began to abate, moderating the intensive displacement pressures. Investor interest in in rem property sales also began to wane, to the point at which market weakness unraveled the cross-subsidy financing mechanism that had been worked out for the negotiated plan. Community groups, intent on saving the plan, pressured local government to directly subsidize lower-income housing production in the Lower East Side.

The Wall Street crash in October 1987 had a fairly rapid impact on New York's real estate market. Corporate retrenchment led to weakening office demand. Office-building construction fell off sharply in 1988, co-op sales plunged and residential markets in "transitional" areas began to show signs of serious weakness (McCain 1988, 1989, Lueck 1989c, 1991).

Market revitalization in the Lower East Side no longer appeared to have a limitless horizon. Already by March 1988 real estate agents in the area reported a new caution among investors and a decline in asking prices for co-operatives and condominiums. "This year we don't have the euphoria we had in the market last year," observed one Lower East Side broker (Grant 1988, 8). Private rehabilitation projects in the neighborhood continued to move forward, but many higher-priced units were slow in

selling (Shaman 1988). Of course, market downturn in the Lower East Side did not eliminate economic disparities between long-time residents and affluent newcomers. Poor families living adjacent to "\$200,000 co-ops" continued to report displacement pressures (Moreno 1989). It was clear nevertheless that the Lower East Side land boom was ebbing, at least temporarily.

Market demand for the sale of in rem properties became shaky. Both city officials and community leaders began to question whether the premises of the negotiated plan were still economically viable. By mid-1988, both sides recognized that declining investor interest would not support market-rate sales and thus that cross-subsidization could not finance lower-income housing in the Lower East Side (City of New York, Manhattan Community Board 3, 1988b). Community groups henceforth struggled to gain agreement by the city's housing department to fund directly the low- and moderate-income housing goals of the negotiated plan (City of New York, Manhattan Community Board 3, 1988d, 1988e, 1989a; Amendments to the Memorandum of Understanding [1989]). In effect, economic circumstances had led Lower East Side groups to return to one of the basic demands of the original JPC Plan: Local government should directly fund the creation of subsidized housing in city-owned properties irrespective of market conditions (see chapter 7).

Economic Decline and the Return to Conservative Policy

The Koch administration responded to local stagnation by reverting to conservative development priorities. The Lower East Side plan drew little interest from developers or from city officials intent on staving off decline by spurring large-scale development. Lack of progress on implementing the plan soured relations between the administration and neighborhood groups and exacerbated dissension among groups themselves.

In chapters 7 and 8, we traced the extent to which a liberalization of policy had emerged from the robust economic expansion of the mid-1980s. Local revival generated political pressures on the administration for new efforts to spread the fruits of the recovery more evenly. Mayor Koch, attempting to compensate for the failure of the private sector to generate housing, promoted an ambitious housing plan that also signaled a greater willingness to work with community development groups. Not a change in urban philosophy so much as a pragmatic adaptation to particular economic conditions and political pressures, it was in such a climate that Lower East Side groups and the administration had been able to come together on the negotiated plan in September 1987.

This liberalization of policy was cut short, however,

by the local downturn. In the wake of the financial-sector contraction, the city scrambled to shore up the softening economy. For the Koch administration, this meant a renewed emphasis on tax incentives to builders and an accelerated push to complete "big-ticket" development projects. The city's Industrial and Commercial Incentive Program, for example, expanded its disbursement of tax abatements to major developers dramatically after 1987 (Fee 1991). The combination of old and new incentives flooded the market with added commercial office space in the two years following the Wall Street panic (Lueck 1989c, 1990a, McCain 1989). Meanwhile, major public-sector development projects already in the planning pipeline were pushed ahead even though critics questioned whether they remained necessary or viable (Kennedy 1989).

In this new economic and political climate, attention to small-scale rehabilitation and the future of lower-income communities like the Lower East Side was quickly supplanted by concern over more important areas, industries and economic groups. No longer a pressing priority for city officials, the Lower East Side in rem plan was overshadowed by high-profile efforts by the mayor to induce large developers to build. One such effort was a short-lived proposal to construct office towers and luxury housing on a 24-acre concrete platform to be erected in the East River just north of the Lower East

Side (Lueck 1989a).

The LeFrak plan represented a less ambitious project in a similar vein. As the economy faltered, community groups had quickly noted the administration's public shift in emphasis toward middle- and upper-income housing in the Lower East Side. Housing Commissioner Abraham Biderman, who replaced Paul Crotty in early 1988, distanced the administration from the negotiated agreement his predecessor had so recently signed. Instead, Biderman promoted the Lower East Side as "one of the best sites in the city" for middle-income housing. "And middle-income housing," he added, "is the key to the survival of a housing policy in the city" (Moreno 1989, 27).

Presented by city officials as a "wonderful gift to the city" (Finder 1988a), the LeFrak plan was viewed by many Lower East Side community leaders as a revival of the worst aspects of development planning in the early Koch years. Developer-initiated and negotiated in secret, the LeFrak proposal excluded community participation and offered few housing benefits to low- and moderate-income tenants. For community activists, the proposal, intentionally or not, served to sour much of the good will that had been created by the 1987 negotiations. Community hostility was deepened when a secret memorandum promising special financial benefits for LeFrak became public (Finder 1988b). When efforts to implement the negotiated

plan meanwhile stalled, Lower East Siders accused the administration of holding the in rem plan hostage pending community approval of the LeFrak plan (City of New York, Manhattan Community Board 3, 1988c, Finder 1988c).

Biderman, who apparently retained close political ties to the conservative Grand Street faction, was accused by one JPC leader of having demanded that Lower East Side activists "lay off" the LeFrak plan if they wanted low-income subsidized projects to move forward (Goldin 1991).

Like the administration's first cross-subsidy proposal in 1984, the LeFrak agreement combined market stimulus with subsidized housing in a process that attempted to bypass community input. Presented to the public as a fait accompli (but with many of the details missing), the plan's form of linkage, even taken at face value, would have been to create housing of little benefit to most neighborhood residents. Featuring income-eligibility standards much higher than the incomes of most Lower East Side residents, and located in one of the poorest areas of the community, the plan was likely to exacerbate gentrification pressures without offering (unlike the negotiated plan) major lower-income benefits. Ongoing disputes over the LeFrak plan remained a central source of antagonism between the administration and the Lower East Side through 1988 and 1989 (Kaplan 1989, Chan 1990).

The city's economic downtown, coupled with a reversion by the Koch administration to more conservative policy approaches, were the most important obstacles to implementing low-income rehabilitation of in rem housing. But divisions within the community also played a role. Loss of momentum and the need to redesign the negotiated plan led to internecine conflicts among community groups. Proposals to rely on neighborhood housing groups to perform the lower-income rehabilitation work, for example, were hampered by inter-organizational rivalry and "turf" battles (Danziger 1991). The decision to create a new entity, the People's Mutual Housing Agency, to run the lower-income housing projects apparently softened rivalries, but it also led to a new series of organizational problems that took time to resolve (City of New York, Manhattan Community Board 3, 1988e; Johnson 1989). Delays in implementing the plan also enabled neighborhood interests that had not been represented in the 1987 settlement to insert themselves into the planning process. Conflicts between housing and public-space advocates over sites led to efforts to more comprehensively survey vacant land in the neighborhood, efforts that would result, eventually, in a broader plan to balance local needs for housing versus those for gardens and parks (City of New York, Department of Housing Preservation and Development 1991a).

In the meantime, however, the process of reformulating the plan to accommodate new economic realities was circumscribed by the relationship between the Koch administration and the community. Shifts in local housing policy were not the only strain on that relationship. Long-simmering conflicts between city agencies and neighborhood groups over the uses of public space in the Lower East Side culminated in government actions to evict a homeless encampment from Tompkins Square Park. In July 1988, violent clashes between protesters and city police culminated in what many witnesses described as a "police riot," in which demonstrators and casual bystanders alike were assaulted by police officers (Abu-Lughod 1988). This conflict further alienated the community from the administration, as well as provoking enmity between various neighborhood factions.¹

The Dinkins Administration and Liberal Housing Policy

Upon taking office in 1990, a new administration headed by Mayor David Dinkins established a strong relationship with Lower East Side housing groups and began to implement a revised plan for lower-income housing in the area. Rapid initial progress attested to the significant effect of a change in local leadership. The

new administration set relatively liberal policy goals on housing and demonstrated a genuine commitment to working with community groups to advance lower-income neighborhood preservation. Soon, however, the Dinkins administration found itself increasingly hamstrung by deteriorating economic conditions and associated fiscal constraints.

For twelve years, Mayor Ed Koch had been the dominant personality in New York City politics and the unchallenged leader of a local growth coalition united by a market-oriented conservatism. His departure raised large questions about the future of local development policy and relations with oppositional neighborhood organizations.

Despite benefiting from a bedrock of electoral support among blacks and liberal whites, Dinkins, the city's first African-American mayor, was not an insurgent figure in the mold of Chicago's Mayor Harold Washington. As City Clerk and Manhattan Borough President, Dinkins had built a reputation as a moderately liberal establishment politician, sympathetic to lower-income and minority concerns but with a cautious personal style. Dinkins's campaign chest had been well-stocked by many of the developer contributions long associated with Koch, and among the new mayor's advisors were many policy moderates and former Koch aides (Lynn 1989, Roberts 1989).

Unlike his predecessor, however, Dinkins had strong support from several major municipal-employees unions,

among them the hospital workers headed by emerging progressive leader Dennis Rivera. The new mayor had also built cordial relationships with non-profit community housing groups. As the Dinkins administration began to settle in, it was apparent that the city's development approach would not be taking a radical turn away from that of the Koch years. Instead, city policymakers sought to strike a greater balance between market- and community-oriented approaches. For Lower East Side groups, the new attention to hitherto-neglected neighborhood interests offered new opportunities.

The appointment of Felice Michetti as city housing commissioner indicated the kind of shift to be expected from the Dinkins administration. Michetti quickly altered some of the Koch-era policies, making certain kinds of housing created under the city's 10-Year Plan more affordable, emphasizing economic integration within buildings, and introducing a larger component of housing for homeless individuals (Terry 1990). The commissioner also promised "a tremendous and growing commitment in terms of not-for-profit ownership and management" in city-owned buildings. She added that "you can't expect the not-for-profits to assume the burden without also understanding that you have to create a financial foundation for them" (City Limits 1990: 8-9).

A further boost for Lower East Side groups was the

election of former City Councilmember Ruth Messinger to replace Dinkins as Manhattan Borough President. The presence of both Dinkins and Messinger, the latter an outspoken critic of Koch's close ties with developers, gave JPC-affiliated groups in the Lower East Side an effective alliance with the area's dominant development-policymakers as well as solid control over Community Board 3 for the first time (Goldin 1991).

It was hardly surprising, then, that the year 1990 brought new movement on the Lower East Side's negotiated plan. As we have seen, Board of Estimate approval and bid closings on the first phase (200 units) of cross-subsidy's lower-income units were completed, and rehabilitation work began before the year was out. For cross-subsidy's second phase (another 200 units), sites were selected and community developers were chosen to rehabilitate housing under the auspices of New York City, New York State and two major community development sponsors: the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation.²

JPC leaders gave substantial credit to the new administration. Said JPC chairperson Frances Goldin, "Because of Dinkins and Michetti, the housing for low-income people is moving on the Lower East Side. It never would have [otherwise]" (Goldin 1991). Clearly, the new administration had helped to create new political

conditions more conducive to Lower East Side community-group goals. In the process, it demonstrated that a change in local political leadership did make a significant difference in what community groups could accomplish.

Economic Decline and Local Limits

Despite the evident progress on implementing the Lower East Side plan in early 1990, it was apparent by the end of the year that changing economic conditions were narrowing the space for community-oriented policy in New York City. Market stagnation and the reemergence of intense fiscal pressures quickly strained the mayor's relationship with labor supporters and threatened the future of low-income housing programs. Local development policy, meanwhile, took on many of the features of the Koch years, with its reliance on tax incentives for large Manhattan builders.

The administration's response to conflicting financial and political pressures appeared to be an effort to alternate between liberal concessions and austerity measures, and between community housing and market-development incentives, in order to retain both elite and constituency support. Whether such oscillations would prove to be successful electorally or fiscally remained to

be seen. What was increasingly clear, however, was that even an administration with community-oriented intentions would find it extremely hard to fulfill them under conditions of prolonged economic stagnation. And the consequences of failing to do so would be painful for low-income areas and community groups.

During the expansion of the 1980s, economists had agreed that the financial sector was the most important engine driving the local economy. In the three years following the October 1987 "meltdown," however, Wall Street lost approximately 27,000 jobs, nearly 20% of its employees (Uchitelle 1990). Analysts now predicted that, even with the eventual passing of recession, organizational and technological changes in the financial sector would render it unlikely to play the same pivotal role in the local economy of the 1990s.

Nor were Wall Street firms the only service-sector businesses in trouble. The city's large commercial banks, reeling under large portfolios of bad real-estate loans, trimmed employment and looked to consolidate. Developers themselves, symbols during the 1980s of the New York City boom, were now clearly overextended and several of the largest -- Donald Trump, William Zeckendorf, Olympia and York -- struggled to stave off bankruptcy. Large Manhattan retailers, laden with debt after mergers and buyouts during the boom years, began to close (Uchitelle

1990). Low-wage service jobs, which increased by the hundreds of thousands during the 1980s in business services, health, education and social work, as well as public-sector employment, began to fall sharply by 1990 (White 1991).

Amid such a depressed economic climate, development policy under Dinkins began to take on some of the characteristics of the Koch approach. Six months into its first year, the administration's urgent support of a controversial development complex in the Long Island City area of Queens surprised the area's community groups, who had expected the new mayor to kill the project (Lueck 1990b). Shortly thereafter, the administration pushed a passel of Koch-era development deals (including many which Borough President Dinkins had opposed) through the Board of Estimate, leading to community-group declarations that the new administration's political honeymoon was over (Neuwirth 1990). Community groups also criticized the administration's reliance on tax incentives granted by the Industrial and Commercial Incentives Program, which candidate Dinkins had challenged. Recipients included the usual preponderance of large developers with Manhattan projects (Fee 1991).

Local market decline soon translated into fiscal pressures, which in turn further constricted policy options. Already, during Koch's last year, the soft local

economy had led to sharp declines in tax revenues (Levine 1989). By the end of 1990, Dinkins was announcing \$1.6 billion in cuts to cover budgetary shortages, and projected laying off 10,000 to 25,000 municipal employees (Newfield 1990). Over the following year budget pressures -- and thus intervention from state and city fiscal monitors -- would only grow, exacerbated by New York State's own budget crisis. It was evident that the measure of policy autonomy which New York City had gained following its recovery from the fiscal travails of the late 1970s was quickly evaporating. Little more than a decade later, the most powerful shapers of city policies were again the bond-rating agencies, the Financial Control Board, and the Municipal Assistance Corporation.

Under these conditions, the housing needs of low-income communities were likely to rank far behind other priorities, even for an administration disposed to be sensitive towards those needs in the first place. Thus, in March 1990 Mayor Dinkins and Commissioner Michetti had announced plans to redirect housing subsidies to create more apartments for low- and moderate-income New Yorkers, and to create a program for 3,000 units of housing for homeless individuals. By November the mayor was asking HPD to cut its capital-budget expenses 15.8% (Glazer 1990a). The administration's policy on homelessness also shifted. Overwhelmed with homeless seekers of permanent

housing, the administration began to limit access to the program and rely more on the shelters and welfare hotels that had become a public scandal under Mayor Koch (Glazer 1990b).

For the Lower East Side, budget cuts and program changes complicated implementation of the first stages of the housing plan and cast doubt on whether later phases would even have a chance to get off the ground. As of the end of 1990, city funding was guaranteed only for rehabilitation of the first 200 of the projected 1,000 units of lower-income housing promised by the plan (Lambert 1991). Financing, moreover, only covered rehabilitation costs: The housing agency declined to provide operating subsidies for the projects, creating potential problems for the mutual housing association in the event that the rent-paying abilities of the projects' future tenants failed to cover operating expenses. In addition to funding hurdles, PMHA director Sarah Lambert reported a range of construction and tenant-selection delays that threatened to slow down completion of the plan's first phase (Lambert 1991). Meanwhile, JPC demands that a inclusionary zoning component be added to the plan were not met.

To be sure, significant steps had been taken in 1990 toward using city-owned properties to promote neighborhood preservation in the Lower East Side. It was also

apparent, however, that the future of much of the area's housing plan remained an open question.

Conclusion

This chapter has traced the most important events in the three years following the signing of the negotiated settlement. The analysis has emphasized the manner in which two major shifts in the local economic and political environment played dominant roles in the conflicts surrounding implementation of the negotiated plan. First, and most important, the onset of economic stagnation after 1987 altered the evolution of neighborhood change as well as the range of political choices for local actors. While gentrifying pressures abated, waning investor interest in the Lower East Side scuttled the negotiated plan's financing mechanism (cross-subsidization) for lower-income housing. Market stagnation also led the Koch administration to revert to more conservative, market-oriented approaches to stave off decline, creating new conflicts with community groups.

A second major development, the advent in 1990 of a liberal administration headed by Mayor Dinkins, provided the impetus behind the new cooperation with community groups and the implementation of the first phase of a renegotiated plan. Yet we have also examined the way in

which deteriorating economic and fiscal conditions began to curtail the liberal orientation of the Dinkins administration, placing in jeopardy the future of community-controlled lower-income housing in the Lower East Side.

NOTES TO CHAPTER 9

1. For studies of Tompkins Square Park from various approaches and of various moments during its turbulent history, see Mattson and Duncombe (1992), Abu-Lughod (1994), O'Connell (1990) and Smith (1989).
2. For summaries of these programs, see City of New York, Manhattan Community Board 3 (n.d.).

CHAPTER 10

CONCLUSION

The goal of this study has been to develop an understanding of neighborhood change as the product of local conflicts and broader social forces. It began by distinguishing between two potential forms of what is often referred to as "neighborhood revitalization": gentrification, a market-led rehabilitation of lower-income areas for a higher stratum of residents, and neighborhood preservation, a community-controlled upgrading to benefit existing residents. Both processes, I argued, are potentially present in conflicts over revitalization. By examining the shifting relationships between larger forces and market, community and state actors, the present study analyzed the evolution of the revitalization process in Manhattan's Lower East Side over a fifteen-year period as a partly structured, partly open-ended process involving both gentrification pressures and preservation initiatives.

This final section develops certain general conclusions on the process of neighborhood and urban change in the current period. (For a more specific evaluation of the Lower East Side plan that resulted from the fifteen-year period examined in this study, see the Appendix.) Returning to the literatures on

revitalization, resistance and policy reviewed in chapter 2, this concluding discussion draws on the findings of the present study of the Lower East Side to establish a set of analytical signposts to guide future research.

Market Change

Most analyses of neighborhood revitalization have rested on economic models derived either from neoclassical economics or from political economy. Neoclassical approaches, which see market-led growth as beneficial, have perceived the positive effects of revitalization (improvements in housing conditions, land values, incomes, tax revenues) to be at least a partial antidote to neighborhood decline and abandonment. Political-economy approaches, on the other hand, have tended to view market revitalization as the problem, not the solution, because economic restructuring leads to gentrification processes which invariably displace lower-income residents to accommodate more affluent groups. The present study of the Lower East Side indicates that the relationship between market decline and gentrification is rather more fluid and complex, and that both of these processes are harmful and may continue to threaten the residents of poor neighborhoods.

This study has found that when market actors

disinvest from an area, as they did from the Lower East Side during the period 1975 to 1978 (see chapter 4), they set off housing deterioration and abandonment-induced displacement. When market actors reinvest, as they did in the Lower East Side between 1978 and 1987 (see chapters 5 through 7), they increase rent burdens, harassment of tenants and gentrification-caused displacement. This implies that shifts in market forces, whether they bring about economic revival or investor neglect, tend to alter the economic and physical environment of a neighborhood in ways that are inimical to the interests of lower-income residents. When conceptualization of the market dynamics of revitalization fails to give full analytical weight to both horns of this economic dilemma, policy debate over the future of poor neighborhoods too easily remains trapped in a Hobson's choice between neglect and gentrification.

The market forces that confront neighborhood residents faced with abandonment or gentrification are linked, albeit in complex ways, to much broader social processes. In this respect, accounts of gentrification that view neighborhood change in a context of economic restructuring remain useful. The concept of "restructuring," however, needs to be modified and nuanced in several respects. First, just as the present study indicates the importance of state actors and political

alignments to market processes at the local level (this dynamic is addressed at greater length below), recent examination of global change and social structure has stressed the mutual interaction of economic forces and nation-states (Block 1990, Silver 1993). Gentrification, therefore, like suburbanization or urban renewal, should be understood in part as a distinct socio-spatial phenomenon linked to a broader process of economic and state/political restructuring.

Second, the concept of restructuring, as it has been used in treatments of gentrification, often carries an implicit dynamism that has led to unwarranted predictions of the rapid and inevitable transformation of inner-city neighborhoods into yuppie enclaves. The present study, by focusing on neighborhood evolution over a time frame of fifteen years, has indicated that the relationship between gentrification and neighborhood decline is in fact relatively more fluid and open to market fluctuations than anticipated. The tendency of many accounts to overestimate gentrification may have resulted from a partial understanding of the larger restructuring process that emphasized its economic dynamism and underestimated longer-term tendencies toward stagnation.

Whereas this study indicates that both economic revival and neglect bring harm to poor residents, it also suggests that revival can result, indirectly, in potential

benefits to lower-income groups. This is because growth expands the local space for progressive policy action. A sustained period of urban economic expansion eases fiscal stress and may shift public debate from a focus on generating growth to a concern with combining growth and social equity (or at least with managing the negative consequences of growth). In chapters 7 and 8 of this work, it was observed that New York's conservative consensus on fiscal austerity and market development began to weaken in the mid-1980s as rapid growth and budget surpluses made the Koch administration susceptible to pressures for greater public intervention on housing issues.

Similarly, neighborhood economic revival, while it places lower-income residents at risk from displacement, also enhances their potential bargaining position (at least temporarily) because they occupy real estate that is becoming increasingly valuable. Whereas market neglect leaves poor neighborhoods with few resources to trade with, "hot" gentrifying areas can demand concessions from would-be (private or public) developers. In the case of the Lower East Side, for example, market stagnation and planned shrinkage led to massive housing abandonment during the period 1975 to 1978, and community groups found it difficult to exact concessions from market actors or policymakers (see chapter 4). As the 1980s brought

increasing investor interest to the Lower East Side, however, developers and city officials became willing to trade low-income housing subsidies if community groups would agree to free up publicly owned properties for market development (see chapters 6 through 8).

These issues, however, take the discussion beyond the economics of revitalization. The demands of community groups, the concessions offered by local officials, the evolution of public debate on urban change -- these depend on a complex set of political developments that are not reducible to market conditions. One such area that this study has given closer scrutiny is the local state.

Local State Policy

Whereas economic approaches often fail to address the complex role of the local state in urban revitalization, traditional conceptualizations of the local state have suffered from certain weaknesses of their own.

On the one hand, pluralism and elite theory -- as well as more recent analyses based on neo-Weberian, growth-machine and "regime-theory" perspectives -- have tended to isolate the local state from broader economic and state restructuring. On the other hand, neo-Marxist and neo-liberal treatments have often abstracted the local state from the concrete circumstances of urban political

conflict. In the present study, it has been argued that analysis of the local state needs to encompass the way in which the structural forces of a given period position the local state within the broader economic and state system as well as the way in which specifically local pressures intervene to shape the evolution of city policy.

In establishing the historical context for local state action for this study, I have outlined the two major dimensions of the restructuring process during the 1970s and '80s: new accumulation strategies following on the weakening postwar economic expansion, and a conservative federal shift toward market stimulus and social-policy retrenchment. The combination of enhanced capital mobility and federal austerity toward cities served to increase local dependency on private economic actors, narrow the range of local policy options, and encourage a local-state strategy to subsidize CBD expansion and inner-city gentrification.

However, this study indicates that the restructuring process, despite its significance, has not reduced the evolution of local policy to a simple function of shifts in the larger environment. We do observe that a restructuring-related return to economic expansion in New York City played a major role in the reexamination of the conservative approaches to neighborhood change that had been established during the mid-1970s fiscal crisis (see

especially chapters 7 and 8). But while this indicates that economic revival does increase the space for progressive policy¹, the extent to which the local state actively seeks to exploit that room for maneuver depends on local political conflict and the policy orientation of the regime.

The present study has distinguished between liberal and conservative administrations, which are characterized by coalitional differences and distinctive approaches to urban change and economic development. Both regimes, it has been argued, are primarily responsive to dominant market interests; liberal coalitions, however, also depend in some measure on support from lower-income communities. Conservative regimes define cities and neighborhoods in straightforwardly market terms, align the public interest with the interests of powerful market actors, and adapt policy to accommodate and reinforce market-determined processes. Thus conservative local administrations, in the absence of strong opposition, tend to pursue policies that exacerbate the displacement pressures of neighborhood decline and gentrification. This work has examined the reliance of conservative leadership during the mid-1970s on such concepts as planned shrinkage and triage to rationalize policies which accelerated neighborhood destruction (see chapter 4) and through the 1980s on a policy arsenal of tax abatements,

zoning changes and privatization initiatives to spur gentrification pressures in the Lower East Side (see chapters 5 through 7). It was also noted, however, that conservative regimes can be "liberalized" by a combination of community resistance and shifting pressures from market interests (see chapter 8).

Liberal administrations also envision urban change and public policy primarily in market-oriented terms but embrace, as well, a commitment to simultaneously assist the victims of market change. Whereas 1960s liberalism was often animated by a fairly ambitious redistributive impulse (see chapter 4), the more recent version examined here merely seeks to work with community groups as well as developers to soften the negative effects of gentrification and decline. The present study indicates that, for the Lower East Side, the arrival of the liberal Dinkins administration after twelve years of conservative rule did result in greater local-state acceptance and implementation of community demands (see chapter 9). Nevertheless, local liberalism remains quite vulnerable to shifts in the economic environment, and fiscal pressures quickly emerged to threaten the community-oriented initiatives of the Dinkins regime.

Recent efforts to develop comparative typologies of local regimes and policy orientations have begun, in fact, to contextualize this work within broader processes of

economic and state restructuring (DiGaetano and Klemanski 1993). What is still needed, however, is a more thorough investigation of the ongoing ways in which community mobilization and resistance continue to influence the manner in which local policies and neighborhoods evolve.

Community Resistance

The literature on social movements has focused on the the capacity of subordinate groups to affect economic and political processes through self-organization, mobilization and resistance. By recognizing neighborhood residents as a potentially significant actor, this literature suggests that neighborhood revitalization is not simply a transformation of communities by exogenous forces and that lower-income residents cannot be assumed to behave as passive victims.

The present study of revitalization confirms the relevance of this approach in several respects. Community resistance in the Lower East Side had a significant impact on the process of neighborhood change. Lower East Side groups disrupted market activities (by rent striking, squatting and picketing landlords) and repeatedly mobilized political pressures on local officials. These actions did not halt the gentrification process. Nevertheless, they did slow it down, gain certain

concessions and stave off what would otherwise have been greater destruction to the Lower East Side as a lower-income community.

Examination of the Lower East Side found several characteristics of the resistance effort to be of particular importance in strengthening the influence of community housing groups over revitalization. One was the formation of a cross-class, cross-constituency alliance (including neighborhood artists and middle-class allies) to defeat the artists housing program (see chapter 6). Another was a recourse to alternative planning to devise a program for neighborhood preservation that could serve as both a mobilizing vehicle and a viable redevelopment program (see chapters 7 through 9). Overall, Lower East Side groups developed a tactical versatility as economic and political conditions evolved, combining conventional politics with protest, disruption and alternative planning to strengthen community influence over the revitalization process. By 1990, Lower East Side groups and city officials were implementing the first phase of an envisioned 1,000-unit development of publicly owned stock for lower-income housing (see chapter 9).

This study has also noted, however, the limitations of community influence over revitalization. It was difficult for Lower East Side residents to substantially affect the dynamics of value-escalation and displacement

pressures in market-sector housing (though rent strikes and anti-landlord protests did increase owner willingness to negotiate a political settlement on in rem properties). Lower East Side groups also confronted an arsenal of local policies (such as tax and zoning incentives) that spurred neighborhood gentrification and were modified only to the extent that a broader city-wide opposition emerged to alter them.

Furthermore, the plan for 1,000 units of lower-income housing -- the major concrete achievement of community resistance in the Lower East Side -- hardly constituted an overwhelming accomplishment after fifteen years of struggle. (If completed, the new units would increase the neighborhood housing supply by about 1.5%. For a more detailed assessment of the Lower East Side plan, see the Appendix.) The creation of those units, moreover, remained dependent on a wavering local-state commitment to provide authority and financial support. The Lower East Side experience indicates the extent to which even strong community efforts to control the process of neighborhood change are constrained by the larger political and economic environment.

This study concludes nevertheless that the absence of resistance would have resulted in substantially greater harm to the lower-income community of the Lower East Side. This can be seen most directly in the thwarted efforts of

the Koch administration to fuel the gentrification process by turning over the neighborhood's stock of in rem properties to private developers. The persistence of community opposition over an entire decade held off privatization long enough for the onset of market stagnation to make the question moot (and long enough for local political conditions to become more conducive to community involvement in neighborhood development policy). While the potential effect of massive privatization during the boom years of the mid-1980s cannot be precisely calculated, it is likely that this public subsidization of the gentrification process would have significantly fueled investment activity -- and thereby rent, harassment and displacement pressures -- in the area.

What the Lower East Side groups gained, in other words, should be measured in terms of what they might have lost. The proximity of the neighborhood to the revived Midtown and Downtown business districts, the local political hegemony of Koch conservatism, and the fact that the Lower East Side was the poorest Manhattan neighborhood to experience powerful gentrification pressures, all suggest that the potential gains to market investors and the potential losses to the neighborhood's lower-income residents could have been much higher.

This study concludes, therefore, that resistance in the Lower East Side was relatively successful when viewed

in the context of opposing forces. The study also indicates that community resistance ebbs and flows over time. The Lower East Side has benefited from a cultural legacy of political mobilization and protest and a certain organizational continuity sustained over many years of struggle (see chapter 3). But innovations on the part of activists old and new also accounted for many of the successes that were achieved (see, for instance, the campaign against artists housing in chapter 6 or the negotiations with the Koch administration in chapter 8). By tracking Lower East Side resistance over a period of fifteen years, this study has been able to perceive the manner in which community activism can fluctuate along with external events and infusions of new social groups. This makes generalization complex and indicates the need for more longitudinal studies of community resistance that go beyond episodic treatment of specific conflicts.

Toward Economic Revival and Neighborhood Integrity

This final chapter of the study has reviewed the way in which examination of neighborhood change in the Lower East Side over a fifteen-year period has produced certain conclusions with respect to restructuring, resistance and the local state. In contrast to what I have criticized as partial approaches to neighborhood

revitalization, the emphasis here has been on revitalization as a process linked to both broader structural forces and the local conflicts generated between market, community and local-state actors.

This focus has meant that in certain respects the evolution of the Lower East Side examined in this study can be seen to suggest broader social trends, and in other ways the experience of the neighborhood has been shaped by quite specific struggles between local actors. The extent to which the findings of this study are generalizable may, therefore, be questioned. I would argue in response, however, that the series of conflicts in the Lower East Side, rather than rendering the neighborhood an atypical case, instead serve to highlight more sharply -- by bringing out the contentious elements -- the stakes involved in neighborhood revitalization in general. Precisely how neighborhood conflicts emerge and how they play out is always, to some extent, unique and contingent. But the analytical framework of the present study has allowed us to evoke and understand those aspects of the Lower East Side story that are broadly representative of the forces and outcomes at work in neighborhood change today. It is a framework that brings together in a single focus the major tensions -- such as those between abandonment and reinvestment, gentrification and neighborhood preservation, resistance and displacement,

local-state constraint and autonomy -- of urban economic and political life.

This study also raises a broader question that summarizes the political and social challenges posed by those tensions: How can localities come to respond with integrity to the needs of their communities while functioning effectively in the global economy?

The present study does not indicate that there is an easy answer to this question in the form of a supposed middle-ground, where economic and political elites agree to make modest social-equity concessions and lower-income residents are persuaded to accept pragmatic compromises. While progressives may find occasions in which settling for these compromises is the best that can be gained in the short-term, the Lower East Side experience has shown that under current conditions this kind of a middle-ground, even when it can be found, offers lower-income residents a better version of a bad situation. Instead, what is needed in the longer term is to change the balance of forces -- that is, to increase the power of communities so that they can afford to demand more, and to create political change at various state levels (municipal, state, national and beyond) to encourage broader economic forces to evolve in ways that are more answerable to community needs.

To discuss these issues more fully is a task beyond

the ambit of this study. Policy alternatives have already been proposed to redirect local development policies to protect against displacement (Marcuse 1985b) and to shift federal housing policies in ways that would promote "protected occupancy" and expand the social provision of housing (Institute for Policy Studies 1989, Rosenberg and Hartman 1989, Bratt and Keating 1993). The present study implies that progressive urbanists also need to discuss coherent policies which, by combining the preservation of neighborhood integrity with constructive forms of economic revival, shift the balance of political forces in the direction I have advocated. Because the formulation of such policies will depend on a deeper understanding of the relationship between global transformation and enduring national and regional particularities, further research will require a more complex and fully articulated comparative framework than has yet been developed (Walton 1990).

NOTE TO CHAPTER 10

1. This does not mean that progressive regimes cannot emerge under conditions of urban decline. It does suggest, however, that under such conditions progressive regimes will quickly run up against fiscal limits and elite opposition (see, for example, Swanstrom [1985]) and will likely need to broaden mobilization and expand the terrain of contestation in order to sustain progressive policies.

APPENDIX

EVALUATING THE LOWER EAST SIDE PLAN

A general assessment of community achievements in the face of gentrification in the Lower East Side is developed in chapter 10. Yet it may also be useful to evaluate the specific provisions of the Lower East Plan in terms of their effectiveness in transforming gentrification pressures into initiatives to foster preservation of a lower-income neighborhood.

Planning for the Lower East Side underwent a complex evolution between 1975 and 1990, the period examined by this study. I have traced that evolution in detail -- from property auctions and self-help rehabilitation, through artists housing, the original JPC and cross-subsidy proposals, and finally to a series of compromises and changes -- in order to understand the ways in which planning was a fluid and dynamic process shaped by conflicting market, community and local-state interests. Even by 1990, it was clear that the Lower East Side plan remained an open-ended set of guidelines carrying little binding force, much of it yet to be implemented and still susceptible, no doubt, to further changes. It is possible nonetheless to offer some assessment of the merits and shortcomings of the plan as one effort to shape the process of neighborhood revitalization.

At the broadest level, what is most striking about the Lower East Side plan circa 1990 is its failure to significantly benefit the neighborhood's lower-income residents of market-sector housing. Despite the JPC's original intentions, the compromise plan does not offer extensive protections from landlord harassment or displacement resulting from gentrification-induced rent burdens (or, for that matter, from decline and abandonment). The plan's sole nod in this direction was the creation of a neighborhood office offering tenant counseling and some legal assistance. Community Board 3 did not succeed in gaining city support for its proposal for special inclusionary zoning regulations, which would have restricted private-sector rehabilitation from transforming lower-income units into higher-income units unless developers also produced certain numbers of low-rent housing units. Given the fact that gentrification is first and foremost a process involving the upscaling of privately owned housing, the absence of private-sector regulation means that a resumption of market expansion will again subject tenants to increased rent hardships and gentrification-caused displacement pressures. In short, the plan as now constituted fails to address the central danger posed by gentrification.

This does not mean, however, that community efforts were without significant effect. By preventing the

auctioning of city-owned properties in the Lower East Side, community groups kept these public-sector housing resources from being used to further stimulate gentrification pressures in nearby market-sector housing. The moratorium's effects in this regard cannot be known for certain, but it probably reduced what were already quite substantial displacement pressures throughout the 1980s. By defeating auctions, as well as city proposals (such as artists housing) to use public properties for more affluent groups, community groups also preserved the city-owned stock for later projects to develop lower-income housing.

As it had evolved by 1990, the Lower East Side plan for in rem properties stipulated the creation of at least 1,000 units for lower-income housing, in five phases. The first phase, roughly 17 buildings with 183 units (half for low-income and homeless individuals, half for moderate-income tenants), was in construction or was slated to begin by mid-1991; twelve more buildings were being planned in the LISC and Enterprise programs (City of New York, Manhattan Community Board 3, 1990k, 1990l, Lambert 1991). Vacant land planned to support the construction of another 1,000 units -- which had been slated for market-rate housing in the 1987 Memorandum of Understanding -- remained unused after investor interest receded. At least three large vacant-land sites

(comprising 20 lots) were stipulated for market-rate development. Two of these were listed as having designated developers but were likely to be subject to further deliberations by community leaders and city officials (City of New York, Manhattan Community Board 3, 1990). One community leader suggested that neighborhood groups would probably press for subsidized housing on those sites (Goldin 1991).

City planners had also formulated an inter-agency plan (bringing together departments of housing, parks, real estate and city planning) to preserve or relocate gardens and parks that had been created by Lower East Side residents on vacant lots (City of New York, Department of Housing Preservation and Development 1991a). This plan identified, as well, various vacant properties suitable for commercial development. Apparently, these properties have been slated simply for commercial auction rather than a planned economic development effort.

Other projects outside the parameters of the plan also expanded the lower-income housing stock in the Lower East Side during the period of this study. Community Board 3 estimated that during the decade ending in 1987 an average of 370 units of low- and moderate-income housing were produced annually in the Lower East Side (Memorandum of Understanding 1987). City sources record that the housing department's Division of Alternative Management

sponsored the creation of 800 units of tenant- and community-managed housing between 1980 and 1990 (City of New York, Department of General Services, Division of Real Property 1991, City of New York, Department of Housing Preservation and Development 1991b). By the late 1980s, the Cooper Square Mutual Housing Association was in the process of developing at least 100 new units -- and improving conditions in several hundred more -- of subsidized housing on an old urban renewal site. Another 375 units of new housing were also planned by the New York City Housing Authority, by New York State and by various foundations and philanthropic associations (City of New York, Department of Housing Preservation and Development 1991a).

With all of these newer projects added to the area's existing stock of federal public housing (approximately 14,000 units), it is clear that the Lower East Side continues to sustain a large concentration of lower-income housing that is removed, in varying degrees, from the market sector. This stock represents a considerable safeguard from gentrifying pressures as well as from landlord abandonment and decline. It also suggests that government and various "third-sector" (community development and not-for-profit) institutions will remain important housing actors in the Lower East Side.

In conclusion, the Lower East Side plan, despite its

limitations and the continued uncertainties of implementation, has thus far served several positive functions. It has restricted the availability of city-owned properties for market-rate development. It is augmenting the supply of subsidized housing for those most in need, though not rapidly or dramatically. The plan has also helped to mediate between conflicting neighborhood needs, such as those for housing and public space (gardens and parks). And finally, the plan served at key moments as a vehicle for mobilizing community action and has at other moments provided an agenda-setting political forum through which to debate community-controlled revitalization. Inasmuch as many neighborhoods have faced revitalization without such a forum or any kind of planning, this is no small achievement.

Nevertheless the Lower East Side experience indicates, as I discuss in chapter 10, that qualitative shifts in community influence and political control over market forces will prove necessary in order to produce the kind of planning that can successfully reconcile broader economic change and neighborhood integrity.

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