POLICY AND DESIGN FOR HOUSING

Lessons of the Urban Development Corporation 1968-1975

Journal Article

Bridging the Gap from Rhetoric to Reality: The New York State Urban Development Corporation

by Samuel Kaplan

BRIDGING THE GAP FROM RHETORIC TO REALITY

THE NEW YORK STATE URBAN DEVELOPMENT CORPORATION

BY SAMUEL KAPLAN

"Sure we can rebuild America," said the renewal administrator to the concerned and questioning representative of the League of Women Voters at one of those forums on the city-housing-jobs crisis. "Just give us the right of eminent domain, the power to ignore local zoning and unlimited financing."

Like every urban state, New York has been fighting a losing battle against decay. Its slums are spreading faster than its rate of new construction. Its old commercial cores can no longer compete with suburban shopping centers and are corroding. Its industry is fleeing to the countryside, leaving a potential work force in the cities on unemployment and welfare. It is a mess, as anyone can testify who has toured New York City's South Bronx, Harlem, Brownsville and Bedford Stuyvesant, Buffalo's downtown, Albany's backstreets and the mill towns of the Mohawk Valley.

Urban renewal at best has been an inadequate tool, trying to drain the floor of blight with an eyedropper, and at worst a quagmire, replacing neighborhoods with vacant lots and promises. According to a recent report, New York has 2,741 acres under urban renewal, of which 198 acres are completed projects, 280 acres are in advanced project stages, while the remaining 2,263 acres are in limbo, lacking feasible plans and viable sponsors. The state's renewal effort becomes even more frustrating when measured against the estimated 100,000 acres in substandard condition in and around the cities of New York.

Since it takes on the average 13 years to complete an urban renewal project in New York City and eight years upstate, it would take New York at its present pace about 350 years to eliminate its slums, assuming that their present festering is contained and that new housing starts keep up with demands of the state's burgeoning population. (Of course, both assumptions are optimistic fantasies, given the state of the cities and the economy today, and given the utter lack of a commitment to the housing problem by the federal government.)

New York's renewal experience is not unique. Every urban state is suffering. But the magnitude of New York's problem is such that its failure is more glaring, much to the consternation of Governor Rockefeller, who has prided himself in his administration's herculean rebuilding efforts. Establishing public benefit corporations to avoid bureaucratic pitfalls, and unleashing billions in bonds, the state of New York in the last ten years has built a vast higher education plant, rebuilt its mental health facilities and hospitals, extended its highways and is now tackling mass transportation and water pollution, following a 1967 public vote of confidence in the passage of a multi-billion dollar bond package.

With these victories behind and bolstering him, and the chaos of the cities daily front page news, the governor waded into the urban renewal morass two years ago. Ignoring bureaucratic and political pressures to fatten up the lethargic State Division of Housing and Community Renewal, the governor again elected to seek the quasi-government form of the public benefit corporation to get the job done.

He also sought out Edward J. Logue, who has perhaps the best reputation in the nation as an urban administrator dedicated to getting a job done. Logue was then a part-time professor of public administration in Boston and a constant renewal consultant and critic, following an overwhelming rejection by voters in

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his 1967 bid for the Boston mayoralty. Logue built his national reputation while rebuilding New Haven and Boston; and he had previously toyed with the challenge of New York City when Mayor Lindsay offered him the job of Development Administrator in 1966—after Logue had given Lindsay a report outlining the position and what had to be done. When Lindsay failed to deliver the reforms Logue considered necessary (principally the subjection of the City Planning Commission to a new Development Administration), Logue declined the job. He had been quite excited by the prospect of tackling New York City. But Logue felt he needed some strong teeth to bite into the Big Apple.

Working as consultant to Governor Rockefeller, he translated the reforms he considered necessary into an outline of a new state corporation that embodied the fantasies of every renewal administrator in the U.S. The resulting legislative proposal called for a development corporation with vast powers which would allow it to condemn property, to plan new structures or even new cities, to build them if no one else would, to own them and lease or manage them, to receive tax exemptions and, if need be, to ignore local zoning and building codes. In addition, Logue recommended that this development corporation be given \$5 million as a starter to cover operating costs, \$35 million in "first instance" appropriations to cover planning and project costs prior to permanent financing, and a bond authorization of \$1 billion! Two subsidiary sister agencies to the corporation were also proposed: a Corporation for Urban Development and Research, which would plan and initiate demonstration projects; and an Urban Development Guarantee Fund, which would get around some state charter problems in financing and would guarantee mortgage loans in project areas.

Reading more like the recommendations of an "urban workshop" than a serious legislative proposal (especially by a Republican administration), the proposal was greeted with gasps. Legislators, lobbyists and journalists in Albany gave it little chance of success, despite the governor's strong support. There was almost no area for compromise in Logue's package: the state administration held firm on the need of the corporation for absolute powers—particularly its option to ignore local zoning codes, an issue that rallied opponents from Montauk to Niagara Falls. Zoning is the bed rock on which home rule stands, and in New York, as in other states, home rule stands next to God. The package languished, collecting derisive remarks and dust.

On April 6, 1968, the Rev. Martin Luther King was assassinated in Memphis. Governor Rockefeller sent a special message to the Legislature two days later, urging passage of the urban development package—as a tribute and a memorial to the slain civil rights leader—and then flew to Atlanta to attend the funeral. During the afternoon of April 9, the day of the funeral, the proposal passed the Senate, but in the Assembly conservative upstate Republicans joined liberal New York City Democrats in their concern over home rule to defeat the package 85 to 48. Reacting strongly to the rebuff, after the funeral in Atlanta, the governor started making telephone calls, urging, cajoling and threatening legislators to reconsider the vote. Patronage and pet bills were dangled before Assemblymen in a dazzling display of political power by Rockefeller, and within seven hours 40 votes were turned. The package went back before the Assembly at 11:30 that night and was approved 86 to 45. The governor signed the proposal into law the following day, and the most potent government-created apparatus for tackling the problems of urban development was in business in New York State.

"Sure we can rehouse America," said the housing administrator to the angry representative of a community action committee at one of those housing workshops. "Just give us unlimited use of land writedown, interest and rent subsidies, and remove all restrictions from every housing program."

A year and a half has passed since the UDC became a legal entity and Ed Logue no longer slips into the governor's Manhattan office on West 55th Street off Fifth Avenue, but walks boldly into the corporation's modern offices two blocks south, where its executives share the tenth floor with the Ted Bates advertising agency. Following Logue and filling the offices have been many old friends and associates from the good old New Haven and Boston days, among them Robert M. Litke, New York City regional manager, and John Stainton, Rochester area regional manager. They and others have been attracted no doubt—by the excitement that surrounds their 48-year-old boss, the autonomy and potential of the agency and, last but not least, the handsome salaries offered.

Parading less boldly into the offices have been mayors, renewal directors, planning commissioners, developers, real estate operators and a host of consultant planners and architects to get a piece of the action and perhaps find a taker for a parcel or a plan. Most of them have not been disappointed. The UDC staff, which has grown from 6 to 160, have reviewed almost every urban renewal project in the state for possible involvement by the corporation, while launching dozens of studies. But as the studies are bound and circulated, and the minutes of the last meeting typed and reviewed, it has become evident to observers and some staff members that the UDC is having problems bridging the gap from rhetoric to reality, particularly its promise to provide low- and moderate-income housing—the UDC's most important objective, according to Logue.

Though it can plan, build and manage any form of housing, it cannot finance subsidized housing, other than to provide short-term construction loans. For low-income housing, it must turn to the local housing authorities and work through their channels to the federal government, acting as any other turnkey developer, hat and plans in hand. To achieve moderate-income housing, it must act as a packager-developer on behalf of a local nonprofit sponsor in applying for FHA mortgages, an increasingly difficult road to travel.

Its position is somewhat better in undertaking middle-income housing, where its legislation directs it to work closely with the State Housing Finance Agency, which provides below market rate mortgages and has at its disposal a variety of rent subsidy tools. But the fact remains that though the UDC can be a constant prodder, especially when headed by Logue, it does not have the final review powers for its housing projects. It will perhaps be able to edge its way to the front of the mortgage commitment line, but nevertheless must stand outside the door while an agency that was bypassed when the UDC package was proposed (and whose staff members earn substantially less than UDC personnel in comparable positions) review their plans.

Architects working on housing studies for the UDC confide that they eventually expect a clash between the HFA and the UDC over design and project costs. Logue has always prided himself in being sensitive to design consideration and that somehow, someway, cost problems can be resolved. On the other hand, the HFA has adhered strictly to cost considerations, with design merely an afterthought. (Co-op City in the Bronx—see Jan./Feb.

'69, page 107—is perhaps the extreme example of the HFA's preoccupation with costs to the exclusion of design.) Architects who have submitted plans to the UDC find themselves caught between the challenge of good design called for by the UDC, and the knowledge—from past experience—of what the HFA will probably do to the drawings later. "The UDC is floating in the air right now. But I am afraid the balloon will burst as soon as HFA costs out the jobs," said one leading architect. "It is an odd situation when we, the architects, have to be constantly reminding the client of cost considerations, but we do."

Furthermore, the UDC does not have any funds for housing subsidies, which have, in these years of rising construction costs and community rejections of public housing, become the only way of squeezing some low- and moderate-income families into new housing and of keeping rents in a reasonable range. Here again the UDC must stand in line for the thimblefull of federal and state subsidies available.

Most constricting, perhaps, is the fact that the UDC also has no land writedown funds of its own, which is the essence of any urban renewal program. This means that the UDC cannot assemble land and, as a renewal agency can, sell or lease it for less than the cost of assemblage, including the purchase price, relocation and demolition, so the buyer or lessee can reduce the cost of development accordingly. Maximum allowable land costs for subsidized housing in cities almost mandates a land writedown. As a result, the UDC will almost always have to work through the local renewal agency in developing inner city sites for subsidized housing.

Though newspapers have labeled the UDC a "super-renewal agency," the lack of a land writedown actually reduces the role of the UDC in cities to that of a developer. But with a bushelful of planning money to seed projects; experienced staff to process papers for local renewal agencies and to move the projects through the bureaucracy; with the resources to build the projects, own them and manage or lease them; and with the option to ignore local building or zoning codes, the UDC is, in fact, a super-developer.

The immediate result has been that the UDC has become what can best be described as the developer-of-the-last resort. Renewal projects across the state that have been vacant lots for years, collecting garbage and defeating incumbents while awaiting a developer with cash in hand, are now being reviewed by the UDC. "There is no doubt about it," said a staff planner, "we are getting the dogs."

After a year of reviewing and negotiating, the UDC has agreements in principal with 11 cities to proceed on projects totaling $600 million in construction. The cities are Amsterdam, Binghamton, Buffalo, Ithaca, Newburgh, Ogdensburg, Ossining, Peekskill, Utica, Yonkers and New York City, which apparently has had some second thoughts after denouncing and almost defeating the UDC in the Legislature.

Most of the projects involve housing, with more than 20,000 units planned, 11,000 of them in New York City. The most ambitious of the projects is the development of the 147-acre Welfare Island, in New York City's East River (October issue), where a new community of 5,000 units of housing in a park setting has been designed by architects Philip Johnson and John Burgee. According to the UDC, its income range formula for almost all the housing is 70 per cent middle-income, 20 per cent low-income and 10 per cent elderly, though it is expected that some communities will suggest different breakdowns. Other projects include parking garages in Ithaca and Syracuse, some industrial and commercial facilities in Yonkers and in and around Buffalo, and recreation areas in New York City. The UDC also is studying and negotiating possible projects in 35 other localities.

The cities could not be more pleased. With a few exceptions, they have been pressed to find developers capable of carrying out the projects. The UDC holds the promise of transforming vacant lots into buildings. However, though not admitting it publicly, the UDC is worried about project feasibility. Its negotiations with the FHA and HFA to pick up the mortgages in all their residential projects is critical, and there are reports that all is not going well. The UDC has expended a good portion of its $35-million "first instance" appropriation on housing, and the only way it will get that money back is if the HFA and the FHA assume the permanent financing and allow the UDC a takeout. As already noted, the UDC can float notes or bonds for short-term financing, making it an excellent middleman for low-income turnkey housing, but the corporation will quickly "self-destruct" economically if it gets into permanent mortgaging for projects that must be subsidized. The UDC just is not geared up to be another housing finance agency.

To be sure, the UDC can permanently finance any type of structure, including schools, sewage plants, shopping centers, firehouses and factories, but it also will have to be assured that it can lease or sell the facility at a rate to meet its debt service on the cost of development and, hopefully, a little more to cover administrative expenses and the cost of those studies that undoubtedly will wash out. According to the legislation, the UDC must borrow its money in the private market, without pledging the full faith and credit of the state. The projects, therefore, must be designed to be financially self-liquidating. This means that a UDC project will have to be attractive enough for other developers to take over once the financing and red tape are resolved and, hopefully, before it goes into construction. Though its legislation allows it to, the UDC does not want to go into the construction business and certainly not into property management. This would tie up its capital and weaken its future bond position, while perplexing the local municipalities, which will not be able to collect full or perhaps even partial taxes on the projects since the UDC is tax exempt. The state has agreed to reimburse the localities for tax losses, but the issue of how much and for what would more than likely involve the UDC in a hornet's nest.

In essence, the UDC wants to become a packager-in-the-public-interest. It would like to limit its role to developing plans, arranging financing and then selling the "package" to a developer, whom it will oversee to assure that the project is carried out as agreed and as expeditiously as possible.

"We are in the position, we believe, to initiate sound development projects and take them to the point where the private sector can step in, take over and build and own them," Ed Logue has said. "If we can, in fact, deliver such packages, we will have enough takers to keep us from becoming a construction agency. The indications we have are that private equity and development capital will be available if we perform our catalytic role properly."

The test will come soon enough as the UDC's first plans become working drawings and its negotiations become contracts. The hope is that private developers will be attracted by various tax incentives written into the corporation's legislation, including tax abatement (with the state making up the difference to the local governments) and tax credits for the creation of new jobs. The UDC is also seek-nonprofit sponsors capable ssuming its moderate-income jects.

espite these problems, it is ious that the UDC is pering an invaluable service, ing out a number of flounng local renewal agencies municipalities, while proby paying off some political ts incurred by the governor obtain passage of the UDC slation. Whatever the motiions–social, economic or itical–the UDC as a devel-er-of-the-last-resort is filling a ical void in the urban reval program. It is apparent t private developers are just going to wade into the mpy waters of the cities hout having someone else de in first and cut a clear nnel through the swamp. ic associations and concerned mmunity groups also need eone to hold their hands to d them through the perplexplanning process.

With its seed money, selected ncing, prestige and persernce, the UDC provides a eded boost to cautious devel-ers, do-gooders and municiities, breathing some life into state's urban renewal prom; but the program is still k and basically handicapped. the UDC noted in one of its ormational brochures, the l renewal effort in the state, e 1949, covers a little more n two and a half per cent of estimated 100,000 acres in standard condition.

The problem raised by the UDC's growing and deep inement with urban renewal is it will sap UDC's energies finances and divert them the task it is almost ideally up for: the development of towns and new projects outthe city. It has become apent to the UDC through a y conducted for it by the ional Plan Association, and ious conferences, that the s will never be able to red themselves as they must as as the constant growth of lation presses upon them.

"I have put 15 years of my life into rebuilding two American cities, at least in part, and I know just as surely as I know the Old Howard is gone from Scollay Square that the cities—New Haven, Boston, New York—cannot solve this problem by themselves," said Ed Logue to a gathering of city-watchers. "It is time we understand that fact, controversial and difficult as it may be, and build our urban development policies around it."

A few weeks after his statement, the UDC announced plans for two new towns (September issue, page 32.) The first and most ambitious is the Amherst project, on the outskirts of Buffalo, where the State University has been planning a $650-million, 1,000-acre campus eventually to accommodate 50,000 students, faculty and administrative personnel, plus their families. It will be one of the largest university complexes in the world. The state has asked the UDC to integrate the proposed campus into a new town in the surrounding area that can support a population of 200,000 within 15 years and relate it economically, socially and esthetically to the neighboring and growing suburban communities. Beyond the physical plan, for which the British firm of Llewelyn-Davies, architects, has been hired, the UDC also will propose a method of financing and developing the new town. The approach of weaving planned government construction with private development into a new town fabric is unique to the United States, and it is noteworthy that the UDC is undertaking the weaver's job.

The second new community planned by the UDC lies 12 miles north of Syracuse in the town of Lysander. Here, the UDC has purchased, for $1.5 million, 2,100 acres of the old Baldwinsville Ordnance Depot, which was used for the manufacture of explosives in World War II and is now vacant except for the omnipresent abandoned automobiles. Preliminary plans developed by David A. Crane of Philadelphia call for an 800-acre industrial park and 4,600 units of mixed-type housing, with a town center and surrounding open and recreation space, to be constructed over a ten year period.

The tract and the plan are modest, but they do resolve some tricky political jurisdictional questions that could lead the way to similar developments elsewhere in the state. They also establish the precedent of the UDC competing with private developers for the purchase of tracts in the open market—and winning. But the proof of the pudding will come after the UDC completes its plans and tries to get private developers to buy them and build, hopefully within the next six months.

The present UDC new town efforts project a total population of 220,000—a start, but a long way to the state's expected population increase over the next 20 years of 4.7 million. Add to this figure an estimated 1.4 million New Yorkers now living in dilapidated or deteriorated buildings, and you end up with a total need of new housing in the state for more than 6 million people.

The UDC also has cast a cautious glance at suburbia, where Logue says he would like to see the corporation sponsor some small cluster developments of about 40 low-income units each. He has said that at this scale he was confident that the UDC could "create opportunities for low-income families to share in the good schools, the safe streets, the fresh air and open space other Americans like so well without unsettling or unbalancing the suburban communities."

This also was the recommendation of the Regional Plan Association in its study of housing opportunities for the UDC, but so far Logue has given no indication of where and when the UDC will attempt to put its toe into the stormy waters of suburbia. The UDC has only moved into areas to which it was invited, and there has been no such invitation from the suburbs. If anything, the UDC has been warned by politicians, publicly and privately, to stay out. With its appropriations running low and a state-wide election coming up, it is not expected that the UDC will make any major moves to loosen the so-called white noose of suburbia that is choking the cities and enraging civil rights groups.

1970 looms large in the future plans for the UDC. At this writing, Governor Rockefeller has indicated he will run again next year, principally to fulfill his commitment to solve the urban mess, which is interpreted by many as an act of faith in the UDC. As problems for the UDC grow, the governor can be expected to lend his critical support to Logue. If Rockefeller should decide not to run, or if he is defeated, the UDC will have the difficult task of establishing a new relationship with a new governor—at a cost no doubt of some powers and some pet projects. Logue's political acumen will be taxed.

The political situation in the coming year demands that the UDC get as many of its projects as possible off the planning boards and into the ground. This would justify Rockefeller's support and give him ammunition against the inevitable attacks on the UDC. If he should decide not to run, an active building program just might raise the UDC above politics—the ultimate goal—and win bipartisan support. It is easy to fight plans, but nearly impossible to fight buildings, especially buildings supplying jobs, housing and taxes.

The problems are there, but so is the potential. The lights in the UDC offices will be burning bright and late in 1970. The pressure to produce is on.