The Real Estate Market in the United States: Progressive Strategies

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I. The Role of Real Estate Markets in the United States

Since European settlement, the private real estate market has played the leading role in shaping urban land use in North America. Despite a century of globalization led by the United States this is still the case today.

Traditional land use planning in the U.S. is based on the principle that planners should guarantee the "highest and best use" of land, a metaphor meaning they should facilitate the development of any given parcel of land at its highest exchange value, maximizing profits to the owner. The exchange value of land is principally determined by its location. Every urban planner in the U.S. learns the three basic economic laws governing the real estate market: "Location, Location, Location." Central locations generally yield higher land values, and land values tend to increase incrementally, like ripples in water, from the center outward. There are many physical and social barriers to the ripples, which may cause "leapfrogging" and other variations in the concentric pattern. Temporary troughs in land values appear when, due to the centrality of its location, the potential value of development on the land vastly exceeds the value of buildings currently located there. These pockets of decline in and near the center are targets of speculative investment. The investment is risky because, due to the *housing* market's inability to create housing for low-income people, poor people end up living in areas where *land* values are temporarily declining, and the timely removal of poor people to facilitate redevelopment can never be guaranteed, thanks to the struggles of poor communities against displacement.

This meeting of the housing and land markets is the root of community displacement. And displacement is the main *community* (i.e., territorial) problem faced by working class neighborhoods throughout the country. Displacement and threats of displacement trigger spontaneous protest and political organizing. They are the major stimuli to the development of progressive alternatives to the blind rule of real estate and the housing market.

Lower-rent buildings and the people that live in them are continuously displaced outward, through government-sponsored urban renewal, landlord abandonment, arson and the gradual process of gentrification. Displacement occurs in ripples, following the beat of the land market. Displacement didn't start with the monumental "modernist" urban renewal schemes of the 1950s; it started with the real estate market, which created the conditions for profitable land conversion. It has been a regular feature of capitalist urban development from the start. Almost 130 years ago Friedrich Engels wrote:

> The expansion of the big modern cities gives the land in certain sections of them, particularly in those which are centrally situated, an artificial and often enormously increasing value; the buildings erected in these areas depress this value, instead of increasing it, because they no longer correspond to the changed circumstances. They are pulled down and replaced by others. (Engels, 1975)

The lowest-rent functions such a farming were forced out of the metropolis entirely during the earlier part of the 20^{th} century.

The real estate market gives us both the high densities of Manhattan and the sprawl of Los Angeles. The major difference between the two configurations is in the extent of regional sprawl and auto use. (The excessive sprawl of Los Angeles, compared to New York, is due to the fact that Los Angeles developed mostly during the last fifty years when there was a convergence of several critical factors: the west coast economic boom, migration from within the U.S. and abroad, federal highway and suburban housing subsidies, and auto dependency.)

Another new feature of the real estate market is the growth of national real estate companies, and the appearance of several large publicly-traded corporations that specialize in real estate investment and sale. In addition, corporate investors from Europe and Asia have invaded parts of American territory. However, no matter what conceits the investors may have, these corporations don't create land value; they only trade in it. They adjust their strategies to local real estate markets, and only minimally contribute to shaping them. They join local landed interests in forming the foundation of pro-growth blocs. The many working class property owners reap minimal returns from their investments and are at greatest risk of displacement; they are even more the subject of market forces beyond their immediate control.

The rather straightforward market process is mainly responsible for the *shape* of urban growth in North America.[1] It is the most significant and direct determinant of land use. Other factors – such as globalization, the growth of the financial sector, government infrastructure, land use planning and zoning – are subordinate to the mighty rule of real estate.

I-A. Globalization and Real Estate

Globalization does not *cause* urban expansion, redevelopment and displacement. It creates the conditions that make them possible. It provides the fuel for real estate development. A relatively unregulated and dynamic real estate industry makes urban expansion, redevelopment and displacement a virtually inevitable consequence of the repatriation of profits from globalization, but if real estate were more tightly regulated a smaller proportion of the economic surplus would end up in the urban sector. In short, the gains from capitalist growth are distributed in a variety of ways; real estate is just one of them.

In the 20th century, transnational capital and the global marketplace invaded local markets all over the world. Colonialism was defeated by national liberation movements and replaced by a relatively integrated system of global capitalism based in North America, Europe and East Asia. This new system is no longer focused only on extracting raw materials and transplanting modern industrial production around the world. It is also engaged in controlling distribution and the reproduction of capital and labor. Capital has

[1] Even before there was private property in the ownership of land, central locations were the most valued, as feudal lords created *citadelles* at strategic locations near bodies of water and in valleys and the rest of the population settled around them. In many cities today, particularly in formerly socialist countries, there is little or no private ownership in land, and real estate markets are tightly constrained by government; yet the centers of cities are generally the places where economic and political power, and cultural institutions, are concentrated. In all cities, central locations are valued highly. Thus, centrality is a use-value of land, and where there is no private real estate market, it is not tied to the exchange-value of land.

now moved to the commodification on a global scale of services, art, music, culture and ideas. And land – both agricultural and urban land.

Any land with potential exchange value is a target for transnational corporations. Manhattan-style downtown districts, private malls, theme parks, and gated communities are marketed everywhere. The biggest land grab comes courtesy of the oil and auto industries, which have managed to monopolize and privatize public streets and roads, and often sidewalks as well. And the global communications and entertainment industries (TV and motion pictures in particular) monopolize and privatize public airwaves and theaters.

However much it may dominate in local markets, global capital is far from being ubiquitous. The overwhelming majority of investments by global capital are still made in the small group of developed countries of North America, Europe and East Asia. In most places throughout Africa, Asia and Latin America, where the vast majority of the world's population lives, and where we find most metropolitan areas, urban land remains in the grip of local residents, property owners and real estate markets which global capital has little interest in challenging. To a large extent this is also true in the developed nations, even in the United States.

In the U.S., there is still a decisive "division of labor" between productive transnational capital and speculative local capital invested in urban land. Even with all the shopping malls, megastores, and MacDonalds, the vast majority of commercial property and land remains in the hands of local elites. Transnational investors may play the most prominent role in boosting local real estate values, but their projects are always subject to local government approval and local governments are political instruments for local, not transnational, property interests. Financing by transnational banks is of critical importance, but these banks follow local real estate trends as much as they may create them; and locally chartered banks also play a significant role. Eighty percent of lenders in the U.S., approximately 8,600 in number, are local banks with assets under $250 million.

Local governments, through their land use and fiscal powers, negotiate the terms of the social contract between global and local capital. They represent the interests of small property owners (and to a lesser extent renters and consumers) before regional, national and transnational forces that effect their constituencies. Their survival today before the increasingly powerful global forces is testimony to the material interests they serve in the local marketplaces.

In central cities, much is made about the leading role of the financial sector, which is closely connected to global capital, in stimulating local real estate development. Certainly, dramatic growth in the financial sector over the last decade provides the backdrop for continuing real estate investment in Manhattan, Boston, Chicago and other major cities. But it is only the backdrop. First of all, this is not new; the financial sector has fed the urban real estate industry for at least a century.[2] Secondly, financial sector growth doesn't automatically result in the growth of financial districts in central cities. It *also* produces residential, retail and industrial growth outside central cities. In fact, the

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[2] In the poorest cities of Africa, Asia and Latin America there has been minimal growth in the finance sector yet real estate markets have expanded, an even stronger demonstration that real estate doesn't necessarily depend on growth in the financial sector. Real estate may be relatively undercapitalized, but it continues to play an important role in the local economy.

dynamic suburban growth over the last 50 years which has produced metropolitan regions where two-thirds of the population live in suburbs is demonstration enough that the financial sector invests wherever the real estate market finds new opportunities. *Where* the surplus from the financial sector is invested is determined for the most part by the economic laws of the real estate marketplace, not the financial marketplace. *How much* of the surplus from the financial sector is invested in real estate is ultimately determined by the financial marketplace as investors assess the relative profitability of real estate and its long-term usefulness to their portfolios given the overall conditions in the financial marketplace. Some investment goes to build office space and house the expanding labor force in the financial sector; but most of it does not. Most of it goes into safe real estate investments or the speculative real estate lottery. The challenge and advantage of real estate investment is (and always was) the speculative fall and rise in land values. This makes for lucrative investments in both central and peripheral locations.

Government infrastructure, like globalization, does not *cause* urban expansion, redevelopment and displacement. It provides the means by which they occur. The federal interstate highway system and mortgage subsidy programs shaped metropolitan growth by providing the financing and infrastructure for suburban expansion. They also contributed to the neglect of central cities that fed the process of speculative reevaluation of land there. But these federal programs effectively *supported* local real estate markets and their general tendencies instead of interfering with them. For this reason, they are enthusiastically backed by the real estate and construction lobbies.

Finally, the relatively liberal and fragmented land use regulations in the U.S. do not *cause* urban expansion, redevelopment and displacement. They are responsible for intensifying these phenomena by legitimizing the power of large-scale developers able to decisively influence public policy. State and municipal land use regulations establish the rules of the game for the large number of small property owners and help guarantee the fulfillment of the U.S. Constitution's promise of the right to use one's property. The Constitution does not give the U.S. government the power to regulate land use. All powers not specifically attributed to the federal government by the Constitution are presumed to be residual powers of the states, and states generally delegate most of that power to municipal governments. The geographical jurisdictions of municipal governments are small and there are many of them within in metropolitan regions. Thus, land use controls are poorly coordinated and it is easy for large real estate developers to play local politics and manipulate them. Local real estate developers tend to control local governments and use their influence there to negotiate the terms of engagement with the global and regional investors.

The newest trend in real estate development is the multiplication of central business districts. Beginning in the latter half of the 20th century, satellite CBDs have emerged in the expanding metropolitan regions. Some of these were towns and cities engulfed by the sprawling metropolis. Others are newly created, often with significant government assistance (though often not apparent) and usually with heavy investment by banks and transnationals. In any case, they are the result of the saturation of land markets in central business districts, the high costs of central city redevelopment, and the unwillingness of government (for a variety of reasons) to eliminate restrictions on new central city development in the older CBDs. The precise location and configuration of the new business districts are for the most part determined by the real estate market and other local factors.

In addition to these new business enclaves, there are many socially exclusive higher density and mixed use megadistricts sprouting all over. They are the *Edge Cities* announced by Joel Garreau (1991), and the *technopoles* of Manuel Castells and Peter Hall (1994). In reality, they are simply denser versions of the old fashioned sprawled suburban development, without the urbanity or integration in planning and function that is made possible with higher densities. The satellite centers that function as central business districts exercise their own independent influence, creating their own ripple effects at their peripheries. In the New York Region, for example, they include the cities of Newark, Jersey City, New Brunswick, New Haven, Stamford and White Plains.

I-B. A Nation of Enclaves

The real estate market is the principle mechanism for establishing and maintaining residential segregation (the major cause of segregation is *racism*, but the real estate market is the major instrument for its enforcement). Cities in the U.S. are sharply segregated by race, income level and age. To maintain property values, racial minorities and lower-income working class people are excluded from the more exclusive suburban enclaves.

However, segregation extends beyond race, and is a major organizing principle in the U.S. metropolis. It is part of a broader system of *enclave* development. Central city real estate markets produce elite enclaves in the form of the central business district (CBD) and the Silk Stocking residential districts. The suburbs are a collection of separate residential subdivisions defined by race and income level, punctuated with commercial enclaves (shopping malls). Land use planning is dedicated to the separation of residential, commercial and industrial uses, and not to the integration of land uses and human activity. Enclave development is part of the anti-urban tradition in the U.S., a continuation of the frontier mentality and small town life of the 18th and 19th centuries made possible by settlement of a vast territory with seemingly unlimited resources.

The two key elements in urban enclave development are the single family home and the private automobile. The single family home is the "American Dream," a household enclave and the mantra of the real estate industry. In recent decades, real estate developers have produced a broad selection of *gated communities*. The private automobile is considered a virtual birthright and the natural accessory to home ownership. The streets and highways that spatially link the nation's enclaves occupy between a fourth and third of all urban land. The dominance of auto use, which benefits a large number of small property interests, over mass transit, which tends to create greater value for a smaller number of large-scale property interests, is a sure indication that real estate is a long way from monopolization. Indeed, the suburban low-density model of urban development is so deeply imbedded in the economic and social life of the country that it has successfully invaded the older, more densely developed industrial cities. Suburban malls and superstores have filled large vacant sites in central cities; expressways cut across the old neighborhoods and business districts; and private auto use has pushed out surface mass transit. Entertainment enclaves and Disney districts are popping up all over the landscape. These suburban-style developments are spearheaded by transnational retailers and entertainment giants, but they are merely the *anchors* in a vast commercial network that engages more small property owners as willing accomplices in the game of urban consumption.

I-C. Displacement

In the long run, enclave development takes its toll in productivity loss, resource waste, pollution, social alienation, and the human destruction that accompanies structural inequality. But the most damaging *immediate* product of the rule of real estate is its displacement of individuals, households and entire neighborhoods, particularly low-income and working class neighborhoods. Historically, most displacement of people has been the result of catastrophic events – wars, natural disasters, and epidemics. Within cities, however, it is a byproduct of the real estate market.

The *urban question* first arose with the social movements of the 1960s and 1970s against the displacement of central city neighborhoods caused by federally sponsored urban renewal programs. Urban renewal was the mechanism for expelling poor people from valuable land in central cities. The program involved large scale planning and subsidies for the conversion of land use from low-income residential to luxury residential and commercial uses. Movements to protest the wholesale destruction of poor neighborhoods in central cities due to urban renewal and federal highway programs defined the urban question. Since the neighborhoods displaced were disproportionately occupied by people of color, urban renewal became known as "Negro removal" and the urban movements were integrally connected to the civil rights movement at the point of its greatest power and influence. The urban rebellions and movements of the 1960s ended massive urban renewal and forced the real estate industry to use its usual method for land conversion – the gradual process of revaluation, often known as *gentrification*.

Displacement in the central cities was made possible and accompanied by the displacement of industry and large sections of the (mostly white) working class to the suburbs. The movement to the suburbs, however, was associated with a perceived increase in living standards for the households displaced. The largely voluntary displacement to the suburbs was marketed by government and the real estate industry as the fulfillment of the "American Dream" – the single family home and private automobile.

In a general sense, displacement may be considered simply one manifestation of the increased *mobility* of capital and labor in modern capitalism. The movement of capital in general spurs the movement of labor, within nations and across borders, and as capital becomes more mobile so does labor. The U.S. is a nation of displaced people, in the first place immigrants from Europe, then from all over the world, who displaced the indigenous population and took their land. There are fewer obstacles to the movement of capital in the U.S., and that goes for real estate as well. The highly mobile regime of capitalist development in the U.S. is reflected in dynamic urban property markets where buildings are amortized in a few decades and very often last much less than that.

Auto dependence in the U.S. adds to the high level of mobility. Each year the number of vehicle miles traveled and average highway speeds go up.[3] Part-time and temporary work is increasing and average job tenure declining. The average household moves once every five years. With all this movement, the most important infrastructure is now for communications and transportation, not for locally-rooted places. As localities are more and more temporary way stations for displaced people, access to public places is limited. Security devices are seen to be necessary in parks, on streets and in malls because public places are increasingly occupied by "strangers" and people without a place of their own.

The high level of mobility, then, corresponds with a low level of *access* to public places. The greater the mobility, the more restrictions there are to public places. However, there are also severe restrictions on who can get in the high speed lanes. Half of the population in this internet world have never seen a Web page. Auto mobility excludes many elderly, children and disabled people; ten percent of households in the U.S. do not own cars. Upward employment mobility is reserved for a small minority of the labor force and real wage levels have actually declined since the 1970s. In other words, the displacement resulting from the regime of high mobility is experienced differently by different groups in society. Women in particular have been negatively affected by displacement, the reason why in the struggles against displacement women have taken leading roles to defend their neighborhoods and public spaces.

The contradictory aspect of this life in the fast lane is that it reinforces the value and power of central locations, and therefore the role of the real estate market. This pattern continues to hold despite the communications revolution. Most internet servers are located in central cities; the internet, like the telephone before it, contributes to the urban hierarchy instead of dispersing it; global air travel increases the importance of central hubs instead of dispersing them.

II. The Progressive Response

The left in the U.S. has not developed a clear and consistent approach to land use and real estate development. For the most part, efforts to regulate real estate have been led by liberal reformers. The only comprehensive alternative to the rule of real estate was offered by Henry George almost a century ago. George's proposals to substantially tax land value gains influenced many liberal reformers and were well received in some sectors of the radical and socialist left during the 1930s. George's contributions have been carried forward today in the work of the Henry George Institute in New York, the Lincoln Land Institute in Massachusetts, and other non-profit groups. However, local and national taxation policies have generally been used to achieve the opposite result – to encourage speculation and the turnover of property. Real estate transfer taxes are usually not enough to outweigh windfall profits. Taxes on capital gains are at a lower rate than

[3] There has been no new individual transportation technology in the past 70 years since the launching of the internal combustion engine. This fact calls into question some of the suppositions of postmodern theorists. The expansion of mobility is not necessarily based on any new technology, but in this case is more a result of the clever marketing of old technology, planned obsolescence and conspicuous consumption.

personal income taxes, and when homeowners sell their principle places of residence to buy another they are exempt from these taxes. Furthermore, real estate taxes are regressive, benefit the wealthy, and reinforce social and racial segregation. And as the federal government has withdrawn its financial support of local government, local governments increasingly rely on property taxes to finance local services, resulting in poor services for poor communities.

In New York City, liberals have supported the use of tax abatements to encourage the renovation of vacant buildings even though there is little evidence that the tax breaks do anything more than deprive the government of potential revenues. Popular among both conservatives and liberals is the widespread underassessment of single family homes in the city, a policy that discriminates against tenants, who tend to have lower incomes than homeowners. While this tax policy discourages flight to the suburbs, speculative conversions, racially motivated blockbusting and other destabilizing real estate practices, it also deprives the local government of revenues needed for critical services that working people depend on, and disproportionately benefits the middle- and upper-income neighborhoods.

Some progressive local governments in the U.S. have taken limited measures that restrict the role of real estate development. The socialist mayors of Milwaukee, Schenectady and Oklahoma City in the early 1900s, for example, were more anxious to prove they were efficient administrators and allay fears they would enact any structural changes in the local economy. Some undertook the municipalization of transportation and utilities – which led to the term "sewer socialism" – but none attempted municipal control over land. The Socialist government of Schenectady wouldn't raise property taxes, for example, because they didn't want to face the inevitable criticisms by the Democratic Party (Lippmann, 1913). Pierre Clavel (1986) shows how progressive local governments in Berkeley and Santa Monica in California and Burlington, Vermont used their regulatory powers to control apartment rents and land use. But no government has applied a comprehensive or consistent policy aimed at limiting the effect of local real estate markets.

There have been scattered local efforts to restructure local taxation. Some local reformers have introduced resale controls, taxes on short-term holdings, displacement impact funds, and other mechanisms for controlling speculation. Some municipalities have adopted measures to stop abandonment, such as controls on arson and demolition, stricter code enforcement, and tax relief for property owners. Some have slowed gentrification by regulating conversions of rental property to condominiums, forbidding the conversion of low-income SROs (single-room-occupancy buildings), and maintaining subsidies for low-income tenants. However, these are feeble efforts forced on local governments by grass roots movements, and not part of any overall strategy for restructuring the way land is used in cities.

II-A. Progressive Strategies

Grass roots community movements have usually been the foundation for progressive strategies in land use and real estate development. The community movement arose principally as a response to the expansion of elite enclaves – particularly the central business districts – and the pressures of displacement. The efforts of local governments in the U.S. that have been supported by community movements have focused not on developing long-term strategies for land use but on the short-term tactics of stopping displacement. In effect, most of the experience has been one of tactical responses to the real estate market.

Even where there have been strong left local governments, the conditions have never existed for them to develop comprehensive strategies. Because of the power of local property owners, progressive local governments have generally had to seek accomodations in which they agree not to challenge the integrity and privileges of elite enclaves. Instead, they seek to improve services in working class neighborhoods while minimizing the control of elites and large-scale financial and real estate capital.

Today, reform efforts are under the thumbs of liberals who seek incremental changes without questioning fundamental inequalities and the distribution of power. The major liberal reforms seeking to regulate real estate have little relevance to the daily lives and struggles of working people. They include the New Urbanist, Smart Growth and Growth Control initiatives, which so far have only created a new generation of elite enclaves. These reform trends arise from a critique of the inefficiencies of suburban sprawl, not a critique of the inequities of the urban land market. They signal a new generation of environmental and design regulations that are being used in suburban enclaves to reinforce privilege and social exclusion. It is important to develop reasoned critiques of these trends and practices without feeding into the neo-liberal drive for deregulation or the regressive defenses of sprawl and auto dependency.

Since massive urban renewal and displacement ended and was replaced by the gradual process of gentrification, there has been less protest and militancy in the community movements, which have had to adopt more sophisticated strategies to confront more sophisticated governments and the process of gentrification. At the same time, the political spectrum has shifted to the right since the Reagan Counterevolution. Today, the one strategy that seems to unite the community movement is greenlining – bringing capital to low-income neighborhoods. The one national-level political issue that unites the community movement is defense of the Community Reinvestment Act, which forces banks to disclose their lending practices in low-income neighborhoods and is presumed to be a deterrent to redlining. The national concensus on greenlining reflects in part the historic struggle of African-Americans to rectify the inequities in the distribution of real estate benefits and the exclusion of Blacks from opportunities for bank loans, homeownership and business ownership. But it also reflects the hegemony of capitalist ideology, since alternative strategies such as community and cooperative ownership are not supported by the white-controlled financial institutions and governments. Black Capitalism has replaced the Black Power movement, and the improvement of individuals is pursued without regard to the impacts on class and race.

Among the practices of liberal and radical reformers, however, there are many that help point the way to more comprehensive strategies for controlling the rule of real estate. These include programs and measures that seek to expand social ownership of land, preserve existing working class communities, and proactively regulate land use. These efforts were originally designed to confront immediate problems caused by displacement and broader economic and social inequalities. Many were not developed specifically as anti-displacement measures, but have had that effect. Many were instituted by national rather than local government (for an excellent summary of strategies, see Hartman, et. al., 1981).

1) Social ownership of land.

Short of eliminating all speculation in land, the most effective means for protecting working class communities has been the removal of major pockets of land from strictly private ownership. Social ownership of land includes ownership by federal, state and local governments, limited-equity cooperatives, non-profit local development corporations, religious institutions, and private land trusts. Any land, which cannot be sold for profit, is effectively in social ownership.

Less than four percent of the housing units in the U.S. are subsidized for low-income people, and a fraction of this number is public housing units owned by local authorities. For all their inadequacies, these housing units are the first line of defense against land speculation. Due to the prejudices imbedded in the real estate market against people of color and low-income people, public housing often has the effect of suppressing real estate values in the surrounding areas and limiting the potential for displacement and gentrification. In effect, these housing projects are "off limits" for future real estate development and their tenants are protected from displacement -- at least they were until the current trend towards privatization of public housing. The suppression of real estate values in the areas surrounding public housing is a symptom, and not the cause, of the chronic and structural poverty and racism that create segregated enclaves for the poor. If the underlying problems of poverty and racism are addressed, real estate values in surrounding areas would go up, and other measures would have to be taken to regulate land values. However, with the current privatization of public housing, no measures are being taken to limit or recapture land value increases in neighborhoods since the explicit objective of privatization is often to raise values.

New York City gives us one of the best examples of the effects of social ownership. Fifteen percent of all housing units are owned by public authorities and limited-equity coops. In the midst of a highly dynamic real estate market, these units are pockets of stability and for decades have protected people from eviction and displacement. Many public works -- recreation centers, libraries, schools and hospitals -- further limit the orbit of the real estate market. Many neighborhood parks help stabilize property values. Without the large stock of socially owned property in New York City, there would be a much smaller low-income and working class population than there is today.

However, social ownership by itself may also have the opposite effect. Large-scale public facilities, especially if they are in and near elite districts, often increase demand for housing in the surrounding private market and may create pressures leading to displacement. For example, the long-term effect of Central Park in New York has been to add to the value of the upper-income enclaves in the surrounding areas. (In the blocks adjacent to low-income neighborhoods, the park may very well be a stabilizing influence if not an asset to property owners). Many socially owned facilities are being privatized or their benefits transferred to more affluent strata of the middle class; in a privatizing culture, social ownership can never be considered perpetual.

Despite the benefits of public ownership, many publicly owned facilities detract from working class communities. These include waste facilities and other unwanted land uses which suppress real estate values to the point that the homes of low-income people lose value and households suffer the health consequences of these facilities. Urban planners typically site noxious facilities in low-income neighborhoods because land values there tend to be lower. This has given rise to the environmental justice movement, which plays a progressive role in undermining the crass logic of planning for “the highest and best use.”

Socially owned property isn't the only stabilizing land use. Frequently, privately owned one- and two-family homes can be a stabilizing factor in communities. Since homeowners must have more stable incomes to qualify for mortgage loans, and because transaction costs in buying and selling homes are higher than renting, pockets of homeownership can be a stabilizing influence. However, homeownership by itself is no solution as long as there is a large stratum of workers and households with marginal incomes; i.e., as long there is a reserve army of labor, the capitalist imperative.

The key strategy, therefore, must be not simply to change the form of ownership, either to social ownership or private ownership. The strategy of social ownership is founded on the presumption of social control. This means working class communities need to have the political power to control land as they see fit. This could include a broad range of systems of land tenure. It would undoubtedly include guaranteed space for and access to socially owned facilities, the end of environmental racism, and integration of land uses in a socially planned city. It is hard to imagine how this could happen without a progressive political majority willing to supplant the hegemony of the real estate bloc.

<u>2) Rent and Eviction Controls.</u>

Rent control is one of the most effective mechanisms for stopping displacement. Rent controls effectively limit the ability of landowners to realize the increasing value of land because rent controls generally include eviction controls. Rent controls have existed longest in New York City, where an active housing movement was able to force the extension of World War II era rent regulations long after the war was over. However, these regulations have been seriously weakened in recent years because of landlord opposition. Progressive governments in Berkeley and Santa Monica, California were able to enact rent control measures, but they weren't able to resist challenges by landlord interests.

In the best of cases, however, rent control has its limitations. First of all, unless controls are valid in perpetuity, property owners simply postpone realization of land value gains. Secondly, if applied to small property owners, as in Berkeley, rent control can create serious problems for low-income homeowners and divide them politically from low-income tenants. Third, most rent controls are limited to individual municipalities, or portions of municipalities, so that landlords of uncontrolled buildings in the immediately surrounding municipalities are free to raise rents as high as the market will bear (and, following the law of supply and demand, the rents there will be higher). Thus, rent control in one district can protect tenants there while contributing to rent gouging elsewhere. Unless rent controls are system-wide their effect will be limited.

3) Comprehensive and Proactive Planning.

Progressive ideas about using land use planning to protect working class neighborhoods have mostly been put into practice by advocacy planners operating outside government in defense of communities facing displacement. There are very few examples where reform governments have used land use powers in a strategic way to protect working class neighborhoods. I can think of only one example of a comprehensive planning process in a major city that attempted such a strategy -- the Cleveland Policy Planning Report of 1975. In New York City, there have been a number of neighborhood-based plans with this strategic objective, but they are exceptions and not the rule, and there is nothing at the level of the city, much less the metropolitan region. (The Regional Plan Association of New York has completed three regional plans since its founding almost 80 years ago; however, the RPA is a private non-profit funded by philanthropies and has weak ties to progressive movements).

At best, zoning, subdivision regulations, and environmental review powers have been used to stop individual projects in individual cities. For example, recently in New York City a coalition of community groups was able to stop a change to the zoning ordinance that would have eased restrictions on the development of superstores in industrial areas. However, this didn't stop the suburban-style superstores from blitzing the city and displacing small industry and retailers.

4) Industrial Retention and Preservation of Mixed Use Neighborhoods.

One strategy in the older industrial cities has been to preserve industry and stop the conversion of industrial land to upscale residential uses. Many of these cities have historically mixed industrial and residential districts. As industry has moved to the suburbs and abroad, real estate developers seek to profit from conversions to upper-income housing -- generally the only housing the market will provide. However, remaining industries tend to suppress land values, limiting the attractiveness to speculators. Thus, industrial retention can be an important strategy for stabilizing working class neighborhoods. In Chicago under the progressive government of Harold Washington, there was a policy of industrial retention through economic incentives and land use controls.

The major problem with the mixed use strategy is that due to the lack of enforcement of environmental regulations in working class neighborhoods, industrial uses are usually part of the problem and not part of the solution. Mixed use neighborhoods are often unhealthy and polluted. Landowners of industrial properties are frequently absentee owners and don't care much about whether their tenants are good neighbors. And the owners of industries tend also to come from outside the neighborhoods, and historically are only loosely attached to the neighborhoods where they operate. Furthermore, urban industries often don’t hire from the local jobless population but import labor.

Among conservatives and liberals today, there is strong support for the enterprise zone strategy, which gives tax incentives and subsidies to businesses in central cities. The prevalent theory behind this is Michael Porter’s notion that central cities have a “competitive advantage” because of their cheap land and labor. This revival of the colonial theory of comparative advantage obscures the giveaway of public funds to the private sector, and overlooks the failure of this strategy to improve the lives of urban low-income communities.

5) Historic preservation.

Historic preservation has mostly been a tool for the preservation of property values in elite neighborhoods. The focus by preservationists on large old buildings automatically eliminates many working class neighborhoods where so many historic buildings have been destroyed by abandonment, inadequate maintenance and speculative conversions. Elite conceptions of historic value are entirely bound up with property values and the elite interpretations of history. However, there are numerous examples where preservation strategies have contributed to neighborhood stabilization. In New York City, there are 70 historic districts where regulations limit the extent to which developers can demolish and convert buildings. A handful of these 70 districts are in working class neighborhoods. In Savannah, Georgia, one of the first central city preservation districts in the country, subsidies helped retain the largely African-American low-income population as historic buildings were restored. In San Francisco, California, the National Trust for Historic Preservation and local preservationists supported efforts to save the International Hotel, a residence for Filipino workers, from demolition. The ten-year struggle to save the hotel was eventually overcome by real estate investors and their local supporters, and the hotel was demolished. But preservationists are involved in the reconstruction of a new International Hotel, a low-income housing project that will incorporate memories of the struggle to save the original hotel.

II-B. The Case of New York City

New York City property is worth more than $100 billion, the hottest piece of real estate in the world. It is the center of a metropolitan region with land and improvements probably worth three times that much. It is a center of global finance. Yet the local real estate industry plays a much greater role in civic affairs and is more directly involved in local government than the banks and Wall Street firms that dominate the CBDs. Almost all of the City's residents live outside the Manhattan CBDs. Almost all of property owners are outside the CBDs, and almost all of the conflicts among property owners are outside the CBDs.

Real estate, in close alliance with banks, has always ruled local politics in New York City. In the early 19th century, John Jacob Astor “became the wealthiest man in the U.S.” by investing in New York City real estate. Astor bought land cheap in the panic of 1837, foreclosed on mortgages and got rich when the market went up. (Jackson, 1995: 989-90) The real estate industry was behind the establishment of the 19th century gridiron plans that facilitated land subdivision in Manhattan. They were behind the New York City Zoning Resolution in 1916, the first zoning code in a major city. The real estate industry has thwarted attempts to institute comprehensive long-range planning

(New York has never had an approved master plan). They supported and richly benefited from construction of the subway system, which boosted land values around stations.

The real estate industry's direct influence waned during periods of financial crisis: in the Depression Era, when federal public works and welfare programs, guided by maverick Mayor Fiorello LaGuardia, helped stabilize the local market; and in the fiscal crisis of the 1970s, when the banking and financial sector effectively controlled the city budget. But in both of these periods, banks and the public sector shaped local government policy in large part to stimulate and revive real estate growth – in the Depression by building new infrastructure and in the 1970s by giving tax incentives to new development.

Today, the Real Estate Board of New York and its over 5,600 members are among the city's major power brokers. The names of the leading real estate developers -- Starrett, Tishman, Rose, Trump, Levitt, Durst and Helmsley –- are as widely known as the names of elected officials. They exercise their influence as major contributors to political campaigns, and are the keystone in a pro-growth bloc that includes construction unions, civic groups and banks.

Occasionally the real estate giants get involved directly in local politics; for example, the current Director of the City Planning Department comes from the Rose real estate empire. It should come as no surprise that Planning Director Joseph Rose has made his department the most "developer-friendly" ever. Rose has been a forceful advocate for "big box" stores –- large suburban-style retailers like Walmart, Home Depot and Pergament. He proposed to liberalize zoning restrictions on large retailers in industrial zones. This responds mainly to the interest of local real estate people to cash in on land value increases in declining industrial areas. It also is a bow to the retailing monopolies and the suburban tastes to which the current mayor has catered.

As a sign of the extent of New York's real estate wealth, Donald Trump, second generation real estate mogul, is preparing to invest millions of dollars in an attempt to win the presidential nomination on the Reform Party ticket. Trump is a nationally known investor in ostentatious and banal architecture, but must overcome the image – which has some basis in reality – that he's merely a local too rooted in land to represent the interests of global finance.

It is not difficult to understand the role of the major real estate companies in local politics. But it is quite easy to overlook and underestimate the role of the many small property owners, and the *systemic* characteristics of real estate rule. Much of the apparatus for zoning, planning and land subdivision is in place to provide uniform ground rules, especially for smaller developers (the large ones can easily change the rules). The City's 59 community boards help mediate conflicts among development interests, and tend to favor the smaller and more locally based developers. The 51 City Council members, and the representatives to the state legislature, are more closely connected to the smaller neighborhood-based landlords, retailers and institutional property owners than with the large real estate and financial firms. The most important development issues for them -- the ones that stir the greatest interest and which they have the greatest ability to affect -- include issues such as code enforcement (housing, sanitation, parking), road maintenance, crime and public safety.

The smaller, neighborhood-based real estate interests play a shifting and often ambiguous political role. When it is in their interests to stop new development proposed by one of the giants of the industry (their property may not benefit sufficiently, or may be taken for infrastructure development), they join the local preservation bloc. When it is in their interests to support the new development (their property values will go up) they will do so or, as is frequently the case, abstain from the public debate.

Community Preservation in New York City

Despite the powerful role of the large and small real estate operators, the dominant political bloc that supports growth and development, and recent inroads by suburban-style mega-developments, New York City is still a national example for neighborhood preservation. The reason for this is the powerful counterweight of community and civic organizations. These include block associations, tenant organizations, and merchant associations at the neighborhood level, and environmental, housing, and civic groups at the citywide level. They include non-profit institutions and charitable organizations that own property. And, most importantly, they include some neighborhood-based real estate interests (see Angotti, 1999).

Maintenance of New York City's substantial stock of socially owned housing is in part the result of strong community organization with progressive politics. The City's large and relatively well maintained public housing stock is the result of a New Deal era social policy advocated by Mayor Fiorello LaGuardia and followed to varying degrees by every mayor since then except for the present one. The large stock of municipally owned housing was the result of large-scale abandonment and pressures created by tenants, squatters and neighborhood-based housing groups. The large stock of limited-equity coops is mostly due to the financial and organizational support of labor unions. And New York City's rent regulations survive (though severely crippled) mostly because of the strong political organization of tenants.

The ability of neighborhood groups to stop unwanted projects and facilities prompted the creation of community boards in the 1970s. The boards have not been effective advocates for neighborhood preservation because they do not have the institutional or material resources. Their members are unpaid appointees of the Borough Presidents, who tend to see the boards as their representatives in the neighborhoods. In 1990, the boards were given explicit authority to prepare neighborhood plans, but since then few have done so. City government provides no financial or technical assistance to community planning, a situation vastly distinct from Milwaukee, Seattle and a few other cities that have established neighborhood-based planning.

New York City's policies regarding industrial retention and mixed use development have been anything but progressive, especially when compared to places like Chicago and Berkeley, California. However, the City's Industrial Technology Assistance Corporation and Economic Development Corporation do provide some material support for small industries even while the city's main economic development strategy is to provide tax incentives to subsidize CBD-based corporations and to favor real estate as the leading economic sector. This persistent set of pro-real estate policies is more a testament to the substantial power of real estate than to the failings of a progressive, community-based alternative.

II-C. The Struggle for Community Gardens

The case of community gardens in New York City illustrates the political role of local real estate. In the late 1990s, the city administration undertook efforts to sell at auction hundreds of community gardens. This prompted protests from gardeners and environmental and civic groups, which climaxed this year when two non-profit groups agreed to buy a group of gardens from the city to preserve them. However, the city continues to selectively sell gardens at auction to the highest bidder or give them to developers for the construction of housing. Behind this struggle over land is the historic battle between the interests of real estate and the access of poor people to public space.

New York City has unique among U.S. cities in that it has the most dynamic real estate market and the lowest ratio of open space per person. As the booming stock market pumped millions into the local economy during the 1990s, land values at and near the central core soared. Vacant land in some low-income and working class neighborhoods quickly gained in value. For decades the city had accumulated vacant lots throughout the city when owners stopped paying taxes and abandoned their land. The city's Operation Greenthumb was a unique program that leased some of the vacant lots to neighborhood groups at $1 per year for use as community gardens. While the garden use was supposed to be a temporary one, many gardens thrived for years and community groups expected that as long as they had community support and the gardens were successful the city would allow them to continue.

The market boom of the 1990s changed all that. Once unconcerned with low-income neighborhoods, real estate magnates now found potential gold mines in the more centrally located ones. In 1994, their preferred candidate, Rudolph Giuliani, was elected mayor (and continues to serve at this writing). Giuliani had been elected with practically no support among low-income communities of color, and did nothing while in office to change his unpopularity there. Giuliani also supported the ideological campaign of his party, the Republican Party, for privatization of government functions. An authoritarian type, he was especially piqued by a group of feisty gardeners from Manhattan's Lower East Side who demonstrated at his inaugural ceremony. When the gardens went up for auction, the Lower East Side, at the center of intensive real estate interest, lost more than its share of gardens.

A disproportionate share of community gardens was in low-income communities of color. These same neighborhoods have the lowest proportion of neighborhood open space per capita, the greatest needs for public places because of the deficiencies in private housing, the poorest ambient air quality due to intensive bus and truck traffic, and the highest levels of asthma and other diseases related to poor air quality. Therefore, the sale of gardens has a disproportionate impact in low-income communities of color.

Many of the gardens became centers of art and culture. Immigrants with limited access to the city's European-style palaces of culture (the museums and concert halls) painted murals in the gardens, held social events and played music. Community gardens in the multicultural Lower East Side were regular stops on historic walking tours and tourist itineraries. Some gardens in mixed neighborhoods brought together gardeners of Puerto Rican, Chinese and Italian descent; some brought together young and elderly. Some gardens in Puerto Rican neighborhoods were sites for *casitas*, small huts reminiscent of rural cottages in Puerto Rico, and sites for music and dancing. Some gardens featured religious statues, sculptures and decorative plants. Some provided fresh produce as an antidote to the processed food culture promoted in greenless supermarkets. Others were outlets for composting, thus helping to diminish the solid waste that is collected and exported from the city at great expense. In sum, New York's community gardens offered many benefits to the city and to low-income neighborhoods. While the actual number of housing units that could be built on the garden sites is relatively small, an ambitious mayor with a racist blind spot and greedy real estate bloc behind him decided to undertake a war on community gardens.

Giuliani's attempts to privatize public space, however, are nothing new in New York. City government has always been at the same time the largest property owner in New York and a faithful supporter of privatization. The city has always been the owner of last resort and has always had a policy of selling back the land as soon as there was a "market" for it – that is, as soon as private owners stepped up to ask for it. In the 1970s, the City owned thousands of vacant lots and over 150,000 apartments that were left standing after the devastating wave of housing abandonment in the South Bronx and elsewhere. The city's policy was to sell everything back to speculators and slumlords, but an active housing protest movement was able to slow down this process. Instead of developing plans for the reuse of vacant lots, the city has always tried to sell them off without restrictions. Instead of crafting a program to maintain the buildings as quality housing for low-income people, over the years the city has put them into temporary programs with the view that eventually they had to be sold to real estate developers or the tenants so they could enter "the market," that presumably magical solution to all problems.

The fundamental issue that community gardeners are fighting about is not the privatization of publicly owned space. They don't necessarily care that the city retains the title to the land. Thus, the settlement reached with the city would place ownership of the garden lots in a private, non-profit trust. The fundamental issue is *access* to public space. In order to remain accessible to communities, the gardens need to be kept off the speculative land market. Public ownership is one means of accomplishing this goal, perhaps the best means. Another is through a private land trust.

As we noted in the beginning, however, public ownership or ownership in trust by itself does not necessarily guarantee public access. Some community gardens are virtually privatized by a few individuals or families who use the land as if it were theirs; these gardeners often had difficulty organizing community support to preserve their gardens. Just as public parks can be inaccessible to most of the public, publicly owned gardens can be off limits to the public. Social ownership, to be socially progressive, must entail social control.

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