Rising Tides, Rising Costs

Why there's so much low-cost housing in flood-prone New York

Samuel Stein and Caroline Nagy

Part 1 of a two-part series on New York City's response to sea-level rise.
Part 2, scheduled to appear in the Winter 2015 issue of *Progressive Planning,* spells out the potential impacts of rising flood insurance costs on New York's working and middle class waterfront communities.

New York is a city on the water: with four islands and a peninsula, its massive coastline stretches out over 520 miles of urban expanse. This waterfront has been key to the city's economic and social development, but it also puts the city at enormous risk. With climate change creating increasingly severe storms and rising sea levels, New Yorkers are increasingly susceptible to flooding.

Many of us learned this lesson the hard way. When Hurricane Sandy hit New York nearly two years ago, the damage was immense. The storm surge flooded 17% of the city, damaged nearly 90,000 buildings, and killed more than 44 people.

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Sandy revealed a profound truth about New York's environmental vulnerability. Over 400,000 New Yorkers reside in the city's high-risk floodplain – a number larger than the entire populations of New Orleans, Cleveland or Tampa. But it also exposed another truth, hidden in plain sight: while a few wealthy enclaves were hit by the storm, most of its victims were public housing residents and low- to moderate-income homeowners.

In both Coney Island, Brooklyn, and Astoria, Queens, for example, homeowners make about $50,000 – 28% less than the citywide average for homeowners. In parts of the Bronx, the difference is even starker; in Throggs Neck, homeowners earn 35% less than the citywide average. Many of these neighborhoods had recently been through a spate of foreclosures; homeowners were finding themselves both literally and figuratively "underwater."

Why had the city's most flood-prone areas become the site of so much relatively low-cost housing? The answer encompasses decades of planning that lowered land values on the waterfront, and often encouraged the construction of low-cost housing in flood-prone areas. Today, federal policies are aiming to make these areas more expensive, in an attempt to encourage sustainable development and decrease human vulnerability. But in order to understand the potential ramifications of those actions, we must first understand how these areas got to be the way they are.

Real Estate Values in Center and Periphery

The main reason homes are affordable in flood-prone New York is that the land they sit on has been devalued. Land values are lower in flood-prone areas for a number of reasons, but the simplest is real estate's guiding principle: location, location, location. Most of these neighborhoods lie on the city's edges, miles away from what the real estate industry calls "core Manhattan." Manhattan's central business districts have long been prohibitively expensive, pushing the city's workforce further and further outwards. The outer borough waterfront therefore acts as an economic outlet for the city, a peripheral place where land values can simmer while they soar in the core.

Barriers to Transit

In New York City, subway lines track closely with both density and land values – where there are no subways, land tends to be cheaper and less built-up. Though not impossible, coastal geology makes it significantly harder to build a subway by the water than further inland. Plans have long existed for waterfront subway expansions, from the 7 line extension now under construction to a planned-but-never-built Brooklyn-Staten Island connection, but much of the waterfront remains underserved by transit. This is even more apparent today than in the past, when streetcars reached many parts of the city that the subways could not. In the 1940s and 1950s, however, these streetcar lines were eliminated. The resulting lack of transit has kept land values relatively low, and has encouraged the construction of small, inexpensive single family homes.

The Industrial Waterfront

For most of its existence, New York's 520-mile waterfront was industrial, and was used for the production, warehousing and distribution of goods. It was also – and often still is – the site of noxious facilities like waste water treatment and power plants. As a result, the atmosphere was more grimy than bucolic. As New York City historian Kenneth T. Jackson recounts, "Frankly, it was not a place where you necessarily wanted to have a picnic or a jump in the water." In this industrial atmosphere, land values for coastal residences remained fairly low.

Highway Construction

After World War I, City planners lined the waterfront with highways, starting with the East River (now FDR) and West Side highways in the 1920s and 1930s, and moving on to Brooklyn, Queens and the Bronx in the 1950s. These roadways were first proposed by the Regional Plan Association in their first master plan, which– in no small part to boost inland and suburban real estate values –imagined a set of highways, bridges and tunnels to make the city quickly traversable by car. Robert Moses enacted many of these plans and created over 400 miles of highway, much of it lining the city's waterfronts. While this raised land values in the city as a whole, it drove them down in coastal neighborhoods, which were suddenly beset by the noise, smog and dangerous speeds of auto travel.

Redlining

Around the same time the City was building its highways, the federal government was setting out on a complex plan to stimulate homeownership. A key piece of this policy was the creation of the Federal Housing Administration (FHA) as a way to expand the availability of credit necessary to purchase a home beyond the reach of only the very wealthy. Not all neighborhoods, however, were eligible for FHA loans. An agency called the Home Owners Loan Corporation (HOLC) was formed to evaluate various neighborhoods and judge how safe they were for investment. The HOLC was notoriously racist and xenophobic, and, as a result, they graded neighborhoods with almost any immigrant or African American presence as unsafe. Many of today's flood-prone areas fell into this category, from Broad Channel and Howard Beach in Queens to Coney Island and Sheepshead Bay in Brooklyn. The HOLC downgraded Brooklyn's Manhattan Beach, for example, because its surveyors found a "slow infiltration of somewhat poorer class Jewish" residents; they derided Lower Bath Beach for its "low grade Italian population;" no neighborhood with any African American population received a grade over B-. As a result of this systematic practice, many neighborhoods were cut off from home loans and fell into disrepair, creating a cycle of disinvestment that destroyed countless urban quarters. Land and property values dropped precipitously.

Urban Renewal

In the post-World War II era, New York City began experimenting with "urban renewal" planning, which targeted working class areas (derided as "blighted" or "slum") for demolition, then built up modernist high-rise projects in their stead. On the waterfront, Robert Moses –the man most commonly identified with urban renewal in New York –used the program to rid beachside neighborhoods of their working class culture. Defending his policies, he told the *New York Times*, "Such beaches as the Rockaways and those on Long Island and Coney Island lend themselves to summer exploitation, to honky-tonk catchpenny amusement resorts, shacks built without reference to health, sanitation, safety and decent living." Shoreline neighborhoods became urban renewal targets for three reasons: they were where poor people already lived; their land was easy to acquire; and, in a self-perpetuating cycle, they were near other projects. So the City cleared neighborhoods and built high-rise housing, hospitals, mental health facilitie, and nursing homes. While some of those developments constituted a public good, the surrounding land values dropped as a result of their presence.

Planned Shrinkage

Urban renewal was not only traumatic for the people it displaced and the neighborhoods it disrupted, it was also extremely expensive. In the 1970s, the federal government stopped funding urban renewal projects. Around the same time, New York City plunged into a fiscal crisis. In the immediate aftermath of that crisis, the city's approach to its working class neighborhoods was crystallized in a phrase coined by Housing Commissioner Roger Starr: "planned shrinkage." Under this approach, the city would focus its constrained resources on the central city and aim to retain the rich. The city's poorer and more distant districts, including most of its waterfront, would see a decline in city services –fewer firehouses, less money for housing maintenance, dwindling hospitals and broken street lights. The poor were encouraged to pick up and leave, and many did. In the meantime, vacancies rose, fires tore through neighborhoods and waterfront land values continued to drop.

Affordable Construction

A few years later, in the second half of the Ed Koch mayoralty, the City created new opportunities for homeownership. Partnering with community development corporations, public officials executed a plan to restore and build new subsidized housing on publicly owned vacant lots and tax-foreclosed properties. Much of this work took place in today's flood-prone areas. In Coney Island, for example, the City and the Astella Development Corporation built about 1,000 single-family owner-occupied homes and sold them at subsidized rates to middle class families. While the Koch plan is remembered mostly for its investments in the South Bronx, Harlem and Central Brooklyn, it also created subsidized low density housing in the Rockaways, Jamaica, Sheepshead Bay, Throggs Neck and Staten Island's North Shore.

Gentrification

The Koch plan initiated a new era of residential development along the waterfront, geared over time towards increasingly high-income households. In 1993, the City underwent a comprehensive waterfront rezoning to encourage new high-rise construction. Neighborhoods like Long Island City, Queens and Williamsburg, Brooklyn quickly transitioned from industrial waterfront to waterfront enclave. In many New Yorkers' imaginations, this became the reality of the urban waterfront – a place that remained unapproachable, no longer because of its industrial detritus, but rather its blinding glitz. It was where rich people lived, and where gentrification happened.

In some places, this was undoubtedly true. But in others, the waterfront remains a bastion of affordable homeownership, where communities live by choice and by chance amidst rising real estate pressures. The devastation of Hurricane Sandy revealed this reality, but it also imperiled it. The cost of staying put is rising every day, and the looming flood insurance premium hikes could threaten the future of low- and moderate-income homeownership in these parts of New York City. P²