

A GROUNDBREAKING IN BROOKLYN

On December 8, 1983, in the Windsor Terrace neighborhood of Brooklyn, David Rockefeller with ceremonial shovel in hand, broke ground for seventeen houses to be built on a bleak and littered vacant lot once occupied by the Pilgrim Laundry. Lined up with Rockefeller, the chairman of the New York City Partnership, were Governor Mario Cuomo, Mayor Edward I. Koch, U.S. Senator Alfonse D'Amato, Brooklyn Congressman Charles Schumer, Brooklyn Borough President Howard Golden, Housing Partnership president Kathryn Wylde, and an assortment of City Council members, state legislators, city and state officials, bankers, corporate executives, community leaders, newspaper reporters, and television crews.

Mingling with the big shots were several dozen ordinary New York families who had put their names into a lottery, hoping for a chance to buy one of those seventeen two-family houses when they were completed. The nearby St. Rocco's Roman Catholic Church had supplied a green wire-mesh drum normally used for bingo games. One by one, Rockefeller, Koch, Cuomo, and other dignitaries gave the drum a spin and reached in for the winning names. Cheers erupted from around the crowd as the names were called out — Conlon, Gillespie, Markovinovic,

Lehpamar, Pasternak, McEldowney, Van Cook, Galluccio, Benson. All the names in the drum went on a list in the order they were pulled. The first seven teen families on the list would have two weeks to put down a deposit of \$10,000 or step aside for the next family.

Elsewhere in 1983, without ceremony or celebration, the nation's home builders started more than a million houses for the ownership market, mainly in suburbs and small towns. Why all the fuss over Windsor Terrace's handful of houses? The reason is that new home construction and eager buyers in such a place were surprising, unexpected; they bucked the conventional wisdom that city neighborhoods like Windsor Terrace had only one way to go: down. As Channel Two's Jennifer McLogan put it on the six o'clock news: "Something new is going to be growing in Brooklyn, and the neighborhood excitement is contagious. Today, they brought in shovels to Windsor Terrace, and the residents even joined in the digging. . . ." Windsor Terrace was news because it hinted that the long odds against neighborhood comeback could be beaten — if the right people were ready to dig in. But long odds they were.

Nearly two years had passed since David Rockefeller, the then recently retired head of the Chase Manhattan Bank, and Mayor Ed Koch first announced that New York City's private and public leadership would join in a "partnership" to build thousands of houses for the city's working families. Despite the surface goodwill displayed at that announcement, the road to Windsor Terrace had been strewn with political and bureaucratic pot holes. Those seventeen houses were worth celebrating and made a modest media splash, but the real question was whether the ballyhooed "public-private partnership" could sustain any kind of momentum in the years ahead. Susan Motley, then a member of the New York City Planning Commission now with the John D. and Catherine T. Mac-Arthur Foundation, recalls that "few knowledgeable people in New York really expected the Housing Partnership to go very far — maybe a project or two and that would be it." And not long after Windsor Terrace, Rockefeller himself said, "When we announced the Housing Partnership in January, 1982, some of my colleagues suggested that my retirement as a banker may have coincided in some ways with the onset of terminal lunacy." David Daly, a Chase Manhattan Bank vice-president, recalls the first incredulous reaction of bankers to Rockefeller's idea: "You want to build *what*? You want to build *where*?"

People who questioned Rockefeller's sanity in launching the Housing Partnership had reason to do so. Urban scholars George

Sternlieb and James W. Hughes wrote in 1976 that “the levels of complexity of all elements of [New York City] surpass those of any other population center in the United States. And nowhere is this more clearly evident than in its housing supply system.” Writing a dozen years later, architect John Ellis observed that “New York may be the most difficult city in the United States in which to build housing, let alone ‘affordable’ housing. The process is complicated to begin with, and there are so many things that can go wrong that almost inevitably, some will. In addition, the high cost of land, infrastructure, and construction relative to the residential market create [sic] a need for public subsidies in a variety of forms, each of which bring further complications.” A state legislator, commenting in a context unrelated to housing — namely, the city university system — noted simply: “In a city as complicated as New York, you aren’t going to get things through in a pure way.”

How the New York City Housing Partnership managed to beat the odds, and build housing that people would line up to buy in some of the nation’s worst neighborhoods, is the story this book seeks to tell. Like all good stories, this one has its memorable characters, its conflicts, and its unlikely plot twists. As such, the Housing Partnership story stands on its own as an account of a signal achievement in an unlikely place. But I will also argue later in the book that it is part of a larger national story about cities that is not being told. Scholarly writing about cities abounds with the bleak statistical tracking of discouraging trends, with the failed interventions of government, and with laments over the cities’ descent into political oblivion. Surely these accounts should not be casually waved away, but I believe there is more going on in cities.

The establishment of the Housing Partnership was an early chapter in a more hopeful story that challenges the conventional view of American cities as the sorely wounded victims of implacable economic trends, social chaos, and political neglect. In addition to city-wide organizations such as New York’s, thousands of neighborhood-based community development corporations have sprung up — many in the last ten years — to contest the forces of decline. Banks and corporations are pouring billions of dollars of private investment into central-city housing and commercial development. Despite cuts in federal aid to cities, a critically important package of federal programs and urban investment incentives remains in place. A huge stock of vacant urban land, much of it publicly owned, is available for creative re-use. A wave of new immigrants is energizing neglected and failing neighborhoods in many cities. Finally, ur-

ban home ownership is making a comeback in the most unexpected places — not just in New York City, where the movement is most advanced, but in many other central cities as well. Cities, as they always have historically, are striving to adapt and to remake themselves; in the 1990s and beyond, I will argue, this is becoming a lively — perhaps, even optimistic — quest.

New York City — Graveyard of Good Intentions

Novelist Saul Bellow once wrote of New York City: “What is barely hinted at in other cities is condensed and enlarged in New York. New York is stirring, in supportable, agitated, un governable, demonic.” New York’s immense size, its multitude of racial and ethnic rivalries, its complex political structure, and its many-layered bureaucracies put it in a class by itself as a hard place to get anything done. Even the pious altruism of a Mother Teresa can fail to budge the system.

When Manhattan lawyer Philip K. Howard wrote his 1995 best-seller, *The Death of Common Sense*, a book on “how law is suffocating America,” he picked a New York City case as his leading example. Mayor Koch and Mother Teresa, the story goes, had agreed that her order of nuns, the Missionaries of Charity, would establish a homeless shelter in the South Bronx by converting abandoned city property at the order’s expense. In 1988 the nuns spotted two fire-damaged buildings which the city agreed to turn over for a dollar apiece. Mother Teresa’s group committed \$500,000 to the renovation project. “Although the city owned the buildings,” Howard writes, “no official had the authority to transfer them except through an extensive bureaucratic process. For a year and a half the nuns, wanting only to live a life of ascetic service, found themselves instead traveling in their sandals from hearing room to hearing room, presenting the details of the project and then discussing the details again at two higher levels of city government. In September 1989 the city finally approved the plan and the Missionaries of Charity began repairing the fire damage.” Later, the nuns and the city bureaucracy hit an impasse on the issue of installing elevators in the four-story buildings — a city building code requirement. The nuns objected both on religious grounds — they would not use such modern conveniences as dishwashers and elevators — and on cost grounds, as the elevators would cost an additional \$100,000 or more which the sisters thought could be better spent on “soup and sand-

wiches” for the homeless. City officials insisted that they could not waive the eleventh requirement. Mother Teresa had met her match; reluctantly, her group pulled out and the project folded.

Like Mother Teresa, the Housing Partnership would find that nothing is easy in New York City. The city’s “constellation of political-bureaucratic mega structures” has ways to slow down or smother completely all but the most stubborn and resourceful operators. As Peter D. Salins and Gerard C. S. Mildner have commented: “In the world of New York politics, a deal is never a deal, but a new basis from which to bargain.”

In an interview for this book, R. Randy Lee, a lawyer and veteran homebuilder who has worked on several Housing Partnership projects, reacted bluntly to the entangling mesh of building regulations: “Don’t ever expect government to be logical. There’s no balance left. Every requirement, every demand has the same weight. No one is willing to stand up and say, ‘This is ridiculous.’”

New York, with its population of 7.1 million, is more than twice the size of the next largest American city, Los Angeles. The tourist’s view of New York City — the island of Manhattan with its Central Park, Empire State Building, United Nations headquarters, and all the rest — takes in only about 7 percent of the city’s total land area. Four out of five New Yorkers live in the four “outer boroughs”: the Bronx, Brooklyn, Queens, and Staten Island. Each of the five boroughs has a powerful sense of identity and considerable political power — there is an active “secession” movement in Staten Island and similar rumblings in Queens.

Overlaying competition among the five boroughs is New York’s racial and ethnic diversity: a steadily declining white population, which stood at about 40 percent in 1990; a growing black population (27 percent), swelled by in-migration from Atlantic islands such as Barbados and Jamaica; a large Puerto Rican population (12 percent) and a similar number of non-Puerto Rican Hispanics, including many recent migrants from Central and South America; and the fastest growing minority, Asians, which increased by 67 percent between 1987 and 1991 and make up about 7 percent of the city’s population. Each of these broad groupings masks a multitude of sub groups, each with their own distinct identity, heritage, and aspirations. More often than not, ethnicity also corresponds to pieces of urban territory, with inevitable skirmishes at the boundaries as the groups that are increasing in size seek to break through previously established borders.

New York's inter-borough rivalry and polyglot population, coupled with extremes of wealth and poverty, make for a highly complex and contentious political culture. The two most recent mayoral contests were racially charged squeakers. In 1989 David Dinkins, a Democrat who had been Manhattan borough president, defeated Republican Rudolph Giuliani, a former federal prosecutor, with 51 percent of the vote. In 1993 the two met again, but this time Giuliani won with 50.7 percent. Borough presidents, also elected by popular vote, can significantly influence development decisions affecting their boroughs.

Below elected officials, who come and go, is a sprawling city bureaucracy with hundreds of separate power centers, each of which may have something to say about whether a project goes forward and under what conditions. And they often take their time deciding. New York City also has a system of fifty-nine community boards, established in 1975 as a vehicle for local residents to review development proposals before they are acted on by the City Planning Commission. Although their role is advisory, the community boards are a factor in the approval process—and, if nothing else, can prolong the process by months.

New York is also, by American standards, an old city; large parts of the city have been built and rebuilt several times in the last three hundred years, leaving behind buried rubble, toxins, and occasional archaeological treasures from the past. Tearing down and rebuilding was not a particularly big deal prior to 1970, when New York's planning czar, Robert Moses, could single-handedly carve out express ways, create large parks and cultural monuments, and clear land for tens of thousands of housing units in a single area. But the 1970s and 1980s brought in a period of regulatory activism that introduced a host of restrictions intended to protect the environment from excessive air, water, and noise pollution; to properly dispose of toxic wastes; to protect historically significant buildings and neighborhoods; and to advance social goals, such as affirmative action and access for the disabled.

As each safeguard was put into place, a tangle of regulations and implementing bureaucracy grew up around it. And although each was intended to serve a laudable public purpose, the cumulative effect has been to add layer upon layer of review, stretching out the time between concept and construction and swelling the total cost. One would think that putting up a few town houses on a vacant lot would be a straightforward, simple matter. Not in New York. A modest project on a "fast track," with all parties cooperating, typically takes a year to move from

site approval to groundbreaking. Two or three years of processing are not uncommon; many projects take much longer. As Edward J. Logue has commented: "It takes a minimum of three years to complete a project that could and should be completed in one." Logue, who headed the New York State Urban Development Corporation in the early 70s, and later was president of the South Bronx Development Organization, said in 1985 that a "basic characteristic of [New York] city development for twenty-five years" is "the diffusion of authority and responsibility [so] that one finds little sense of urgency. It all adds up to delay and more delay, and that builds up costs."

After groundbreaking and during construction, many further bureaucratic detours often lie ahead before the city government finally certifies that a house is ready to be moved into. Take Windsor Terrace: A host of environmental and regulatory hassles bedeviled the project following the groundbreaking celebration in December 1983. Windsor Terrace's jubilant but increasingly impatient new home buyers were not able to move in until 1986.

In the early 1980s, the New York City Housing Partnership had more to confront than the city's ugly politics and bureaucratic idiosyncrasies. Memories of New York's crippling and humiliating fiscal crisis of the mid- and late-70s were still fresh. The exodus of industries and middle-class families in the 60s and 70s had created vast stretches of wasted land: derelict industrial sites; the shells of vacant apartment buildings, gas stations, and store fronts; and empty lots of all sizes, overgrown with weeds and strewn with a miserable collage of cast-off furniture, auto parts, and plastic sidewalk toys. In particular, the South Bronx and parts of Brooklyn had become legendary symbols of the worst of urban war zones, so infamous that busloads of foreign tourists would be taken there to snap pictures of the rubble. Ronald Reagan, the new President elected in 1980, had visited the South Bronx during his campaign, but it soon became clear that his plans did not include a rescue of America's cities.

Against this backdrop, the Housing Partnership's agenda of building homes for sale in those very neighborhoods seemed far-fetched. It was assumed that families wanted to leave the city at their first opportunity, not plunk down \$10,000 — perhaps a life's savings — for a house on a bombed-out block in the South Bronx, Brooklyn, or Harlem. As Julius Mehrberg, a partner in the home building team that built Windsor Terrace, told a Housing Partnership conference in 1984: "If you had told me

five years ago that people would pick a lottery number and line up to buy a house from me, I would have laughed at you.” But they did.

The Elusive Idea of Partnership

“Partnership” has become the warm and fuzzy buzzword of American politics. It seems to lack any distinctive political coloration: No one owns the term politically, and no one, so far as I know, has come out against it.

The New York City Housing Partnership fits into the broad category of “public-private partnership,” a policy concept that came into vogue after the activist period of national urban policy faded in the late 1970s. When President Jimmy Carter proposed an ambitious “national urban policy” in 1978, he called it “A New Partnership” of the federal government, state and local governments, the private sector, and community groups. Neither the policy nor the theme caught on. But Carter’s successor, President Ronald Reagan, with his themes of “less government” and more private initiative, did much to popularize the idea of public-private partnerships. In 1982 Reagan told a New York City Partnership meeting that “his administration wanted to create partnerships between the public and private sectors in every community.”

The idea still flourishes in the 1990s. In November 1990, thirty-five big-city mayors met in New York City for an “urban summit” and “called for increased public and private partnerships to address critical issues facing urban America.” No specifics were offered. More recently, Newt Gingrich, the Speaker of the House of Representatives, unwittingly latched on to Jimmy Carter’s term, telling a group of governors meeting in Washington that he liked the term “new partnership” to describe what he hoped would be the future relationship between the federal government and state and local governments. Later that day, President Bill Clinton used the same term in speaking to the same group. “The American Community Partnerships Act of 1995” was the name given by the Clinton administration to its proposed restructuring of the Department of Housing and Urban Development.

The core of the public-partnership concept is promising; it suggests that the public and the private sectors have common interests, so they should work together cooperatively, rather than separately or at odds. In attacking a problem, both sides have things to contribute: Both command pools of money and people of talent. They have distinctive roles, however. Only the public sector can claim the endorsement of the popular will and

wield such legal powers as taxation, spending public money, zoning, and eminent domain; whereas the private sector, driven as it is by the bottom line, is inherently more efficient and less encumbered by competing political demands and entrenched bureaucracies. The private sector better understands how to get things done and is more attuned to people as customers. The “reinventing government” movement is an attempt to trans fuse these features from the private to the public sector.

When one moves beyond these generalities to a specific context, the term “public-private partnership” becomes more elusive. For all the talk of public-private partnerships, there persists a fundamental incompatibility between the two sectors. The private sector, civic and altruistic impulses notwithstanding, expects to make a reasonable profit when it sits down to deal with government — and defining “reasonable” is often not easy. The private sector also expects agency bureaucracies to march to the music of partnership played when elected officials and corporate leaders made their speeches and held their press conference. But press conferences do not override the volumes of laws, regulations, and procedures that are firmly in place, nor do they dislodge the guardians of that structure, who view themselves as agents of a collective public will empowered to protect citizens from the plundering instincts of private interests. Each public-private initiative will need to confront these difficulties sooner or later. And even when both sides do so in a spirit of commitment and good will, the multitude of administrative details involved in program implementation can defeat all but the most talented and resourceful managers. Thus, David J. Ricker, a former banker now working in the public sector, refers to “public-private partnership” as a “euphemistic” term that masks inherent conflicts. Ricker writes: “Identifying the nature and scope of public investment in a given transaction, relating it to appropriate private investment and formulating a conclusion is the final conundrum of implementation which finally determines whose, and what project will proceed to ward its stated goals.” The “conundrum of implementation” would, in fact, be the principal challenge taken up by the Housing Partnership.

David Rockefeller and Ed Koch — Wary Partners

This book is about how the notion of “public-private partnership” played out in New York City when the city government headed by Mayor Ed

Koch and the city's organized business community, led by David Rockefeller, decided to join in a "housing partnership."

This was itself an unlikely collaboration. Koch, the former liberal Democratic Congressman and then a popular mayor, was thin-skinned, volatile, and witty; Rockefeller, the long-time banker, civic leader, and urbane citizen of the world, was unflappable and courtly. Koch believed that Rockefeller did not like him and stereotyped him as a Jewish politician from Brooklyn even though Koch's political base since 1956 was in Manhattan — he had, in fact, been Rockefeller's own Congressman. In that role, Koch took pains to make clear that he was not overawed by his famous constituent. He liked to describe his Congressional district with the line: "In the north I have David Rockefeller, in the south I have sixty-five thousand Hispanics — in effect the richest man in the country in the north and the poorest people in the country in the south. And he thinks his one vote cancels out theirs, but with me it doesn't." Applauding his own cleverness, Koch added, "Not a bad line, and I used it a good deal. It happened to be true."

An incident in late 1969 gave Koch an opportunity to demonstrate that he was not afraid to take on Rockefeller. On December 22, 1969, the *New York Times* broke a story saying that President Nixon had, on December 9, invited a group of business leaders with commercial interests in the Arab nations "to discuss with him the political situation in the Middle East." Rockefeller, who had met with Egyptian president Gamal Abdel Nasser, was among those briefing Nixon. This was a time when the Arab nations had broken off diplomatic relations with the United States following the 1967 Arab-Israeli war, and when the United States was supplying weapons to Israel while the Soviet Union was supplying the Arab side.

The gist of the *Times* story, which was based on versions of the meeting leaked by anonymous "administration officials" — not the business leaders — was that Nixon was warned about declining U.S. influence among moderate Arab leaders because of its strong pro-Israel policies. The group reportedly urged the President to "act immediately to improve its relations with oil-producing and other Arab states."

Koch went ballistic. He wrote a letter to the *Times* and also wrote Rockefeller, demanding that he confirm or deny the accuracy of the story. Then Koch made a thousand copies of his letter and handed them out at subway stations, inviting people to send their own letters to Rockefeller and tell him what they thought of his desire to weaken Israel.

A few weeks later, Rockefeller, through an intermediary, asked for a meeting with Koch. As Koch recounts the meeting in his book *Politics*, Rockefeller comes off as evasive and defensive — so clueless that he opened the conversation by telling Koch that his best friends at school were Jewish. Koch portrays himself, on the other hand, as fearless and incisive, cornering Rockefeller into admitting that he had counseled Nixon to tilt more toward the Arab side. Koch wrote: “I lean forward and I say to him, ‘Change your position.’ He was clearly startled. I said, ‘I have to go, Mr. Rockefeller. I’ll be making a statement about this on television over the weekend.’ He looked even more startled.”

Whether that’s exactly the way it went, who can say. Recalling the incident with the hint of a wince, Rockefeller seems more puzzled than anything else about Koch’s combative reaction to a simple plea for greater understanding of the Arab position in the Middle East powderkeg. With an above-the-battle smile, Rockefeller says now, “We did not get off to the best start, but we ended up friends.”

That is probably an overstatement. Koch’s first book, *Mayor*, published two years after the Housing Partnership was formed, mentions Rockefeller only once, recalling an incident early in the Mayor’s first term. Koch had come to a meeting of the Business/Labor Working Group, a group of about thirty business and labor leaders that had formed during the New York City fiscal crisis to focus cooperatively on ways to improve the city’s economy and public sector performance. The co-chairs of the group were Rockefeller and Harry Van Arsdale, president of the New York City Central Labor Council. This particular meeting of the group was hosted by Rockefeller in the boardroom of the Chase Manhattan Bank. When the Mayor entered the board room and was seated between the co-chairs, Rockefeller offered Koch a cup of coffee and got him one. (Van Arsdale, as Koch tells it, “ran” to get him a Danish pastry.) Koch found this treatment “extraordinary,” so much so that he retells the same story in his 1992 book, *Citizen Koch*. The point Koch extracted from this fleeting courtesy was that Rockefeller was showing deference to the power of the Mayor’s office and not to Ed Koch as a man he particularly liked. It seems an odd point to be labor. One would expect a career politician to understand that success and high office usually inspire deference and are a big part of a mayor’s package of rewards; to also be *liked* by people who are not your friends is expecting a lot.

Rockefeller and Koch were not friends; and when Koch started writing books — entertaining, gossipy, predictably self-serving ones —

Rockefeller did not enjoy his particular role as a bit player in Koch's triumphant striding around New York's political stage. Yet, despite the unpromising chemistry between the two men, both knew what they wanted and both knew that they needed each other. Gracefully managing the required civilities as leaders of the public and private sectors was no great challenge for either of them. They would set out to become effective partners in housing, but wary ones.