

Tanya Domi: Hi, this is Tanya Domi. Welcome to The Thought Project, recorded at the Graduate Center of the City University of New York. Fostering groundbreaking research and scholarship in the arts, social sciences, and sciences.

Tanya Domi: In this space, we talk with faculty and doctoral students about the big thinking and big ideas generating cutting-edge research, informing New Yorkers and the world.

Tanya Domi: Gentrification is one of the most controversial issues confronting New Yorkers today. It means in Harlem that rents are going up, and old haunts from the historically black neighborhood are disappearing. For many who have lived in Harlem, what made it Harlem is disappearing.

Tanya Domi: The same could be said for neighborhoods in Brooklyn like Bed-Stuy, where millennials with less cash are moving in because they can't afford rents in Park Slope, and did not move into Williamsburg when the hipsters created a new scene.

Tanya Domi: Even residents in the Bronx in the formerly blighted South Bronx, have renamed it SoBro, a pivot off of SoHo in the lower east side, as change comes to this neighborhood ... often depicted in B and C movies as the burning Bronx, more characterized by violence, but never thought of in any way that it could be transformed into an upscale location for luxury apartments. Not surprisingly, longtime residents fear these changes, and the inevitable increase in rents, food, and everyday expenses.

Tanya Domi: To explain the dynamics of gentrification and its relationship to real estate companies, city planners, and labor unions, and how it has taken hold in New York City, as well as in other major cities in the United States, is Samuel Stein: a geography Ph.D. candidate at the Graduate Center, CUNY, and a urban studies instructor at Hunter College.

Tanya Domi: His work focuses on the politics of urban planning, with an emphasis on housing, real estate, and gentrification in New York City. Next month, Verso will publish his first book: Capital City: Gentrification and the Real Estate State.

Tanya Domi: Welcome to The Thought Project, Sam.

Samuel Stein: Thank you very much, Tanya.

Tanya Domi: It's great to have you here. Congratulations on your forthcoming book. Let me say that it is not every day that a Ph.D. candidate has a published book before graduating.

Tanya Domi: Now, I want to ask you some questions about the book. But before we discuss it, can you tell the listeners how you originally became interested in gentrification and its intersection with the real estate industry in New York City?

Samuel Stein: Sure. Well, I moved to New York in 2001, when I was 18. And I loved the city and knew immediately that it was my home. But, the pressures on home are really intense here.

Samuel Stein: I lived in several apartments where the rents just kept going up beyond the pace that I could manage. I lived in one where the landlord had tried to kill the downstairs neighbor and bomb the apartment.

Tanya Domi: Okay, that's a good story.

Samuel Stein: Yeah, yeah. This is the extreme version, but-

Tanya Domi: Wow.

Samuel Stein: ... he went to jail for attempted murder of the downstairs neighbor. But he kept the apartment. But I was subletting from a rent-stabilized tenant, without the landlord's permission. And I got evicted. That taught me a lot about how the decks were stacked against tenants, even in this relatively tenant-friendly city.

Samuel Stein: I just saw more and more displacement, more and more of my favorite music venues and restaurants and cultural spaces closing. My friends having a harder and harder time staying in the city. And I said, "I have to figure out what's going on." That's what brought me to study planning in the first place.

Tanya Domi: That's really ... you had firsthand experience.

Samuel Stein: Yeah.

Tanya Domi: It makes all of us wide eyed, happy New Yorkers that first come to the city and then we learn. They learn the dark side of 1), finding an apartment, and 2), being able to afford it.

Samuel Stein: Absolutely.

Tanya Domi: Speaking of which, in the introduction of your book, I want to share with listeners your reporting of some staggering data points, which just blew my mind. Global real estate is now worth 217 trillion dollars. 36 times the value of all the gold ever mined. What a metaphor.

Samuel Stein: Yeah.

Tanya Domi: It makes up 60% of the world's assets, and roughly 75% of it is in housing. In the U.S., home ownership is at a 50-year low. In 2016, a record 37% of home sales were made to absentee investors, perhaps in some cases seniors, who are flipping houses to take care of their retirement needs. Because they probably haven't made anything in a pension or saved enough.

Tanya Domi: Banks and private equity funds like Blackstone also are the owners. And Blackstone is now the world's largest landowner.

Tanya Domi: You say the dominant force in urban politics today is real estate capital, as opposed to industrial capital in the pre–World War period of the United States. Explain how this works.

Samuel Stein: Yeah. It's really staggering. The amount of money around the world has pooled into land and buildings and apartments. Not for the purpose of living in necessarily, but for the purpose of making a profit.

Samuel Stein: That's not to say that industrial capital is no longer a force in cities, or that it's no longer a force in the world. The world as a whole is more industrialized than ever. But less industrial production takes place in the heart of our central cities. It's often displaced either to the periphery of the city or outside the city, or to another region altogether.

Tanya Domi: Offshore, in the case of the United States.

Samuel Stein: Sure. Offshore, or even first the garment factories that left New York City that went to the South. And they didn't go to the big cities of the South.

Tanya Domi: That's right.

Samuel Stein: They went to the outskirts.

Tanya Domi: Right.

Samuel Stein: That had to do with avoiding unions, and it had to do with exploiting Jim Crow. But it had really I think unexpected impacts on places like New York, where there used to be a competition over the planners' attention between the real estate capitalists, the people who own the land for the purpose of renting it out ... mostly for housing, but also for other things. And the industrial capitalists, who were trying to make things on land.

Samuel Stein: The industrialists wanted cheap land. They wanted that to be as low a cost factor as possible. They wanted their employees to live in cheap housing, so that they wouldn't have to pay them more.

Samuel Stein: The real estate capitalists want land to be as expensive as possible, because that's the whole game. They don't want any affordable housing. They used to compete for the planners' attention, and the working-class people would push for affordable housing and the high-quality jobs and the rest.

Samuel Stein: In the absence of industrial capital, real estate is incredibly politically powerful in places like New York City. There's no longer a competing element of capital that's fighting for-

Tanya Domi: That can offset it.

Samuel Stein: Exactly.

Tanya Domi: Also, sometimes people don't really talk about this in New York City. But I lived for five years in Hawaii. There you have, it's very obvious. You're on islands. And it's discrete. Well, Manhattan is an island. And the land here is discrete. I think that is a major factor in why land, it's so competitive to own that land, and who gets to build on that land.

Tanya Domi: In Hawaii, it was little bit more blatant because you had what were the landowners that came in and chopped up the islands into real estate parcels, and you had these plantation companies, and they literally rent the land to people.

Samuel Stein: Right.

Tanya Domi: You could be in a condo, and the land underneath it is rented. You could literally lose your condo if the land company decides not to rent it to you again for 100 years. I think that's a factor here in New York City as well.

Samuel Stein: Absolutely. Manhattan is an island, Staten Island is an island, Long Island is an island.

Tanya Domi: Right.

Samuel Stein: Bronx is the only part that's connected to the mainland.

Tanya Domi: To the mainland.

Samuel Stein: And Westchester acts as a pretty strong buffer against the spread of New York City. So there is stark competition for land, and extremely high land values. And when the city changes its zoning, or the rules about what can be built where, enormous amount of value is created out of thin air.

Samuel Stein: If the city decides that more can suddenly be built in an area, and there's not that much more land to grab, then suddenly that parcel of land is worth a whole lot more money than it was before.

Tanya Domi: We were just talking before we started here, we were talking about affordable apartments and our experience of apartments. Given all these factors that you've laid out in the introduction of the book, you also talk about affordable apartments, in that because there are fewer people who own homes now ... it's at a 50% low in home ownership in the United States. Because more people are renting, and rents are going up.

Tanya Domi: Affordable apartments and paying the rent in New York City is something everyone talks about.

Samuel Stein: Right.

Tanya Domi: You could be on the subway, people talk about this is the vernacular of living as a New Yorker. We have to learn how to manage and employ endless strategies on how to remain in New York City and pay the rent.

Tanya Domi: Since more people are renting now, we know that rent costs are going up. In your book, you point out that in the last 20 years, rents have more than doubled in mostly the middle cities like Portland, Seattle, Cincinnati, et cetera.

Tanya Domi: In the State of the State, in Cuomo's State of the State, recent address, he briefly mentioned changing the state's rent laws, when they sunset in June. He's more or less aligning himself with reformers by doing this.

Tanya Domi: What do you think about the dynamics of increasing rents, and the rent stabilization process? Which you refer to earlier that this is a pretty tenant-friendly place. I'm pretty shocked about housing court. I'm surprised by all the laws and rights of tenants. But really, have the politicians addressed this fundamental problem here?

Samuel Stein: They have not, and the amazing thing is I would agree that New York has some of the best tenant laws in the country. Yet, they don't do nearly enough.

Samuel Stein: I think that in some ways, this is how the system operates. That protections are given but they're not enforced, or that laws are created with intentional loopholes that allow landlords to raise rents anyway.

Samuel Stein: Before I became a graduate student here at the Grad Center, I was a tenant organizer with a group called Tenants & Neighbors. My job was not only to organize tenants in individual buildings, but then to bring the tenants together and to fight in Albany for stronger rent laws.

Samuel Stein: That was at a time when we had a Republican Senate majority, and the prospects of that were fairly narrow. Now that that's changed, I think there's the biggest opening we've had in at least a generation.

Tanya Domi: A long time; a very long time, right?

Samuel Stein: Yeah. And Cuomo has not been exactly a friend to tenants in the past. If he's now aligning himself with the victory of tenants ... it would seem that he expects that to happen ... and he wants to be on the right side of it.

Tanya Domi: Yeah, he wants to get ahead of it, right?

Samuel Stein: Right. That's a good sign for us.

Tanya Domi: That's true. The rents keep increasing. Can you explain ... I want to go back for a minute because I was aware that you had been a union organizer. Didn't know it was in that as an advocate for tenants, which is really interesting.

Tanya Domi: Can you explain the connections between the industry, the political structure, and the unions, and the dynamic of how that actually operates?

Samuel Stein: Yeah.

Tanya Domi: Here in this city?

Samuel Stein: Sure. I was a union researcher, a labor union researcher. Then I was a planning grad student. Then I was a tenant organizer. And now I'm a geography graduate student.

Tanya Domi: You've done the whole, you've got the whole shtick here.

Samuel Stein: That's right. My dissertation is about labor unions and housing groups in relation to the planning system in New York City.

Samuel Stein: The system has an enormous role for the real estate industry. The city's planning priorities often follow where the industry wants to go. They often create opportunities for real estate growth, in places that have not yet seen gentrification.

Samuel Stein: We have a city planning commission that is currently 100% real estate people. Including one nonprofit developer, who's more or less a tenant advocate. But still, even she is a real estate developer. Real estate has an enormous capture over the planning apparatus in New York City. For tenant groups, that's a huge obstacle. And something that we aim to fight.

Samuel Stein: Tenants do, however, make up the largest group in New York City. Larger than any racial or ethnic group, larger than any religious group, larger than the percentage of transit riders over car drivers

Tanya Domi: Oh, wow. That's an interesting data point.

Samuel Stein: Yeah. But our political power isn't anything close to our numbers. That movement is latent, and needs to grow. A lot of nonprofit housing groups are in a difficult bind, because they rely on partnerships with private-sector developers.

Samuel Stein: They do projects where they do an affordable section, and another developer does a luxury section. Or they get a tax credit from a bank that is heavily

invested in luxury real estate, and the tax credit is what allows them to build low-income housing.

Tanya Domi: Right.

Samuel Stein: Even on the nonprofit side, there's structural linkages between the real estate industry and the advocates for low-income renters. On the labor union side, a lot of unions are also tied to the high-end development industry.

Samuel Stein: The union that I worked for was service workers, which included doormen, window washers, security officers. And when luxury buildings went up, and they were built by people who are already signatories to our contract, we cheered. Because that would be more jobs. And because they are luxury buildings, there's enough money to pay people the right wages and pay their benefits and everything else.

Samuel Stein: There's a lot that connects the real-estate industry to the working-class institutions that really should be the mainstays of the anti-gentrification movement. But it's very hard to confront gentrification directly when you have those structural ties.

Tanya Domi: Yeah, another data point that you had in your introduction was that there isn't a single minimum wage worker in the United States that earns enough money to rent a two-bedroom apartment.

Samuel Stein: Yeah. The average two-bedroom apartment.

Tanya Domi: The average. Thank you.

Samuel Stein: In any county in the U.S.

Tanya Domi: In any county, yes. Thank you very much.

Samuel Stein: Yeah, throughout the entire country.

Tanya Domi: That should be a wake-up call to any city council member. Anybody in a state legislature.

Samuel Stein: Absolutely. There's been a scissoring where wages are more or less stagnant as housing costs go up, which means working people are handing over more and more of their paycheck to their landlord. And in New York City we've got over 2,000,000 people every month giving a majority of their wages over to their landlord.

Tanya Domi: Right. What is the suggested percentage of your wages that go for rent? There's a scale, isn't there? That people refer to?

Samuel Stein: Yeah, the federal government considers it affordable if you're paying 30% of your income.

Tanya Domi: That's rent.

Samuel Stein: That's rent. That's become the standard.

Tanya Domi: In New York City, do you know what the average is?

Samuel Stein: It's now over 30. I think it's something like 34% on average. But we've got a growing group of people who are paying not so ... if you're paying more than 30, we'll call you rent burdened. If you're paying more than 50, you're severely rent burdened. And that's more and more people.

Tanya Domi: That's the term. That's the nomenclature. Another factor ... I just want to throw this out there because I'm aware of it, since I am a baby boomer. But now we're getting into the largest generation of Americans ... with the exception of the millennials, who are the youngest cohort now. Or-

Samuel Stein: They were.

Tanya Domi: ... next to the youngest. But up until this point, 75,000,000 Americans were born during the baby boomer era. And they are retiring.

Samuel Stein: Right.

Tanya Domi: Affordable housing is a huge issue for this community. This is one of the things that Mayor de Blasio, he's talked a lot about affordable housing. Talks about it a lot. He likes to pride himself, saying he's got a record on it; a lot of people are taking some issue with that, saying he's not really been as successful as he says he is.

Tanya Domi: And this Amazon deal, then people are worried about the compounding aspects of that, and how that could affect the additional building of affordable housing. So where are these people going to live?

Samuel Stein: That's a real question. Without any kind of real strong pension system, it becomes very hard for retirees to stay in the communities that they've lived in, that they've built up, where their social networks are.

Samuel Stein: We try to have what are called NORCs, in planning lingo. Naturally Occurring Retirement Communities. Places where you can live your life, and then stay in your apartment or your home and retire there and continue having all the ties of community that you had before.

Samuel Stein: But it gets harder and harder and harder. You start seeing some real extremes, including elderly homeless populations, which is going up. You have work



campers, which is programs run by Amazon and others, where elderly folks will drive around in RVs and park in spaces and then work doing seasonal work in exchange for access to a parking space, basically, and then minimum wage on top of that.

Samuel Stein: Even mobile homes in New York State are getting to be unaffordable. They're being bought out by the same predatory equity firms that are buying up homes and apartment buildings in New York, they're now buying up mobile home lots. And raising the rates.

Tanya Domi: The rent. The rent. On the land where you park your mobile home.

Samuel Stein: That's right. They saw it as a rent gap.

Tanya Domi: [inaudible 00:20:25].

Samuel Stein: There was a difference between what people were paying and what they could pay. Now even that, which was a fairly extreme solution for elderly people who are priced out of their homes, is becoming less affordable.

Tanya Domi: That's very sobering. This is the era of real estate capital. And the man in the White House, his Secret Service name is Mogul.

Samuel Stein: Is that right?

Tanya Domi: His Secret Service name is Mogul.

Samuel Stein: Well, that's perfect.

Tanya Domi: Is the king of real estate capital.

Samuel Stein: Yes.

Tanya Domi: Probably a lot of it laundered.

Samuel Stein: Sure.

Tanya Domi: This is where, you've laid it out very succinctly, with elaborate references in your book. That this is where all the money is.

Samuel Stein: Yes.

Tanya Domi: Anybody who's a criminal isn't running it through used car lots. They're running it through buildings sold to Russians for five times its worth.

Samuel Stein: Right. We can just look at Donald Trump's campaign. This is what Manafort did. He bought a townhouse on Union Street in Carroll Gardens for far more than it was worth, in order to sink a bunch of money into it.

Samuel Stein: Got some loans once he owned it, to get even more income in. And then did all this renovation for no reason. That's one of the things that Mueller and others are investigating in terms of the Trump operation and money laundering.

Samuel Stein: Many of Trump's tenants in Trump Tower are absentee investors who have questionable connections to organized crime in various countries. Yeah.

Tanya Domi: Real estate has really become the vehicle for a lot of illicit money.

Samuel Stein: Yeah. It's very secretive. You can set up a limited liability corporation and hide your identity, and pay a whole bunch of money for real estate. As long as that's the case, then the supply side solution to housing is not going to work.

Samuel Stein: You can't just build more housing and expect the overall rents to fall, as mainstream economics often suggest. If those apartments will then be bought out by absentee investors who have no intention of living there.

Samuel Stein: In the last three years in New York City, we've built something like 70,000 new units of housing. And 60,000 new units of housing have gone vacant. They're not just vacant because they can't sell; they're vacant because someone bought it with no intention of-

Tanya Domi: Intention of ... yeah. Right. Wow, that's really sobering.

Tanya Domi: A couple of other things I want to ask you about, because you talk about what happens ... damage. When you have a major natural disaster. We live here in New York City and we had this super storm Sandy.

Samuel Stein: Yes.

Tanya Domi: Huge issue. You dedicate your book to your father. You say you love cities.

Samuel Stein: Yes.

Tanya Domi: He taught you to love cities and to talk back and fight. What, did we learn anything in New York City in the aftermath of super storm Sandy on rebuilding the city, and addressing the infrastructure issues that comes along with dealing with climate change?

Samuel Stein: Yeah. That's a great question. And something I've thought about a bit, and I hope to think about more. Might even be the next book after the dissertation, is to think about what are real estate developers even thinking, building up places that are so affected by climate change?

Samuel Stein: New York City, Miami, Los Angeles, places that are very flood-prone, earthquake-prone, fire-prone, are seeing intensive investments from real estate. In terms of the city and its response, it's kind of been "everything and nothing at all." It's very hard to make sense of it all.

Samuel Stein: We've seen some radical options being expressed in Staten Island, where there was a community on the western shore that asked to be bought out by the state. And said, "We're not going to live here anymore. We want this land to be returned to nature."

Samuel Stein: That is what a lot of radical environmentalists have called for. It's what one of the most conservative parts of the city is actually doing.

Tanya Domi: Oh, that's very interesting.

Samuel Stein: But then you have other parts of the city where the city is asking for huge new investments in real estate. Whether that's Long Island City, where the Amazon deal was done. Or along that Brooklyn-Queens waterfront, where the proposed streetcar would go.

Tanya Domi: Right.

Samuel Stein: That would be funded by new real estate investment along the route.

Samuel Stein: So what does it mean where we're letting people leave parts of the shoreline because it's too dangerous to live there, while simultaneously allowing and asking mega-real estate developers to build up other parts of flood-prone neighborhoods? It's very contradictory.

Samuel Stein: The parts of the city that the city owns, namely public housing, are really suffering as a result of Hurricane Sandy still. In terms of mold, in terms of leakages, in terms of broken boilers. And that hasn't been fixed. You can't blame some landlord for that. That's public land and city managed.

Samuel Stein: It's a real contradiction in terms of what the city is and is not doing about climate change. It's a frequent talking point; it's something that both Bloomberg and de Blasio have said that is a top priority for them, in terms of reducing emissions. But in directly dealing with the most affected areas, we've seen very little and some contradictions.

Tanya Domi: The last question I want to talk about is just gentrification. Gentrification, people worry; for example, when you look at a place like Harlem; historically, very historical neighborhood with a heralded history of black Americans. And lots of white people are moving in. There's a lot of gentrification going on in Harlem.

Tanya Domi: Some urban scholars, some of our colleagues here at the Graduate Center like Carla Shedd, sociologist, has suggested, if not asserted, that because of gentrification, that there's increasing segregation in New York City schools.

Tanya Domi: One British study also has drawn parallel correlations between gentrification and increased violence, because of displacement; people being moved out of their areas.

Samuel Stein: Sure.

Tanya Domi: And just the fact that your neighborhood no longer looks like the neighborhood that you once loved.

Tanya Domi: The restaurants are closing. You can go down Broadway, even on the Upper West Side, where there's a considerable income, high income. This is a very wealthy part of Manhattan. And all the restaurants are closing.

Samuel Stein: Yeah.

Tanya Domi: Because these restaurants don't have enough volume to pay the rent. Let's talk about gentrification and maybe some of the unintended consequences of it. Maybe there are some pluses that we should point out now as well, because I'd like to hear about them.

Samuel Stein: Sure. Well, in terms of the unintended consequences, the fact that we have something now identified as high-rent blight, I don't think was something that a lot of planners necessarily had in mind. Which is that in extremely wealthy neighborhoods, the retail is going out of business.

Samuel Stein: The rents are too high, and the building owners are waiting for the rents to go even higher so that they can get in a large chain store. Sometimes they get a more favorable mortgage when selling a building, if they have a chain store as a tenant. In the meantime, they're leaving their stores empty. You walk through some of the wealthiest parts of Manhattan and there's nothing going on.

Samuel Stein: In terms of segregation also, a lot of people who are proponents of gentrification will argue that it's in fact a tool of integration. That we are integrating formerly segregated neighborhoods.

Samuel Stein: But it's like the wrong way on a one-way street. It's moving wealthier whiter people into neighborhoods that have been strongholds for people of color, where they built up political support and local culture and community, and there's none of the opposite.

Samuel Stein: Because at the same time as poorer and majority of people of color neighborhoods are targets for gentrification, it's not like wealthier, high-income white neighborhoods, for the most part, are suddenly accepting of more people.

Samuel Stein: If you look at the way that Staten Island was rezoned during the Bloomberg era. It was protected. You can't build up new apartment complexes in large amounts of Staten Island, which is the whitest of the boroughs.

Samuel Stein: Meanwhile, other neighborhoods that are majority of people of color, are built up, and white people move in, and the boosters call it integration.

Tanya Domi: I see.

Samuel Stein: That's a real contradiction. In terms of is gentrification a good thing? Obviously, it's good if you own property, and want your property values to go up, and if you're willing to sell. If you don't want to sell and your property values go up and you can't pay the taxes on the new assessment, then it's actually trouble.

Samuel Stein: I think a lot of people want the public investment that seems attached to gentrification. They see that as gentrification happens suddenly, the city pays more attention to their neighborhood. There is new parks, new schools, new bike lanes, all that good stuff. People want the good stuff without the displacement that comes along with it. That's the real contradiction that I'm looking at in my book.

Samuel Stein: In a private land system, if we make public improvements, whoever owns the land accrues the most benefit. If they translate that accrued benefit into higher rents or higher sale prices for housing, then the people who live there will never be the ones who benefit from it.

Tanya Domi: Well, I urge people to get the book. Capital City: Gentrification and the Real Estate State. Congratulations Sam Stein, and wishing you an even brighter future.

Samuel Stein: Thank you so much. Thanks for having me.

Tanya Domi: Thanks for tuning in to The Thought Project. And thanks to today's guest, Sam Stein, a Ph.D. student in geography, at the Graduate Center, CUNY.

Tanya Domi: The Thought Project is brought to you with production, engineering and technical assistance by Sarah Fishman. I'm Tanya Domi. Tune in next week.