

CO-OP CONTACT



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UNITED HOUSING FOUNDATION
COMMUNITY SERVICES, INC.

REPORT ON CONJUNCTIONAL BILLING HEARINGS BEFORE THE PUBLIC SERVICE COMMISSION

A determined group of over 100 persons assembled recently in a hearing room of the New York State Public Service Commission. They were there to oppose a proposal of Consolidated Edison Company of New York which would result in an immediate increase in electricity and other utility costs for most cooperative housing companies and other large consumers. Present in opposition to the proposed increase were Commissioner of Housing, Joseph P. McMurray, representatives of cooperatives (including some of those affiliated with the United Housing Foundation) and private housing companies, the Mayor's office, the New York City Housing Authority, the New York City Transit Authority, hospitals, churches, educational institutions, department stores, industry, and other groups. More wide-spread and varied representation of diverse groups can hardly be imagined.

Before the Commission was the question whether Consolidated Edison should be permitted after upwards of 50 years to change its method of billing called "conjunctional billing". Conjunctional billing derives its significance from the fact that Consolidated Edison's rate structure is such that the more electricity, or other utility service, that is consumed, the cheaper the service becomes. The rate structure is similar to a "quantity discount." Conjunctional billing permits a customer serving several separate buildings in an area to combine all the service (electricity, gas, or steam) consumed in the various buildings and thereby get the advantage of the lower rates on the increased volume.

Withdrawal of conjunctional billing would mean that each separate building would be treated in effect as a separate customer with the service consumed in

each being billed separately. Volume savings now in effect would be lost. Utility costs would go up. Why a customer with multiple buildings in an area should have to pay more for the same volume of consumption than another customer with fewer buildings is not clear. Even if it should cost Consolidated Edison more to supply multiple buildings, it may be doubted that there is any correlation between this added cost and the "quantity discount" under conjunctional billing which would justify the radical departure in billing practices of long standing that withdrawal of conjunctional billing would produce.

For housing companies now benefiting from conjunctional billing, Consolidated Edison offers one way out of increased utility costs. Connect up all the buildings so that utility service can be taken from Consolidated Edison at one point. The magic of one-point service is not clear either. It would mean expense to the housing company in rewiring and relocating conduits. It would mean increased cost to Consolidated Edison to enable its facilities to carry the added load in order to supply service at a single point. And the end result would be the same revenue to Consolidated Edison that it is now receiving. It is a fair inference that Consolidated Edison is gambling that extensive rewiring will not take place.

The suggestion that present volume savings can be preserved by taking service at a single point is troublesome on another score. Even assuming that Consolidated Edison has not actively encouraged reliance upon the availability of conjunctional billing, who can say that such reliance upon a billing practice of a half century, with the result that buildings and conduits and wiring are where they are, was imprudent?

If conjunctional billing is withdrawn, the increased utility costs that result may make economically sound the operation of private utility plants, particularly in those instances where housing companies and others have been prescient enough to provide the conduits and space for such facilities. We would then have come full circle. For Consolidated Edison concedes that conjunctional billing began to enable it to compete with private plant service to groups of buildings under common ownership or lease which were favorably located for service from a single private plant. Now that this competition is no longer significant, Consolidated Edison takes the position that conjunctional billing is no longer justified.

Consolidated Edison proposed to make its withdrawal of conjunctional billing effective February 1, 1957. The hearings will force a postponement. At the conclusion of the hearings it will be up to the Public Service Commission, at least in the first instance, to say whether withdrawal of conjunctional billing is in the public interest. Its decision is subject to review in the courts. The widespread representation at the hearings is dramatic proof that large and varied segments of the community will be adversely affected by the withdrawal.

CO-OP HOUSING NEWS

Bell Park Manor and Terrace FHA — Limited Dividend — 850 Units

On Hallowe'en Eve, in addition to the usual tricks and treats, a group of Boy and Girl Scouts, Brownies and Cub Scouts made the rounds of all the families in the cooperative, collecting funds for UNICEF — the United Nations International Children's Emergency Fund. Together they collected a total of \$145.

Electchester — Limited Dividend — 2,226 Units

Cooperators entertained two bus loads of residents of Port Chester, New York, where a middle-income cooperative has been proposed by a group of civic leaders. Refreshments were served, and the 82 visitors from Westchester County were shown the grounds and a number of representative apartments.

Franconia Village — FHA — 277 Units

After experimenting with other methods of management, the Board of Directors decided to hire a resident manager to devote his entire time to the operation of this cooperative. It is believed that Franconia is the smallest cooperative to employ a full time resident manager.

Hillman Houses — Redevelopment Companies Law — 807 Units

The Sixth Annual Stockholders Meeting of the Hillman cooperative was the first event held in the re-

cently completed community auditorium on the lower East Side of New York.

Jacob D. Menkes, chairman of the House Committee, chaired the meeting in the absence of Robert Szold, president of the cooperative. A. E. Kazan, general manager, reviewed the financial statement which showed an increase in net income of \$12,932 compared to a loss of \$14,065 for the previous year.

ILGWU Cooperative Village — Redevelopment Companies Law — 1,672 Units

Prior to holding its first annual meeting, a large percentage of the families in this cooperative attended information and orientation sessions. The purpose of the meetings was to acquaint the members with the procedures of the coming annual meeting and to outline some of the items which would be on the agenda. Because of the large number of cooperators involved duplicate meetings were held on successive evenings. Members of the Board of Directors and the management staff reported to the members.

Northridge — FHA — 1,122 Units

After over two years of work, the Nursery School Committee opened the Northridge Nursery School on December 3. The mothers obtained professional advice from Play Schools Association, Inc., and received counsel from the United Housing Foundation on financing the nursery school. The Board of Directors of the four Northridge corporations worked together to make this new cooperative facility available for pre-school children.

(Continued on Page 7)

SLUM CLEARANCE, TAX ABATEMENT AND MIDDLE-INCOME HOUSING

Ralph Lippman*

The greatest city in the world admits to 7,500 acres of slum areas sorely in need of rehabilitation.

The City of New York is also in need of alleviation of a critical housing shortage — particularly for people of moderate means.

These two needs constitute a double-barreled problem which City, State and Federal agencies have been attempting to solve by luring private developers into investing their funds through various tax incentive plans.

But, alas, private capital is not interested in meeting the needs of the average wage earner. Private capital is interested in profits. And because most of these incentives were coupled with limitations on profits (how else can the cost of housing fall within the sphere of the moderate income family?) private developers did no more than nibble at this bait. Non-profit cooperative housing organizations, however, have taken a real bite.

The history of tax incentives in housing in New York State, dates back to the housing shortage which manifested itself after the end of World War I. In order to stimulate construction, a \$1,000 per room tax abatement for a period of ten years was offered. There were no restrictions to this offer. This was a considerable reduction because during those years construction costs averaged but \$1,200 to \$1,300 per room. But, sad to say, the consumer at that time was not educated to the potential along the lines of mutual self-aid programs and no housing cooperatives were organized to take advantage of that law.

In 1926, however, when Governor Alfred E. Smith spearheaded the passage of the New York State Limited Dividend Law, the first development approved and completed under that law was the Amalgamated Housing Corporation in the Van Cortlandt Park area of the Bronx. Subsequently over 11,000 units were built under this law, almost sixty percent by cooperatives.

This law granted total tax exemption on the improvements — not on the land — for a specified period of time. It limited the owner's profits to six per cent — which provision, of course, is unnecessary in non-profit cooperatives. The owners had to agree, also, to limit their rent roll to specified amounts so that the units were within the economic reach of moderate income families. Almost all of these developments were built in outlying areas on undeveloped land. And the blighted areas of the city were left to continue to decay.

In order to encourage private capital to take a greater part in the clearance of slums the Legislature of the State of New York passed the Redevelopment Companies Law in 1943. Based on the sound premise that it is in the public

* Mr. Lippman has long been associated with cooperative housing. He is a director of the Hillman Housing Corp., and is now associated with A. E. Kazan in the management of the ILGWU Cooperative Village.

interest to clear, replan, reconstruct and rehabilitate substandard neighborhoods, this law permitted the municipalities to acquire the deteriorated areas by condemnation. The redevelopment organization then would pay back to the municipality all sums expended in the acquisition of this property.

This legislation also provided for full or partial abatement for a twenty-five year period on that portion of the improvements which were over and above the taxes paid by the previous owners. It is only reasonable to assume that tax receipts in a deteriorating area would be constantly on the downgrade. This was in fact a guarantee that the municipality would not receive less in taxes than it was collecting at the time of condemnation.

With all of this we still did not have any rate of response from private capital to help solve the combined housing and slum clearance problems. The obstacle which was still in the way was the fact that profits in these redevelopment organizations were also limited to six per cent. The only developments so constructed by private capital were Stuyvesant Town and Riverton, both sponsored by the Metropolitan Life Insurance Company. Cooperatives, under these laws have built Hillman Houses (807 units), Queensview (728 units), are now building Queensview West (374 units) and propose to build Soundview Houses (about 2,340 units).

A number of redevelopment organizations have combined the tax benefits and acquisition by condemnation contained in these laws with an incentive plan of a different type, known as Title I, which the Federal government sponsored in order to make Slum Clearance more palatable. Among these completed or in the process of completion are East River (1,672 units), Morningside Heights (984 units) and Kingsview Homes (276 units). Two additional cooperatives now in the final phases of planning are Seward Park (1,704 units) and Park Row (about 450 units).

The Federal Government stepped into the Slum Clearance picture with Title I of the Housing Act of 1949. Because slum ownership and operation is still profitable, the value and consequent price paid in condemnation for these substandard areas is high. In order to induce private investors to take a hand in redeveloping areas officially approved for slum clearance, it was felt that the cost to the developer should be written down to a level consistent with its new use. The cost of this write-down is shared by the Federal Government and the municipality in a ratio of two-thirds and one-third respectively. East River Housing Corporation, the cooperative housing project at Corlears Hook, is the first Title I development to be completed in the City of New York. East River Housing Corporation was organized also under the Redevelopment Companies Law. For twenty-five years this cooperative will pay to the City of New York the same amount of taxes which the City was receiving at the time of condemnation.

In 1955, the citizenry of New York State took an additional step in the attempt at the solution of these problems, by voting into existence the Limited Profit Housing Companies Law, or as it is more popularly known, the Mitchell-Lama Act. This act permits cities as well as the State to lend to limited dividend

corporations, long term loans at low interest rates plus the additional incentive of partial tax abatement. The very first project to be approved under this law is a United Housing Foundation sponsored development known as Park-Reservoir Housing Corporation. This 289 unit cooperative will be erected on vacant land situated in the immediate vicinity of the Amalgamated Housing Cooperative in the Bronx. It is interesting to note that the tax on this land is \$3,112. When the cooperative will be completed, the City of New York will receive an annual tax of \$64,638 even after granting a forty per cent tax concession.

Objections to tax abatement as an incentive towards meeting these needs have been raised. Why, the objectors ask, shall the city lose a portion of its potential income in these times of a continuously increasing budget?

But, has the city lost? Upon analysis, do we not find the city gaining substantially while filling the housing needs of so many of its inhabitants? Not only has vacant land been developed so that either immediately, or in the foreseeable future, will it bring in substantially more income; not only have slums been cleared with a guarantee that the city will not lose anything which it would have had if the areas had been allowed to continue to deteriorate; but it is gaining a great deal in a real but less measurable way.

For example, take a walk through the area which has been set aside as the site of the projected Seward Park

cooperative. This development, if approved, will also be built under the Redevelopment Companies Law and under Title I of the Housing Act of 1949. You will find there, today, more than two hundred dilapidated rookeries. In front of each of these tenements you will see the symbol of the slum, the overflowing garbage can. And then see the problem of the Sanitation Department of the city in its attempt to catch up with this seemingly never ending accumulation. The truck rides slowly through the crowded streets, stopping at every door to pick up its disease-laden load. A procession of traffic piles up behind the truck adding to the crowded confusion.

Picture in its place, four modern sun-lit buildings housing 1,704 families. Modern incinerators are installed to burn the refuse. The Department picks up the non-combustible leavings at but four centrally located areas.

Or think of the fire hazards in this run-down section of the city and put in its place fire proof structures. And think of the effect of this transformation on the budget of the Police Department in its war on juvenile delinquency. These are all savings which will find their way back to the pockets of the taxpayer.

In this presentation we have made but little mention of the social and health benefits accruing from the alleviation of the critical lag in housing for people of moderate incomes and in the clearing of the slums. This aspect, we feel, cannot be questioned.
(Continued on Page 8)

CO-OP HOUSING NEWS

(Continued from Page 3)

Nostrand Gardens — FHA — 350 Units

The Board of Directors is planning to hold a meeting of the ten cooperatives within a one-mile radius to discuss the possibilities of joint purchasing. Representatives of Community Services, Inc., have been asked to attend to advise in what areas joint activity might result in the greatest savings.

Queensview West — Redevelopment Company — 364 Units

Construction of this 364-unit cooperative began on October 15, 1956. A unique feature of this cooperative is that it contains 2- and 3-bedroom apartments only. The result is that there is an unusually high number of children in the families planning to live at Queensview West. Applications are still being accepted at the Queensview West office, in care of the United Housing Foundation.

Ridgewood Gardens — FHA — Limited Dividend — 372 Units

Maurice Portnoy, Director of the Department of Psychology at Brooklyn State Hospital, and Jack Wilks lectured to an overflow audience of 110 on the subject of "Mental Health." The lecture was sponsored by and for the Ridgewood Gardens Nursery School.

Conference of Presidents of 213 Cooperatives

On October 28, 277 cooperators from FHA-insured projects gathered at a dinner to honor Senator Herbert

H. Lehman. In acknowledging receipt of a scroll for his contribution to housing families of low and middle income, Senator Lehman paid special tribute to Robert Szold, President of the United Housing Foundation, and Abraham E. Kazan, President of Community Services, Inc., as two of the people who had helped him most in his work in the housing field.

An Appraisal

There is a slight change on the masthead of CO-OP CONTACT this month. Perhaps the change from Vol. I to Vol. II will only be noticed by a few — but we start our second year of publication with this issue.

We reflect on the past and appraise the future. When we started we said that our purpose was to establish CONTACT between existing cooperatives. To provide a journal for discussion of mutual problems, exchange of ideas, dissemination of news and information and to generally promote the idea of cooperation between people. To a degree we have accomplished some of these objectives.

To judge our success is difficult. We have had some criticism, which is always welcome; and some praise, not always deserved. Although our size prohibits reprinting letters, readers' comments and suggestions are always welcome. We have noticed that other publications have used articles which have appeared originally in these pages. When we have been credited by these publications, we

AN APPRAISAL

(Continued from Page 7)

have been pleased that they found the articles worth reprinting.

The benefits and effects of an educational publication are difficult to measure; we hope the members of the United Housing Foundation have found this publication of value.

Plans are being considered for enlarging both the size and scope of CONTACT to meet the needs and interests of many more cooperators.

SLUM CLEARANCE,

(Continued from Page 6)

Until a better formula can be found, tax abatement is the vital prerequisite for rooting out the deterioration in our great city and for creating suitable dwellings for the middle income families so sorely in need of them. And until private capital will develop a conscience, the implementation must be primarily in the hands of the people who can serve their own needs by combining their resources through cooperation.

"Forgotten in this world of warring ideologies is the status of the common man in his capacity as a consumer.

"Little recognized is the fact that as consumers there is a bond or association more universal than any other in existence, be it national or international, eastern or western, or be it a bond of religious belief.

"To him the world owes all its technological and industrial development for all goods produced are brought into being to meet his needs.

"He has more power than kings or monarchs for it is through him that the wheels of industry and commerce are made to function and progress, or through lack of purchasing power, to stagnate and rust in disuse.

"He is of every creed and color. We honor him and are proud to be one with him.

"Therefore as consumers let us dedicate ourselves to the proposition of a world brotherhood of consumers perpetuated through cooperatives the wide world over."

This statement is lettered on a prominently placed scroll in the Board of Directors' room of Federated Cooperatives, Ltd., Saskatoon, Canada.