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Building Prosperity

By ROLAND LEWIS

GAZING from his office in Albany in January, Gov. Eliot Spitzer will look out over two distinct states. Downstate, including New York City and the surrounding suburbs, is enjoying the best of times. Real estate and businesses are booming from Westchester to Long Island, population continues to grow, and the unemployment rate in New York City dipped below the national rate in September and hit 4.1 percent in October, its lowest level in 30 years. Downstate is reaping the rewards of sustained economic growth.

Upstate is another story. Amid an unrelenting economic downturn, towns and cities are crumbling, and residents are fleeing in search of steady jobs. The economic challenges facing the two regions of the state differ radically. But if Mr. Spitzer looks back, he will see a strong resemblance between the upstate of today and the downstate of yesteryear. He may also see the seeds of renewal.

In the mid-1970s, New York City was in deep fiscal trouble. Businesses were pulling up stakes and taking their jobs and taxes with them, middle-class people were moving away in droves, buildings were abandoned, neighborhoods were decaying.

That's when a bold new chief executive stepped in. Like Eliot Spitzer, Mayor Ed Koch, elected in 1977, faced tough economic challenges. He wisely pursued a course that helped end the fiscal crisis, rebuild vibrant neighborhoods and pave the way to prosperity for New York City and its suburbs. His policy: leveraging the economic power of thousands of abandoned buildings and parcels of vacant land.

The Koch administration created the largest affordable housing program in city history, investing \$5.1 billion to create 150,000 homes. We are enjoying the results today, with revitalized neighborhoods flourishing from East Tremont to East New York. That renaissance helped fuel a regional economy that is the largest and most vibrant in the nation.

That's a key lesson for Mr. Spitzer: Housing development begets economic development.

When dollars flow into the construction trades, their economic benefits are multiplied many times over as construction drives up the demand for goods and services. In turn, new homeowners require additional goods and services, fostering still more business growth. Public revenue is generated throughout, with income taxes, property taxes and sales taxes all feeding public coffers.

In a study released this year, the Furman Center for Real Estate and Urban Policy at New York University found that subsidized housing investments lead to tax revenue in excess of the original subsidies. Indeed, subsidies “aimed at distressed urban properties can deliver significant benefits,” the study said. “Thus, cities may be able to use housing subsidies to serve two purposes — to create new, affordable housing units for qualified recipients and to revitalize urban neighborhoods.”

Other experts agree that housing development spurs economic gains. Nationally, a \$5 billion investment in housing would directly create 184,300 jobs and almost \$5 billion in wages, according to a 2001 report by the Center for Community Change, which based its findings on a federal Department of Commerce model.

Similarly, the National Association of Home Builders estimates that building 100 single-family homes in a typical metropolitan area will generate, in its first year, \$16 million in local income and \$1.8 million in taxes and government revenue like permits and fees. In addition, such construction would create 284 jobs in year one.

Eliot Spitzer has a unique opportunity to create a substantial housing development program that will return New York State to the best of times. This is an initiative that will work in every corner of the Empire State.

Decent housing for working New Yorkers is desperately needed everywhere. New York City has nearly 10,000 homeless families living in shelters. On Long Island, average rent for a two-bedroom apartment exceeds the monthly income of many seeking apartments.

Upstate, housing development will lead to economic revival. Downstate, by providing significant affordable housing, the Spitzer administration can help alleviate an overheated market across the metropolitan region, one that continues to squeeze out low-income New Yorkers and even the working and middle classes.

Mr. Spitzer should use New York’s capital to create a community development legacy that will benefit all New Yorkers.

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