Samuel Stein
Capital City: Gentrification and the Real Estate State
London: Verso, 2019, 208 pp

The Path Home: Dismantling the Supremacy of Real Estate

DAMIAN SLIGO-GREEN

The subject of housing or, as our political and media estate have landed upon, our 'housing crisis', is pervasive. For most people, it is likely that rising prices, undersupply, and overdemand will spring to mind. For those paying attention, issues such as capital-gains tax, immigration, and wealth inequality are hard to look past. Samuel Stein adds another voice to the choir of the progressive Left on this issue, focussing on the role of urban planning and the part it plays in the provision of housing, rising wealth inequality, and the further entrenchment of the rentier and tenant classes.

Capital City is one part history of real-estate capital in the second half of the 20th century and the early 21st century, one part biography of the Trump family, which (spoiler alert) ends with the election of the United States' first 'real estate head of state', and one part in-depth look at the quandary of the planner who is caught between a rock and a nice space: tasked with lifting real-estate values via development while improving liveability and ensuring the ongoing affordability of housing for the working class. Stein's research in urban geography is informed by his work as an organiser, planner, and researcher on numerous public-policy initiatives, campaigns, and tenant mobilisations within New York City. In *Capital City*, Stein draws a compelling picture of the ideas and forces that have changed our social, political, and economic landscapes in the post-World-War-II era, and of how these ideas and forces relate to land and buildings.

Leilani Farha, the United Nations special rapporteur on adequate housing, lays the contemporary situation bare: 'Global real estate is now worth $217 trillion . . . it makes up 60% of the world's assets, and the vast majority of that wealth—roughly 75 percent—is in housing'.[1] How did this happen? Cities were once shaped by the competing interests of different types of 'big' capital and their contrasting needs and priorities. Real-estate capital thrived where land and building prices rose. Industrial capital prospered where land and buildings were cheap, as the profits of industrial capitalists are partly dependent on having lower costs of production than their competitors. This means that for industry, cheap rent and low property taxes are essential. The other significant requirement is access to cheap labour. How do you ensure there is a low-cost workforce available to work in your factory? By ensuring that (lower) wages are sufficient for workers to continue to live in proximity to their place of employment.

Once upon a time, these competing capitals (indirectly) held each other in check, making it harder for either bloc to dominate the state apparatus and have an outsized influence on legislation, tax, and urban-planning policy. That being the case, in the late-19th and early 20th centuries, industrial capital was still the dominant force in city planning and the formal political sphere. The profession of urban planning was in its infancy during this period, and it was at this time that many fundamental policies and programmes guiding this profession were first established. Stein chronicles these developments in some detail, including minimum building standards, state and city zoning acts, and the emergence of 'master plans' that outlined the sizes and types of buildings that could be built in different areas. Rent control systems, which used complex formulas to determine annual maximum rent increases, were also enacted, providing

1 As cited in Samuel Stein, *Capital City: Gentrification and the Real Estate State* (London: Verso, 2019), 10.

stability for both tenants and landlords.

Master plans were most often seen as guidelines rather than constraints. Many cities, including New York, relied on zoning as its primary planning mechanism. Zoning was intended as a tool for rational land-use planning. In practice, however, it was used as a tool to protect existing interests, often along racially motivated lines. The practice of 'redlining' became commonplace. Redlining involves the codified denial of services by government and the private sector to a specific group or community. The same zoning legislation that paved the way for more 'rational planning' practices also provided the basis for planners to redline different neighbourhoods within the central city, allowing bankers free reign to deny loans to black and immigrant communities. Additionally, this legislation provided the legal basis for so-called 'urban renewal' programmes, whereby cities, in partnership with developers, were able to demolish working-class and industrial neighbourhoods to make way for highways, high-density housing, and commercial real estate.

Rational planning, or 'rational comprehensive planning', which emerged between the 1940s and 1960s, saw the development of planning as a profession based on objective data and scientific methodologies, one that used 'complex modelling, land use controls, and state police power to remake central cities'.[2] This consolidation of state power further diminished the ability of communities (especially non-white ones) to determine what happened in their own neighbourhoods.

While many policies and processes that propped up this state-supported racism have been dissolved, the structural and psychological remnants remain. Racially segregated neighbourhoods in the US are, by and large, an artefact of this selective racial sorting. The wider systemic implications of this structural racism have resulted in starkly different housing outcomes for white and non-white communities. The unconscious bias of redlining is still prevalent in the real-estate industry today. Imani Henry, of Brooklyn's Equality for Flatbush, claims that 'In Flatbush, real estate agents have told me they aren't allowed to rent to Black people anymore. Landlords want to

2 *Capital City*, 25.

flip everything here and kick us out'.[3]

The post-World-War-II era witnessed a significant shift in the role that international trade and corporatisation played in the global economy. With fewer nationally imposed barriers for trade and finance, industrial capital uprooted from existing urban centres in search of new markets and ever-lower costs of production. This posed a crisis for cities. Industry was leaving town and vast areas of the central city once occupied by industrial workplaces, and working-class housing were gradually emptying out, leading to a decline in demand for property. This resulted in falling land and property values and subsequent declines in tax income for municipal authorities.

Industrialists, with their sights set on reduced costs, were no longer interested in buying city-level political influence. With few options left, cities and their political class turned to real estate for their salvation. Gentrification has emerged as the default mechanism for cities to stave off the slow death that eventuates from falling land and property values. In fact, ratings agencies and development banks around the world actively downgrade the credit ratings of cities that go against the grain of this mode of development. While the settings that allow gentrification vary from city to city, almost all of them rely on the same basic ingredients: underutilised land—a contracting industrial sector is prime fodder, but 'low value' neighbourhoods in need of urban renewal are also ideal candidates; politicians desperate for political funding and influence; planning concessions for big developers; lower marginal tax rates for property investors; and tax incentives for property developers and banks that place the downside risk of development in the city's (taxpayers) lap and leave developers exposed to the upside.

The process of gentrification is a continuous force shaping cities the world over. In developed urban centres, the process is often spearheaded by artists, who rush into the cheap spaces left by industry or inhabited by lower-income residents, transforming derelict buildings into trendy loft apartments and pedestrian streetscapes into art galleries and cafés. They

3 As cited in *Capital City,* 35.

pave the way for the professionals who are eager both to consume the artistic community's wares and to find cheaper housing in trendy places. Planners, who take notice of this increased activity, direct city resources towards interventions that will inevitably draw in developer capital, which is intent on profiting from rising land and property prices. Many low-income neighbourhoods and community groups fight these planning interventions, driven by the fear that improved public amenities will lead to higher property prices and the eventual displacement of the community.

Stein refers to the work of planning scholar Richard Foglesong, who elegantly outlined the central conflict in the history of planning as being between the value of land as a 'collective good, a social resource', and its private ownership and control. From this conflict arises the 'property contradiction', whereby capitalists resist anything that restricts their operations but, nonetheless, rely on state intervention to ensure their land is usable and valuable (for example, that it has sufficient roading, sewerage systems, and so on). The other contradiction is the 'capitalist-democracy contradiction', which arises from trying to deal with the property contradiction: in a capitalist democracy, people have to have a voice, but their options need to be limited to what is going to work for capital.

Stein argues that in today's cities, other forms of capital are so deeply interwoven with the interests of real-estate capital that there are not really any competing capital interests. Finance and technology are, by and large, aligned with real-estate capital's primary objective: rising prices for private property.

In Aotearoa New Zealand, the economic dominance of real estate is hard to miss. House prices have inflated by 30 percent since 2015, while incomes have risen at about half this rate. In Auckland, our largest urban centre, house prices have risen by approximately 65 percent over this same period.[4] While the crisis is real, the political response has been lacklustre. For nine years of National-led government (2008–2017), the

4 Alan Johnson, Philippa Howden-Chapman, and Shamubeel Eaqub, 'A Stock-take of New Zealand's Housing,' Wellington, Ministry of Business, Innovation and Employment, 2018.

runaway rise in property prices amounted to a tax-free gift to property owners and investors alike. Prior to the election of the current Labour-led government, there was serious talk of introducing a capital-gains tax, which would exclude the family home. Despite the recommendations of the government's tax working group, this failed to eventuate.

These, of course, are just the most recent milestones in the saga of European settlement and Māori dispossession that have been in process for close to 200 years. For the better part of our history, land has been an abundant, community-managed resource. For many iwi, what little land remains to them is still managed in this way. Increasingly, iwi have been using their land and resources to develop modern papakāinga housing projects that provide affordable housing for iwi members. Many of these projects continue to hold their land in trust, allowing community members to own the buildings while retaining ownership and governance of land in the collective interest.

While it can seem like the ongoing financialisation of housing and the commodification of land are unstoppable forces, organised communities, activist planners, and progressive legislation can tip the balance in favour of communities and away from private capital. Activist networks like 'New York City Not 4 Sale' are pressing clear agendas to arrest the corrosive forces of gentrification. Among their demands, which are levelled at cities and states, are the following proposals: universal rent controls; the transfer of distressed buildings to tenant ownership; the expansion of high-quality public-housing provision; and democratising the process of development by instigating community boards that have veto powers over development decisions. As Stein argues, 'Tenant movements are uniquely capable of grounding the abstraction of "housing" in the lived reality of home'.[5]

What more can we hope for from our politicians? Perhaps an acknowledgement that the landscape of housing has changed and that we will not be able to solve the current crisis using tools from the 1930s. Instead, we could reconfigure state-backed building campaigns to take land and housing out of the speculative market. Developing land-based

5 *Capital City*, 129.

covenants that prevent owners from selling their homes for more than an inflation-adjusted initial price plus improvements would be a step in the right direction. If we fail to address the fundamental drivers of wealth inequality and allow more land and power to accrue in the hands of the few, our ability to respond to the changes ahead with community-grounded and creative initiatives will be fundamentally limited. What we need now, more than ever, is a renewed relationship with land, housing, and each other. In te ao Māori, whenua is a term that refers to both land and the placenta—the organ that nurtures us while we are growing in the womb. Māori acknowledge their direct relationship to the land and their responsibility as kaitiaki for present and future generations. Tangata Tiriti would do well to follow this example.