

1 published by MR. JAFFE: We appreciate your offer very
2 all of which have been concerned essentially with urban

3 problems. The first was the future of (Witness excused.)

4 Department Store and more recently have been working in the
5 whereupon, housing.

6 Q You have GEORGE STERNLIEB the monograph
7 called as a witness, duly sworn, testified as follows:

8 A That CHAIRMAN LILLEY: Thank you for your
9 patience, Mr. Sternlieb. We were getting some
10 field of real fine data on an important area.

11 A There EXAMINATION subsequent studies, the
12 first of By Mr. Jaffe: (at Seeds, Social Resources, Newark

13 Q Mr. Sternlieb, would you give us your full name
14 and your present occupation?

15 A My full name is George Sternlieb. I am a pro-
16 fessor at the Graduate School of Business Administration
17 and teach city planning, and, in addition, am director of
18 research of the Research Center of the Graduate School of
19 Business at Rutgers.

20 Q I wonder if you very briefly would sketch your
21 background, how long you have been there and your major
22 areas of interest.

23 A I have an M.B.A. and a D.B.A. from the Harvard
24 Business School. I was a fellow for two years at the Joint
25 Center of Urban Studies of Harvard and MIT. I have

1 published a number of monographs, a variety of subjects,
2 all of which have been concerned essentially with urban
3 problems. The first was The Future of the Downtown
4 Department Store and more recently have been working in the
5 field of housing.

6 Q You have been the author of the monograph
7 "Tenement Landlord"?

8 A That's right.

9 Q Has that been your most recent effort in the
10 field of urban problems?

11 A No. There have been two subsequent studies, the
12 first of which was "Social Needs, Social Resources, Newark,
13 1967," which was a study essentially of the social
14 structure of Newark, the users of services, the suppliers
15 of services and the variety of agencies and the people who
16 provide a bridge between the users and suppliers, the com-
17 municators, people who tell you where to go.

18 Q And you were referring to another.

19 A The most recent study we have published -- as a
20 matter of fact, it is just about to be published -- is a
21 study of Newark's employment and unemployment, which was
22 finished shortly before the riots. I believe that the last
23 of our field work was done approximately in June some time
24 this year.

25 Q Directing your attention to the tenement landlord

1 study, which was quite an intensive study, could you tell
2 us a little bit about how long that took you and what were
3 some of the major conclusions you reached as a result of
4 your study as to the urban situation in Newark?

5 A: Surely. The study was sponsored by HUD and
6 essentially revolves around a structured probability sample
7 of tenement housing in Newark. The sample was selected
8 in three parts, the seven worst tracts of the city with
9 less than twenty-five percent of the housing sound as
10 Group I. Group II, the census tracts of the city with less
11 than fifty percent of the housing sound, and the third
12 group, some twenty-one tracts -- there are one hundred
13 tracts all told in the city -- whose housing was less than
14 two thirds sound. Within these areas we chose 566 parcels on a straight
15 probability base. The goal of the study was to analyze
16 the profitability and the factors which led up to the care,
17 maintenance and support of housing in Newark. The principal
18 findings I think were as follows: (1) the slum tenement
19 business is not as profitable as it is cracked up to be;
20 (2) in many areas the response of the landlord, which could
21 be one of several; i.e., he can say, "I am not getting an
22 adequate return; I have got to get better tenants and a
23 better rent. Therefore, I will trade my building up"; or
24 Part II, his response may well be: "I am going to essentially

1 play end game here. By end game I mean I am going to
2 give a very minimum of care and attention to this building.
3 whatever I get out of it is good and well, and if I don't
4 get anything out of it, I am going to walk away from it,"
5 which has been answered by the second resolution very bus-
6 stantially; i.e., we have a substantial number of abandoned
7 tenements, and this abandoned group in turn has dynamited a
8 number of areas.

9 The abandoned building, or the virtual abandonment
10 which characterizes a great many of the blocks of Newark,
11 provides a building which is a focus of infection. The
12 surrounding real estate goes to hell. The place becomes
13 the home of every drunk and degenerate in the area and in
14 turn what you have, your better families move out and the
15 degeneration of the entire core.

16 A third finding of our study was that there were a
17 significant number of relatively new buyers of real estate;
18 that in terms of new owners of tenements in Newark there
19 are really only two groups. These are large scale landlords
20 which by our definition are landlords having more than
21 twelve parcels, and a more provocative group in some ways,
22 relatively new owners, typically resident-owners and typi-
23 cally minority group resident owners.

24 MR. LEUCHTER: Negroes specifically?

25 THE WITNESS: Negroes specifically. when we

1 looked at where Negroes were buying and the
2 pattern of purchase, a number of findings became
3 evident. We take Area One. This is where the
4 real hard core, the seven worst tracts of the
5 city are, seven percent of the city approximately.
6 Ten or fifteen years ago this was the area Negroes
7 were buying and substantially I would guess this
8 is one of the few areas open to them. In the
9 last ten years there were no Negro purchases made
10 in this hard core. Instead the growth areas are
11 in the outer parts of Number Two and, much more
12 significantly, in Number Three.

13 In essence I would say that the new Negro
14 owner is voting with his money. He has got
15 options and he avoids the jungle, and that term
16 is what is used commonly both by tenants and
17 owners for the hard core.

18 In the place of this possible new owner what
19 you have are a whole bunch of people who des-
20 parately want to get out, speaking of owners now
21 as well as tenants, of the hard core. The only
22 buyers they can find typically are big-time
23 operators who have sewer repair services, main-
24 tenance services, maintenance services who are not
25 uncommonly gun carriers, but are willing to take

1 on these parcels at sacrifice prices and not
2 uncommonly at no equity.

3 So the acquisition pace in the new areas'
4 conversion from relatively small-time owners,
5 people who own two or three houses, Italians or
6 Jews who once lived down there -- this was the
7 family house -- they live in the suburbs now.
8 The title is forty years old. We can check
9 title pages. These people can't run these kind
10 of parcels.

11 To the degree you want to synonymize bad
12 ownership with bad big-time absentee ownership
13 we have a degeneration of the type of owner.

14 We focused in some detail on the new Negro
15 buyers and a number of all too obvious points are
16 clear. First of all, these typically are buyers
17 who do not have a hell of a lot of equity to put
18 into a parcel. They not uncommonly are really
19 unsophisticated. This is the first house they
20 are buying. The owners are anxious to sell. The
21 modus operandi, which typically is used is the
22 ballooned mortgage. You have a parcel that might
23 be worth \$12,000 in cash to a cash buyer. It is
24 sold for something approximating \$18,000. Take
25 \$500 down and mortgages of \$17,500 for the rest.

1 This would not be so bad, but not uncommonly these
2 mortgages are short-term mortgages.

3 In our studies, and, by the way, the mortgage
4 terms became worse as you got closer to the core
5 and got a little better as you go away from the
6 core. We found that the modular type of mortgage
7 was an eight- to ten-year proposition. So your
8 amortization on this type of mortgage is an
9 absolute killer. If the man and his wife both
10 are working, sure, they can keep it. If somebody
11 grows ill, you are out of business.

12 As a matter of fact, we identified just in
13 our brief sample one or two owners who obviously
14 are engaged in the yoyo business, as we have
15 referred to it. There is a lack of terminology
16 here, but forgive it. It is where you will find
17 the same parcel changing hands every two or three
18 years, and typically there is a sequence of actions
19 at the termination of each of these holdings which
20 goes through a bankruptcy court or a nominal
21 transfer to the original owner, and once again you
22 have the whole sequence of a kited mortgage and
23 out.

24 A second element which was very clear with
25 these new owners is what one of my assistants

1 refer to as the storm window syndrome. You will
2 go through a core area and in the middle of a very
3 run-down section you will find a house that is
4 spruced up, painted up. It will have new steps
5 and storm windows. We use the storm window comment
6 to refer to new shingling, the works. Not uncom-
7 monly these are new Negro owners, and as soon as
8 they buy a parcel they are hit by every home
9 improvement type sales operation in the business.
10 Since they are quite house proud, they buy.

11 Two we discussed this situation and became
12 acquainted with a gentleman who is a specialist
13 in second mortgages, third mortgages and whatever,
14 in Newark here. He was commenting that whenever
15 he has to take back a parcel the first thing that
16 he is shown by the owner is the books. We don't
17 know what the term "books" meant, but most of these
18 people, the home improvement services work their
19 loan set-ups very similar to a Christmas club, and
20 our second mortgage guy showed us literally a desk
21 drawer filled with these books that were the
22 result of mortgage foreclosures that he had
23 secured. Again, traditional sources by our

24 So let me pursue some of the sequence and
25 methodology of the survey because I think it has

1 some significance in the result, modest as those
2 might be. * on fifteen years ago, and Area Three
3 is. Our initial analysis was essentially a book
4 analysis. By book, we traced down title. We
5 analysed transfers of properties. We analysed the
6 mortgage patterns. I will just touch on mortgage
7 patterns and then turn to the main theme again.
8 When you look at mortgage patterns over a
9 considerable period of time, and we followed these
10 parcels back to 1939, again taking Area One, Area
11 Two and Area Three, you take Area One back around
12 the 1939-1945 period. Roughly half of the mort-
13 gages, as I recall, were bank or savings and loan
14 mortgages. At the same time, by the way, in Area
15 Three all of them, with a very few exceptions,
16 came from sort of traditional sources; i.e.,
17 banks, savings and loans. I am well acquainted
18 with. If you move up to more recent times, you can
19 just trace the accidental or purposeful desertion
20 of these areas as lending places for traditional
21 sources because in the last ten years, for example,
22 in Newark in Area One there were no mortgages from tradi-
23 tional sources. Again, traditional sources by our
24 terminology -- banks and savings and loans. All
25 of the mortgages were purchase money mortgages.

1 a quarter of Area Two is obviously pretty much where Area
2 multiple One was ten or fifteen years ago, and Area Three
3 is beginning to bend. This varies somewhat sub-
4 Negroes instantially by the section of Area Three. It is
5 not quite as coherent as the others.

6 Turning back to our study, before inter-
7 a dozen viewing the landlords, we investigated the main-
8 very diff: tenance of parcels and graded parcels as good,
9 those average, bad. We then went out to interview the
10 again the landlords. Let me repeat again: at the time we
11 to make created the parcels we did not know who owned them.

12 We did correlation analysis of maintenance -- good
13 owners, good parcels; bad owners, bad parcels, as
14 a function of who owned parcels, and achieved the
15 following results: there is a very, very close
16 tie between good maintenance and resident ownership.

17 By far the vast bulk of all the well maintained
18 parcels in Area One, Area Two and Area Three is
19 the same.

20 By Mr. Jaffe:

21 Q Do you know how many Negroes own their own homes
22 in Newark?

23 A Based on our sampling techniques and allowing for
24 non-respondents, in the area we were dealing with a quarter
25 of the parcels are owned by Negroes. This does not mean that

1 a quarter of Negroes owned their own homes. These are
2 multiple units that I am discussing here.

3 Q: Is there a lot of absentee landlordism among
4 Negroes in this quarter percent? Is an absentee owner, does
5 not have? A: Relatively there are some. There are one or two
6 Negroes we ran across in our study who are owners of a half
7 a dozen parcels. I think it should be clear, and it is
8 very difficult to generalize in one or two cases, that in
9 those cases the condition of ownership was no better, but
10 again these are just one or two cases and I would hesitate
11 to make any generalization here.

12 Q: Would you say a quarter of your figure has not
13 necessarily owner residents?

14 A: No, and again I am repeating these figures from
15 memory: if it is approximately twenty-five percent, it
16 might be twenty-three percent that are owner resident.

17 Q: Let MR. LEUCHTER: The differential was not
18 money in white versus Negro but whether or not it was
19 and here residentially owned? Immediate assessment of my
20 own research, THE WITNESS: Right.

21 Q: By Mr. Jaffe: sort of folklore of the market, if
22 you Q: Would you say that proposition is correct?

23 A: Yes, very much so.

24 When we looked at who owned the bad parcels, the really
25 bad ones, we were somewhat surprised. The really bad ones

1 are not owned by the really big-time owners. In general
2 the worst form of ownership from a maintenance point of
3 view is the semi-amateur owner, the guy who owns two or
4 three or four or five sometimes, is an absentee owner, does
5 not have the infrastructure to support the parcel. When I
6 refer to infrastructure here, if the plumbing goes sour, he
7 has to get a plumber in. That costs money. If a window
8 gets broken, he has to get a glazier in. He tends to be
9 very desultory in doing this.

10 for The quality control of the big-time owner is phenom-
11 enal. With very, very few exceptions they own no good
12 parcels, and they own no bad parcels. They own them at a
13 level which was just sufficient to keep them out of trouble.

14 Q Now do you compare that with your original
15 statement that the big-time landlord doesn't really make
16 money?

17 A Let me make this clear: there is no money, big
18 money in tenement ownership. If you turn to an examination,
19 and here I am turning from the immediate assessment of my
20 own research, which I have some confidence in, fallacious
21 though it may be, to the sort of folklore of the market, if
22 you scratch any of the major real estate people in Newark,
23 you will discover most of them got started in the tenement
24 areas.

25 You will also discover, and this is legitimate because

1 we didn't find them and we would have found them, that most
2 of them have gotten out of this business. There are too
3 many headaches and their returns are not big enough. You
4 still have a couple of big-time owners who essentially
5 specialize in buying properties very cheaply. The return
6 on equity is excellent, and if it isn't excellent, the
7 walkaway is very fast.

8 The tax delinquency situation in the city is one which
9 has never been researched adequately, and we were unable
10 for a variety of reasons to really get in the situation. I
11 am doing a study for New York City where the data is
12 somewhat more available and the tax delinquency situation
13 in areas comparable to our hard core, i.e., the Bedford-
14 Stuyvesant area is beginning to arouse a very considerable
15 degree of concern.

16 MR. GIBBONS: Why isn't the information
17 available in Newark?

18 THE WITNESS: I don't know. This is beyond
19 the barriers of my competence. We attempted to
20 look into it. We perhaps might have made greater
21 efforts. The data did not seem to be forthcoming
22 easily.
23 and when we look at age of owners and if we look
24 at the matrix, here we have the ownership patterns
25 which are evolving (indicating), i.e., the shift

1 of parcels in areas that are very tough to work
2 with into big-time owners' hands, the shifts of
3 parcels in other areas into a mixture of hands
4 with the Negro owners beginning to play a major
5 role.

6 On the other hand, we looked at the several
7 areas that I have defined and present ownership
8 patterns there, and we sort of cranked this out.
9 What will the pattern of tenement ownership look
10 like in Newark, essentially all things being
11 equal -- they very rarely are, and this was done
12 before the riots, which may influence this, but
13 I tend to doubt it. I think the riots only
14 accelerated trends which were already there.
15 First of all, when you have white resident owners,
16 they are very old. The average age of white
17 resident owners in our sample, and again this is
18 from memory, was certainly in the mid-fifties and
19 older. About half of them were over sixty-five.
20 If I recall correctly, the average was somewhere
21 in the order of fifty-eight, but I would have to
22 check that. These obviously are people playing
23 end game; not uncommonly they are the remnants of
24 earlier immigrant groups left behind. There is
25 no family to join in the suburbs. Everybody here

1 like to speak Italian and one is at home. very important
2 point, I think we can see that these holdings over the next
3 very, perhaps ten years will obviously shift to other hands.
4 taking on These other hands, I would say hopefully from
5 mortgage the viewpoint of the city and the quality of the
6 strong housing amenity might well be new resident
7 trouble owners. Based, however, upon trends which are
8 evident over the last twenty years, when we turn
9 analogy with to the core areas, and here I would throw in
10 since I Area Two as well as Area One, i.e., we are
11 way. The talking about eighteen percent of this city, and
12 piece of I think you will have considerable difficulty,
13 as long as given the present state of things, in getting
14 live there resident owners to buy there unless you can
15 and the reshape the ballpark. This means that the only
16 kind of owner that you are going to be able to
17 get for these properties is an owner who is hard-
18 boiled enough and/or unscrupulous enough to run
19 new owner them.

20 By Mr. Jaffer: equivalent of this. As of the
21 Q Wouldn't the purchase be made by the resident of
22 that area if the purchase price were not inflated, Number
23 One; and, Number Two, if the mortgage terms were not so
24 lengthy? these by size of holdings. It is most interesting
25 A If we had a facilitating mechanism, and I would

1 like to touch on that because you have hit a very important
2 point, I think there is no question that we have many,
3 many potential owners. Our problem is we need a facilit-
4 tating mechanism. This means that we have got to have
5 mortgage money. I think we have to couple this with very
6 strong new owner advisory service to keep them out of
7 trouble.

8 In the study or in the course of the study the potential
9 analogy with the old-time Homestead Act really came to mind
10 since I teach at a land grant college that was set up that
11 way. The Homestead Act said basically, "we will give you a
12 piece of land on very advantageous terms, long-term mortgage,
13 as long as you promise to live on this thing; that if you
14 live there for seven to ten years, depending on the area
15 and the time, it is your parcel and you have clean title to
16 it."

17 In addition to that, the land grant colleges were
18 essentially set up to provide advisory services for these
19 new owners.

20 We need an urban equivalent of this. As of the
21 moment this is not available. We asked all owners to list
22 the government financing programs which they were familiar
23 with which would have a bearing on their holdings. We
24 analysed these by size of holdings. It is most interesting.
25 Your big-time owners knows 220, 221, the whole sequence, and

1 you can run through them. Your small-time owners know
2 absolutely nothing. The most that you will find are a few
3 who know Title I, which is, I am sure you gentlemen know,
4 a relatively short time, limited to five years, ten percent
5 term loan essentially.

6 There are other areas of confusion that have to do
7 with the maintenance of parcels. This applies more to your
8 white owners than your Negro owners, and that is what we
9 asked people, gave them a card actually, and the card
10 listed about eight different types of improvements. We
11 said, "Do you know in your best judgment which of these
12 improvements you can make without getting taxed and which
13 of them result in a reassessment?" The answers once again
14 were most interesting because many of the things which were
15 cited as being targets for reassessment were things which,
16 according to city policy as printed or not, were things
17 like painting your house. For the bulk of our owners it
18 was something that leads to reassessment. As a matter of
19 fact, without soliciting this we got a very substantial
20 number of answers that went as follows: Anything you do
21 to the outside of your house causes reassessment. Anything
22 you do with a building permit causes reassessment. I
23 hesitate to use anecdotal material, but one of the indi-
24 viduals from whom we got this is a member of the Newark
25 Council to Improve the Neighborhoods, NCNCR, which had just

1 gotten through publishing a little booklet telling people
2 what they could or could not do. This individual is a
3 professional real estate person, and in his considered
4 judgment, and I quote again, anything you do to the outside
5 of your house will cause reassessment.

6 **MR. LEUCHTER:** what is your assessment of
7 that belief regardless of what stated policy says?
8 Do you feel it actually does happen?

9 **THE WITNESS:** We spent a little time with
10 the tax assessment people. It would be my
11 impression, again based on one interviewer who
12 spent a week traveling with an assessor, that it
13 is essentially true.

14 **MR. BROWN:** It is known as the Jersey City
15 syndrome.

16 **Q** Do you find use of the contract for sale
17 which had whereby you pay a minimum amount and you pay it
18 off is widely used?

19 **THE WITNESS:** Not as much as we had antic-
20 study, but ipated. It is very common in Hoboken now for
21 two hundred some reason or other.

22 **MR. BROWN:** And in Jersey City.

23 **THE WITNESS:** Yes. We didn't run into that
24 data. We much here.

25 **MR. BROWN:** This tends to provide some of

1 from the the revolving property, too, because there is a
2 incongruity default on the failure of payment no matter how
3 is enormous much you pay.

4 a gross vacancy THE WITNESS: Rather than dragging in
5 is that somebody, it is easier to reclaim your parcel on
6 living the a contract of sale.

7 flush of MR. BROWN: But, on the other hand, you
8 miss some of the tax advantages and some of the
9 take on the potential of the second, third and fourth
10 mortgages on re-evaluation.

11 By Mr. Jaffe:

12 Q Do you have an opinion as to the relative
13 problems of Newark in housing as to other major cities in
14 the country based on your research?

15 A To some degree, and here I turn specifically to
16 the last study which we did. This was an employment survey
17 which had a variety of sponsors, including the Department
18 of Labor. For this study we had to develop a sample, and
19 our sample in this case was again the structured probability
20 study, but for the entirety of the state. It is a forty-
21 two hundred household sample and statistically I think a
22 very valid one for the purposes which I will touch on.

23 As a by-product of the study we developed vacancy
24 data. We developed vacancy data for the core, and here we
25 think of the core as twenty-five census tracts, and the

1 frame the seventy-five outer tracts. We have an interesting
2 incongruity. The core area has a gross vacancy rate that
3 is enormous. It is fourteen percent. The frame area has
4 a gross vacancy rate of about half that. What is happening
5 is that the core, in terms of the number of households
6 living there, is being vacated and unless we have a new
7 flush of migrants from the South, there aren't enough
8 Puerto Ricans to go around; there is nobody who wants to
9 take on that kind of housing.

10 MR. BROWN: You mean in occupancy or in
11 purchase?

12 THE WITNESS: In occupancy. I used the term
13 "gross vacancy" and "net vacancy" advisedly.
14 When we turned back to take a look at just what
15 these vacancies were, we discovered that in the
16 core roughly half of the vacancies were in
17 structures that were either in part or in whole
18 demolished, vandalized, burnt-out, in the
19 immediate path of highway taking, some of them
20 having been emptied in anticipation of this.
21 I.e. when we looked at the half that remained,
22 approximately seven percent now of the total
23 stock, I did my best to develop a very, very low-
24 class screening procedure on adequate, dreadful,
25 good. In order to avoid any middle class buyers,

1 I used as a field person for this an individual
2 who lives in a core area and is a solid, non-
3 emotional type. We went over these parcels one
4 by one, and the housing units, the apartments in
5 them. What we came up with is a net vacancy, i.e.,
6 parcels which are not demolished, not in the
7 process of being demolished and which are liveable,
8 using grass roots, not high class standards, and
9 your net vacancy figure here for the core is
10 relatively small. It is under four percent.
11 If you turn to the frame and do the same
12 procedure, you have much less in the way of
13 demolition and much less in the way of decayed
14 housing, but for the city as a whole the net
15 vacancy, i.e., adequate liveable space, is under
16 four percent.
17 In New York City the temporary rent control
18 law has lasted more than twenty years, and rent
19 control goes off automatically when the total
20 vacancy rate in the city goes over five percent,
21 i.e., in all housing conditions in which the
22 vacancy rate is under five percent, and this, by
23 the way, they are using net vacancy; it has to be
24 liveable. The city feels so strongly about it
25 that rent control is continued.

1 I am not necessarily advocating rent control
2 for Newark, but certainly using this five percent
3 figure by the way most real estate tend to live
4 with it as being a figure which produces a pretty
5 good living for the owners of real estate and
6 adequate flexibility for renters of real estate
7 is not uncommon. By that standard Newark is a
8 very tight housing market, tight but not because
9 the gross vacancy figure is inadequate -- it is
10 quite high -- but because the net vacancy figure
11 is very low. I am afraid that perhaps in some of our
12 analogies of the feasibility of clearing certain
13 areas for a variety of worthwhile purposes we
14 have tended to use the gross vacancy figure
15 rather than the net vacancy figure. This becomes
16 particularly true when you have massive clearance,
17 and here the medical school and the Highway
18 Department -- I am sure you gentlemen are better
19 acquainted with it than I. Suffice it to say if
20 you talk to people in the street, and we spent a
21 fair amount of time and energy talking to people,
22 you can't find rooms because, remember, in this
23 vacancy area you have substantial pockets of
24 vacancy which are irrelevant to people leaving in
25

1 the core. For example, you have a couple of
2 apartment houses taken over by the FHA on Mount
3 Prospect Avenue, bankruptcies involving close to
4 three and a half million dollars. These are two
5 hundred units which, as far as your core person
6 is concerned, are irrelevant to the housing
7 market, fifty dollar a room units.

8 Similarly your vacancy rate in areas such as
9 Vailsburg are quite high. The tax rate has
10 impacted those people very hard. The younger
11 generation tends to move a little bit farther out
12 than Vailsburg. That particular area is still
13 substantially quarantined against Negroes, so
14 again to your typical core family a Vailsburg
15 vacancy is an irrelevant vacancy. Even in terms
16 of averaging out the city it would tend to
17 inflate the vacancy figure.

18 MR. LOFTON: Dr. Sternlieb, with respect to
19 that I saw just recently, and I don't recall
20 just what those figures were -- I think it was
21 in Sunday's newspaper -- certain figures released
22 by a division of the city -- I think it is
23 economic planning or something of that nature in
24 the municipal government. I believe the fellow's
25 name is Kortman that heads up that agency. Do

1 you feel as though the figures reflected there
2 as relating to vacancy, because it was relating
3 itself to the displacement that would occur from
4 the coming of the medical school -- do you think
5 their figures reflected took these other variables
6 into consideration that you mentioned?

7 THE WITNESS: You touch here on a delicate
8 situation. The basic data from which those
9 figures were secured was data secured by myself
10 and my associates. The handling of the data I
11 think was a little bit ineffectual in that we had
12 an agreement that this data was to be reviewed
13 more adequately than we were given an opportunity
14 to review it.

15 In any case, if you project out this vacancy
16 data for the city as a whole, you had between four
17 and five thousand vacancies. These four and five
18 thousand vacancies as percentage of total housing,
19 number of people in Newark, households in Newark,
20 are not adequate to provide adequate housing
21 choice without major clearance. With major
22 clearance, and depending on whose numbers you
23 read, the highway thing, the FHA in 1965 did an
24 analysis of the then projected highway location --
25 the displacement was calculated as being roughly

1 six thousand households. Even if you shade this
2 figure somewhat, I think it is quite clear that
3 unless there is some massive injection of new
4 housing or some massive replacement of some of
5 Newark's people outside the city, that the housing
6 market simply will not sustain this without a
7 period of doubling up of a general lowering of
8 standards which may or may not be feasible, and
9 there I am not competent.

10 MR. GIBBONS: Doctor, have you made any study
11 of vacancy rate in surrounding suburban munici-
12 palities?

13 THE WITNESS: No, we haven't.

14 MR. GIBBONS: Did the figures which the City
15 of Newark reported in the Newark News yesterday
16 on employment originate with your study?

17 THE WITNESS: Yes.

18 MR. GIBBONS: That was your employment survey?

19 THE WITNESS: Yes. When I say mine, jointly
20 done as a joint product of Rutgers, Chernik and
21 myself involved.

22 MR. GIBBONS: The newspaper report indicated
23 that among non-white people a disproportionately
24 higher number worked outside the City of Newark
25 than inside as compared with whites. Wouldn't

1 that point toward a solution in the direction of
2 finding housing for non-whites outside the city?

3 THE WITNESS: In another and in a better
4 world, yes. Let me cite East Orange, which is a
5 sort of first port of call for many Negroes
6 leaving Newark. The East Orange housing market
7 and areas which are open to Negroes are terribly
8 tight. You have a peculiar incongruity here. A
9 colleague of mine always refers to averages by
10 analogy of a man with a foot in a pot of boiling
11 water and another foot on an ice cake. On the
12 average his temperature may be ninety-eight, or
13 whatever it should be, but he is very uncom-
14 forttable.

15 When you look at these average data, they
16 are most fallacious.

17 MR. GIBBONS: You mentioned earlier something
18 in the direction of encouraging residential
19 home ownership through some kind of mortgage
20 program. If such a program were adopted,
21 shouldn't it be adopted with state guide lines to
22 encourage mobility of non-whites out of the
23 center city and perhaps some kind of incentives?

24 THE WITNESS: I think we must take a look at
25 the housing market with more care. I have also

1 done some studies of garden apartment house
2 development, and on the face of it the number of
3 rental facilities outside the city is growing by
4 leaps and bounds. As a percentage increase, for
5 example, it is growing faster than the development
6 of one-family houses. But this is somewhat mis-
7 leading. With the exception of a very few com-
8 munities, to the best of my knowledge there are
9 no significant garden apartment developments that
10 have three bedrooms. The vast bulk of communities
11 now permit 80/20 or 70/30 developments, and the
12 first number refers to the number of one-bedroom
13 units, the second refers to the number of two-
14 bedroom units. ~~is very hard to come by. It~~
15 ~~require~~ we are dealing with families whose size of
16 household typically requires more. Further, we
17 are dealing with the problem of equity accumu-
18 lation, and we have, I think, to take a longer
19 perspective than sometimes, you know, "The summer
20 is coming on; let's all rush to the hills, men"
21 approach has permitted us to do. We must have
22 equity accumulation before we have a shift to the
23 suburbs. There are not that many people whose
24 flow of funds permits them to sustain a house per
25 se just as a function of flow of funds. Rather

1 we have a great many people now, I think very
2 fortunately, who are making between six, eight
3 and nine thousand dollars a year. How are they
4 going to accumulate a launching platform?

5 MR. GIBBONS: Couldn't they do it the same
6 way GI's did after the war, one hundred percent
7 mortgages? Ninety-five percent mortgages?

8 THE WITNESS: Conceivably. This money and
9 that type of housing is no longer so available.
10 The GI did what he did with a \$8,990 Levitt house
11 and a location which he thought was all the way
12 away from his work place, but by present standards
13 is relatively close. That same house is \$20,000
14 or \$22,000 and is very hard to come by. It
15 requires two cars and the whole assemblage of
16 costs.

17 MR. BROWN: Plus the fact that your mortgage
18 market in the GI loans is now ten points to get
19 the loan even if you have the equity to get your
20 ninety percent.

21 THE WITNESS: I would not decry this market.
22 I would hope it would be expanded. I would hope
23 there would be people moving into it, but I
24 wouldn't wait for it.

25 MR. BROWN: It has already defeated its own

1 purpose, hasn't it? Isn't there a difference in

2 terms MR. GIBBONS: The mortgage market is a tem-
3 porary situation, as soon as the Vietnam situation
4 ends, if it ever does?

5 MR. BROWN: It was up to seven points before
6 Vietnam.

7 THE WITNESS: I view the tenement perhaps
8 quite differently from other people whom you may
9 have spoken to and certainly quite differently
10 from a number of housing people, Senator Kennedy,
11 for example, as one, who view it as a non-profit
12 place and view the non-profit co-op as the
13 appropriate means. While I would experiment with
14 these things, I think we are throwing out and
15 excellent opportunity to generate a middle class.
16 I see nothing wrong with making profits out of
17 tenements. I would like to see us make some
18 owners who are resident owners because they will
19 maintain those buildings and those buildings will
20 have to be profitable. If a man can hang onto
21 this for eight or ten years, he then has an equity
22 of five to ten thousand dollars.

23 MR. GIBBONS: But we do have to find some way
24 for the black man who lives in Newark and commutes
25 out to live near his work, too.

1 MR. BROWN: But isn't there a difference in
2 terms of the work, Doctor, as you have seen it?
3 The reason you have the ingestion in the morning
4 is because you have people with training who come
5 in to provide the services at the insurance com-
6 panies and the largely technically oriented firms
7 offer. I think the reason for the exodus is the
8 fact that they are going to the labor pool units,
9 which is quite a different thing. So is the very

10 This comes back again to preparation for the
11 kind of job. But the one thing you haven't men-
12 tioned is the question of the resident landowner
13 who has bought with little equity who then,
14 whatever he be, black or white, poor or rich, has
15 to alter the rental structure and who, by the very
16 definition of this person who is coming up by his
17 bootstraps, even in contrast to your large-scale
18 owner, is in more need of rents that fit his need
19 rather than rents that fit the need for just
20 accommodation, wouldn't you say?

21 THE WITNESS: I think one point comes through
22 very loud and very clear. If we are going to
23 provide housing which has all of the amenities,
24 which I think a good many Americans are agreed to,
25 it is going to cost money; it is probably going to

1 cost more money than many of the tenantry can pay.
2 One of the points of landlords is, "Look, if I
3 improve the parcel, I am going to have to charge
4 more rent and if I charge more rent, I am going
5 to lose this tenant and I don't know where I can
6 get better tenantry."

7 MR. BROWN: Don't you get a kind of tenantry
8 that is double?

9 THE WITNESS: Not commonly. So in the very
10 act of code enforcement we lower housing standards.
11 To a new owner the rent structure or the per-
12 missable rent structure may largely revolve around
13 the way he acquires his parcel. If I recall cor-
14 rectly, a ten-year mortgage at three percent has
15 a higher cash flow than a twenty-year mortgage at
16 six percent. When you drive this individual to
17 make improvements on a three-year to a five-year
18 term loan basis, I don't care whether you give him
19 the money, the cash flow requirements necessarily
20 mean a much heightened rent control.

21 MR. BROWN: Have you found in housing, to
22 answer part of Mr. Gibbons' feeling, which I share,
23 to get away from the condominium or co-op idea,
24 which requires equity, that the poor in the five
25 to eight thousand dollar bracket do not have --

1 this is a dream, obviously -- but in terms of the
2 tenement in the best sense, that is, I assume you
3 define the tenement where there are three or four
4 families -- of the same the landlord turned around

5 THE WITNESS: It has no moral or invidious
6 overtones. found it impossible to maintain these

7 MR. BROWN: Then it loses some of the onus it
8 acquires when defined that way. Was it not true
9 in New York under the Title I administration five
10 years ago that people merely abandoned the houses
11 and decided to let people live there rent free,
12 one dollar a month rentals being common, but this
13 then pointed up the inequities of the one dollar
14 a month rentals because there were health hazards?

15 THE WITNESS: There is much more learned from
16 the New York experience and at the risk of boring
17 you, and I will depend on you to holler as soon
18 as this becomes redundant, we haven't touched on
19 code enforcement and perhaps this is relevant.

20 New York City, after trying just about every
21 legal approach to code enforcement, adopted a new
22 policy, also people hopefully, in which if a
23 landlord refused to make repairs or could not be
24 found, the city took over the parcel in question,
25 repaired the parcel and had a first claim on the

1 title to the parcel. This program was announced
2 with considerable fanfare. It has died a horrible
3 death as soon as the city has discovered in the
4 great bulk of the cases the landlord turned around
5 to the city and said, "You are now an owner" and
6 the city found it impossible to maintain these
7 parcels properly.

8 MR. BROWN: To meet its own standards.

9 THE WITNESS: Yes.

10 MR. LEUCHTER: What was the date on that?

11 THE WITNESS: It has ground to an ignominious
12 halt. It started within the first six months of
13 Lindsay's administration, whenever that was.

14 MR. GOLDMAN: Was it an Edward Logue proposal?

15 THE WITNESS: No. Logue never troubles with
16 landlords. He is above that sort of thing.

17 I think the point that comes through very
18 loud and clear here is a point that we have also
19 observed in public housing, and I am not going to
20 denigrate public housing. It has a function to
21 perform and in many areas performs that function,
22 but one of the things it does not perform is make
23 people feel glad about living there. When you
24 kick in a public housing door or break a window,
25 to the middle class this is dreadful. This belongs

1 to the state. To the individual or child sometimes
2 who kicks this in, it belongs to something which
3 isn't "mine." It is proof of the fact that he
4 sees on television continually that he or his
5 family "have not made it." There is no pride in
6 it; there is no achievement in living there.

7 My hope would be, frankly, and at least
8 based on the track record which we have observed
9 in home ownership, that you do get some of this.
10 You get the minute-to-minute supervision which a
11 tenement requires. You get the feeling on the
12 part of the tenantry that one of your own made it.
13 "Maybe we can, too." I think you get a much more
14 integrated, ameliorated social situation here.

15 Q It is a healthier one.

16 MR. BROWN: Doesn't this come back to the

17 New York experiment which proved that even the
18 public city can't carry it?

19 THE WITNESS: The city is "they." As soon
20 as you have that term "they," "they" is a white
21 owner in South Orange. "They" is the City
22 Housing Authority. It doesn't make much dif-
23 ference. It is an absentee landlord; it is not

24 "me."

25 We had some of this feeling come through.

1 Again we handed owners a card, and we had a
2 number of problems indicated on the card. One of
3 them was such things as the tax rate, code en-
4 forcement, a variety of other questions. Tenant
5 problems was one of these. To all the absentee
6 owners without exception tenant problems were
7 Number One and everything else shrinks away. To
8 the absentee owners tax problems were the most
9 significant and tenant problems ran very low. I
10 think this is proof of the fact that where you do
11 have this close supervision there aren't tenant
12 problems because the landlord doesn't permit
13 there to be tenant problems.

14 By Mr. Jaffe: all we are doing -- the next

15 Q what do you think of leased housing along this
16 line? have a new law which incorporates A and B prices.

17 A I think it will suffer from the same problems as
18 public housing. I think it will be quite expensive on a
19 virtues received for dollars expended program. I think we
20 are in need of experiment so that even though I would sort
21 of cross my fingers, I would still go down the line. I do
22 not see it as a long-term resolution. I hope I am wrong.

23 MR. BROWN: what do you think of the non-
24 profit 21(d) 3 type approach where non-profit,
25 grass roots organization, a church, as long as it

1 is indigenous, whatever it might be, undertakes
2 the type of construction that requires in a
3 limited area the partial demolition, selective
4 blight with an incorporation of facilities like
5 day care centers? Would you consider this almost
6 an ideal solution to the city if it is feasible?

7 THE WITNESS: Our problem is this: each
8 year we have a new 200 series piece of legis-
9 lation and if it isn't a 200 series piece of
10 legislation, we have a series of administrative
11 letters from the FHA saying interpret something
12 differently in the interim so we can get going.
13 The sheer redundancy of these things makes me
14 feel that about all we are doing -- the most
15 obvious reason A didn't work is A prime. Now we
16 have a new law which incorporates A and A prime.
17 Essentially we have taken all of the reasons that
18 we can think of for things not working and we
19 have put together 221 (d) 3, and I am all for it.
20 I would warn you, however, that there is no
21 track record, and obviously there can't be a
22 track record. I think much will depend upon the
23 quality of the local organization and one of your
24 problems in Newark, and I am speaking out of turn
25 here and I am open to alteration, is the quality

1 of local -- we mean by work. If we are talking
2 CHAIRMAN LILLEY: Would you prefer to be off
3 the record? There is no question. We are worried

4 THE WITNESS: No, the devil with it. If one
5 is going to talk, one should talk.

6 I do not see the quality of local organi-
7 zation here.

8 Secondly, I do not see the quality of
9 infrastructure that is going to support the
10 middle class family. When I say infrastructure,
11 the school problem, the health problem, the
12 atmosphere problem. I can see 221 (d) 3 working
13 in, let's say, my Area Three on the periphery of
14 the area where we still have a good school
15 district hopefully that we can dominate.

16 MR. BROWN: Will any housing work without
17 the infrastructure? Let's take your ideal
18 tenement situation, indigenous ownership and all
19 that. Will that work?

20 THE WITNESS: No.

21 MR. GIBBONS: Can you supply the infra-
22 structure unless you go to where the industrial
23 rateables have fled to?

24 THE WITNESS: I think this is a very cardinal
25 point. When you say work, I think we have to

1 define what we mean by work. If we are talking
2 essentially about plumbing, we know how to build
3 plumbing. There is no question. We are world
4 famous for this. Yes, we can bring plumbing, and
5 I mean the paint up-clean up-fix up- look right-
6 feel right situation to the housing market.
7 Housing is merely one input into the overall work,
8 an environment that makes sense.

9 I think there is some question as to whether
10 housing really is the prime input. It is the one
11 that you see the most and it is the one that we
12 do things about because we understand physical
13 things, but it does not resolve the problems of
14 the city or the people who live in the city.

15 The fact that public housing per se has met
16 with as much hostility on the part of occupants
17 as it has, it seems to me is proof of the fact
18 that people are not satisfied with plumbing.

19 MR. BROWN: Would you say, then, in answer
20 to Mr. Gibbons' question that to put the emphasis
21 of the initial solution on housing or on employment
22 or on education is a mistake; there is something
23 else here that has to be introduced?

24 THE WITNESS: I don't want to be a prophet of
25 doom, and God knows you have enough of these

1 around here, but one of the things which is con-
2 tinually thrown into the public mill is, "You
3 know, my father or grandfather or uncle came from
4 those areas and they were no better; indeed, they
5 were worse, and they made it without riots. Why
6 can't the present group be nice and peaceful and
7 make it, too, without riots?"
8 I am somewhat of an expert here since my
9 father came from the Lower East Side, as did my
10 mother. I can assure you the area was even worse,
11 if possible, than now. I think this begs the
12 question completely.

13 The earlier immigrant groups were both
14 retarded and protected by language barriers, by
15 communications barriers. There was no television;
16 there was no radio. If they read a newspaper, it
17 was an ethnic language newspaper that was filled
18 with stories of people just like themselves. They
19 never knew there was another world that existed.
20 This slowed down their assimilation. It was a
21 high price to pay. But it also buffeted them
22 cyclically against the strain and stress of
23 living up to a standard before they were in a
24 position where they could achieve it.
25 and If you contrast that with the role of

1 television, radio, and movies today and the child
2 who has been in the same area, which was an
3 Italian ghetto or Jewish ghetto, I think you can
4 see the difference. The child is sold on the
5 American way of life, and contrary to some
6 remarks, the problem with the slums is not that
7 there is not a middle class aspiration level;
8 the problem is there are two hundred percent
9 Americans. Every time you see a Cadillac down in
10 the slum area, this is a tribute to the effective-
11 ness of American sales ability to people who
12 can't even achieve these things. There just isn't
13 a pi There have been a number of marketing
14 surveys done on liquor consumption. Scotch con-
15 sumption as a percentage of total booze consumed
16 among these Negroes is higher than among whites.
17 These people are sold on a way of life. This
18 isn't the worst thing in the world obviously. It
19 goods people on. However, when the gap between
20 what you have been sold as being right and where
21 you are and what you think you can achieve
22 becomes too great, all you have is frustration.
23 You no longer have a desire to get up and get.
24 You have frustration; you have a fantasy life,
25 and occasionally you have violence. Filling that

1 gap is a very, very difficult thing because
2 there isn't a comfortable way station on the road
3 to the suburb and a house with a two-car garage.
4 There is no place to stop and take a breather.
5 There are some ameliorative things. I think the
6 tenant ownership thing has some plus qualities
7 here, and we obviously can't wait for the
8 millenium, but I would suggest very strongly, let
9 me repeat again, there is no breathing space, no
10 platform where you can say, "See whiz! Look how
11 high we have climbed. We still have the mountain
12 ahead of us. Let's rest a bit." There just isn't
13 a place there. getting rowd around at their
14 head. CHAIRMAN LILLEY: I will resist the tem-
15 tation to say this is a good place to stop because
16 it obviously isn't, but you have spent a lot of
17 time with us and we appreciate it. Perhaps we
18 can break for ten minutes for coffee.

19 MR. BROWN: As far as your studies in
20 Newark are concerned, and because of your back-
21 ground in urban affairs, it is unfair to ask it,
22 but are there any specifics that you have seen
23 that would be applicable in trying to fill this
24 void, this area of frustration, anything that
25 could ameliorate the housing approach? You have

1 Whereupon, thought about it a great deal obviously.

2 THE WITNESS: Yes. You need some showmanship.

3 MR. BROWN: In what area?

4 THE WITNESS: You need some leadership. You
5 need a showman. Lindsay may or may not be God's
6 gift to man -- I am not competent to say -- but
7 coming down he is a superb flag carrier. You can only carry
8 questions the flag so long before the people say, "where
9 the Commies are the loaves and fishes?" You can have some of
10 first class those, too. But with a flag carrier you can
11 enlist some enthusiasm, some hope. There are no
12 flag carriers in this city. The potential can-
13 didates end up getting rocks thrown at their
14 heads, and properly.

15 MR. BROWN: Why do you say properly?

16 THE WITNESS: Because they "ain't got what
17 it takes."

18 CHAIRMAN LILLEY: Thank you.

19 Is that understood, sir? (Witness excused.)

20 A Yes.

21 The full name is John William Smith currently residing
22 at 47 South Street. During the night of the incident I
23 was employed as a taxi cab driver.

24 Relative to the incident, I had picked up this
25 passenger in the vicinity of City Hospital, and was on a

Whereupon, I took Sixth Street south over to JOHN W. SMITH

called as a witness, duly sworn, testified as follows:

EXAMINATION

By Mr. Jaffe:

Q Mr. Smith, the Commission appreciates your coming down here on a voluntary basis. We have only two questions that we would ask you. Under the rules that the Commission adopted in going into the incident the first question is your full name and address and your occupation in July of 1967. The second question would be a narrative in your own words as to the events that transpired on the night you were arrested in July, 1967. The rule that the Commission adopted in going into the incident because of the possibly pendency of other matters is that no questions would be asked by the Commission members, but you would be free to give us your explanation of what happened.

Is that understood, sir?

A Yes.

The full name is John William Smith currently residing at 47 South Street. During the night of the incident I was employed as a taxi cab driver.

Relative to the incident, I had picked up this woman passenger in the vicinity of City Hospital, and she was on