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Housing Investment in the Inner City. By Michael Stegman. MIT Press, 1972. Pp. xi, 289.

Reviewed by Daniel R. Mandelker*

For several years there has been a running debate between two types of urban critics who have sought to find solutions to our housing problem. Some old-fashioned types, like this reviewer, have long urged that there are basic deficiencies in the housing market and housing delivery system that need attention, and that no improvement could come in housing conditions until these problems are addressed.¹ Some, following the lead of Daniel Moynihan and other national trend-setters in social policy, have laid many of the ills of the housing market to more generalized conditions of poverty. If only we would properly supplement low and inadequate incomes, their argument runs, we would bolster demand for housing consumption and thus stimulate an improvement in housing conditions.

Now comes a new book analyzing problems of housing investment in the inner city of Baltimore which lends support to the old-fashioned view. Professor Michael Stegman and his associates started out to discover what they could find about housing for the poor in Baltimore. They examined the influences on that part of the housing market which have led to its unsatisfactory performance in providing adequate housing for lower income families. Similar studies have been carried out elsewhere, notably by Professor George Sternlieb in Newark and New York.² In many ways, this Baltimore study is similar to the above except that it goes one step further by analyzing the management prob-

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1. I get my chance in a forthcoming book to be published by Bobbs-Merrill Company, Inc., which reviews English and American public housing programs. *See also* D. MANDELKER & R. MONTGOMERY, *HOUSING IN AMERICA: PROBLEMS AND PERSPECTIVES* (1973).

2. *E.g.*, G. STERNLIEB, *THE TENEMENT LANDLORD* (1966).

lems of owners of substandard housing and the problems they face.

What Stegman finds may surprise some housing experts but will not surprise those of us who have been close to the problems of the low income housing market. Rents for substandard housing, in the first place, are not found to be appreciably lower than rents for standard housing elsewhere in the city, taking into account differences in quality. As Sternlieb also discovered, owning substandard rental housing is not a lucrative enterprise and often turns no profit at all. But the surprise is in the cause of all these troubles. Losses in ownership are traced primarily to poor management on the part of owners, high tenant turnover, and tenant abuse of properties. In many of the cases analyzed by Stegman, an operation generating a negative cash flow could have been turned around by better performance on all of these counts. Turning a negative into a positive cash flow has impact as well on capital values, and thus on the optimism about capital protection and investment outlook in inner city neighborhoods.

Other significant insights relate to the maintenance cycle. Stegman points out that even in deteriorated inner city areas, there is enough pressure on landlords to keep many properties from sliding too far downhill in quality. In fact, some landlords invest in their *poorer* rather than in their *better* units simply to keep the *average* quality of their housing as close to an acceptable level as they can. Another chapter reports on the so far unsuccessful efforts of a local non-profit housing sponsor to rehabilitate and improve substandard housing units, and confirms similar experiences in other urban centers. In short, Stegman examines many of the standard clichés about housing programs which have become part of the conventional wisdom, and finds them wanting.

Other chapters of interest to lawyers examine the effect on the housing problem of the tenant rights movement and the reform of landlord-tenant law, while a final chapter advances cautious and tentative suggestions for a housing program that can lead to improvements in the housing situation. It may be disheartening to advocates of a grand housing strategy to learn that better housing conditions might be brought about by better management practices, including wholesale buying of housing services, and by such mundane suggestions as watching tenant use of water more carefully. But these suggestions do make sense only when laid against the complex picture of housing problems that Stegman describes.

What meaning the study has for lawyers concerned with housing

problems depends on your point of view. It certainly appears that much of the present movement for the reform of landlord-tenant law is beside the point when the economics of low income housing are examined. Neither is vigorous enforcement of local housing codes a panacea. What we will have to seek, as this reviewer has pointed out elsewhere,³ are better methods of owning and managing the housing stock we now have. This approach to a solution of housing problems may not be as exciting as suing slum landlords in court, but it may bring more results in the long run.

3. *See supra* note 1.