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How Cities Should Take Care of Their Housing Problems.

While President Trump talks repeatedly about fixing America's inner cities, it's a good bet that in the coming years, New York and other large metropolitan areas will need to be more self-reliant in solving pressing problems, especially low-income housing.

After all, many big cities face a triple threat: Mr. Trump wants to cut funding to sanctuary cities; his nominee to run the Department of Housing and Urban Development, Ben Carson, is unlikely to be a strong and creative leader; and the Republican Congress is eager to chip away at federal housing programs. In response, cities need local financing initiatives that make up for the coming reduction in federal assistance.

Fortunately, there's an already tested alternative: an annual luxury housing tax, levied on new high-end condos and rentals, which would feed a self-sustaining fund dedicated to develop truly affordable units.

While no city has such a plan in place, this strategy has been tried right here in New York. The city has already channeled approximately $1 billion from luxury development for affordable housing into communities like Harlem and the South Bronx.

The history of this financing dates back three decades, when the Battery Park City development in Lower Manhattan was in its nascent stages. Planners intended to include low-income housing with the offices and luxury apartments and condos.

But when Sandy Frucher, the head of the Battery Park City Authority, asked leaders of poor and minority communities if they would prefer a few apartments in this new neighborhood or money to fix up far more housing in their own, he says they chose the latter.

As part of this strategy, the authority dropped most of its affordable housing plans, which helped jump-start high-end development in this once isolated part of the city. It then took a slice of the "excess profits" the authority generated from expanding ground rents and real estate taxes it collected from new buildings and directed them to finance low-income projects in distressed areas.

These recurrent flows backed a $150 million bond, issued in 1987. Use of debt expedited renovation. Improved units, which were designated rent stabilized, remain affordable to this day.

This highly rated, triple-tax-free issuance enabled reasonable interest costs. The same thing could happen today with similarly structured bonds, likely paying less than 1 percent.

Gov. Mario M. Cuomo, who approved the deal, felt it gave Battery Park City a soul. Today, a similar plan would also give the city a hand up in dealing with Washington.

Levying a luxury-housing tax citywide is straightforward; the trick is justly defining what price makes a rental or condo "luxury," then determining an appropriate annual tax rate.

Targeting properties for improvement is another challenge. Back when the Battery Park City program started, the city regularly took ownership of rundown buildings for failure to pay property taxes, then used the program's money to fix them up.

Abandoned buildings have largely disappeared in a booming real estate market, but there's still tax-delinquent and bank-foreclosed inventory available on the cheap. Slum landlords in litigation could be forced to turn over their properties. These properties could be handed to nonprofit groups that would undertake renovations, ensuring adequate maintenance and responsible tenancy.

According to Carol Lamberg, who was executive director of one such organization, the Settlement Housing Fund, from 1983 to 2014, there are dozens of well-run nonprofit housing and community development operations in the city that could manage the entire process, from site identification and redevelopment to tenant selection and property management.

The money could finance new construction over municipal parking lots and abandoned industrial areas and along coastlines in the Bronx, in Brooklyn and on Staten Island.

But this luxury housing tax diverges from Mayor Bill de Blasio's "inclusive" strategy of mixing struggling tenants in with affluent occupants, for which developers get a tax credit. But that approach has problems: Low-income residents often can't afford daily living expenses in affluent neighborhoods; it drains municipal finances; and a substantial number of affordable units revert to market price within 30 years.

An affordable-housing tax, in contrast, would exploit development forces without dampening them or draining public budgets and borrowing capacity. It would fund improvement where it's not happening and aid households the market has left behind.

Providing safe, clean homes for those who can't afford them is key to helping needy citizens become more productive and independent citizens — a concept lost on President Trump.

This approach is applicable countrywide, where there are strong luxury housing markets and low-income working residents who can't afford permanent shelter.

We need to start responding to President Trump's new reality. One way to do this is to restart this proven form of local revenue sharing.

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