

SLUMS VERSUS PUBLIC HOUSING,
A COST-BENEFIT ANALYSIS

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INTRODUCTION

In our democratic civilization all our lives are inextricably involved with the luckless people who now must live in the slums; people we meet at every turn, people on whose intelligence, cooperativeness, ambition, every city's economy depends. Our cities generate most of our income and contain most of our wealth. Much of this wealth is in the form of residences and the utilities to serve them. Housing is the largest single item in the inventory of national wealth. Not only is most of the wealth in our cities, but also most of our income arises there. Ninety per cent of the wealth of the continent is attributed to about one hundred and eighty metropolitan areas.

Blight is marching from block to block across our cities, spreading decay far faster than any present program can cure it. Because of this, the housing investment, which is more than a quarter of the total assets of North America, is wasting away faster than we can build and most of our cities are drifting toward bankruptcy. The whole complex founded on the city concept is threatened.

This blight which drives the middle class to the suburbs is threatening the tax base of the cities. Industry and commerce are following the populace. When nothing but

spreading slums are left behind, there will be no source of revenue to pay the mounting cost of city government. Actually blight can be reversed only through teamwork of government and business. The tremendous human and material waste inherent in blight cannot be stopped by government alone; it cannot be stopped by private enterprise alone. It cannot be stopped without effective and uniform law enforcement against housing violation, but it can never be stopped by law enforcement alone or by any other negative force.

One of the principal stumbling blocks for the Canadian urban renewal and housing program is the prevailing attitude of the people who live in our cities. Notwithstanding numerous urban renewal studies which have been prepared during the last seven or eight years, very little has been done to implement their recommendations. It appears safe to say that most people are not really concerned about urban blight, substandard housing and the waste of community resources represented by these problems, because they do not really understand their seriousness.

From interviews of many responsible citizens during the Manitoba Housing Study, there emerged two prevailing schools of thought. One group of leaders asserted that society simply contains a number of families who live in poor areas because of their anti-social attitudes which are hard to change. Another group definitely recognized the

necessity for improvement and considered that most of the families involved would respond favorably to an improvement and rehabilitation program. This last group, however, had very little knowledge of possible methods and available assistance schemes and would, therefore, require outside technical help in initiating such a program.

This thesis is intended to moderate the opinion of the skeptical group by demonstrating statistically the success of previous slum clearance and public housing projects. Many causes of slum development that would not be immediately evident to the public are discussed. Sources of assistance, incentives and methods of analysis are described for the latter group. Benefits are equated to cash savings, whenever possible, and a general financial theme runs throughout, because it is believed that all successful slum clearance and public housing programs must be preceded by a public relations campaign that stresses economic justification.

Originally begun as an analysis of a specific project, this thesis was expanded into a general discussion of the financial and sociological aspects of slum clearance projects and renewal with public housing. Severely critical comparisons of Canadian and United States housing policies are included, with warnings about the incentive-killing and neighborhood-destroying power of a too-ambitious public housing program.

Short subheadings have been used throughout this thesis because the large number of points discussed makes a natural continuity difficult and because subheadings emphasize points and aid in specific indexing. Appreciation is expressed for the assistance and encouragement of Professor V. J. Kostka, University of Manitoba, for the award of the Planning Fellowship by the Central Mortgage and Housing Corporation, and for the guidance of Linda Davis, ACTION researcher and officials and librarians of many other federal, municipal and professional offices.

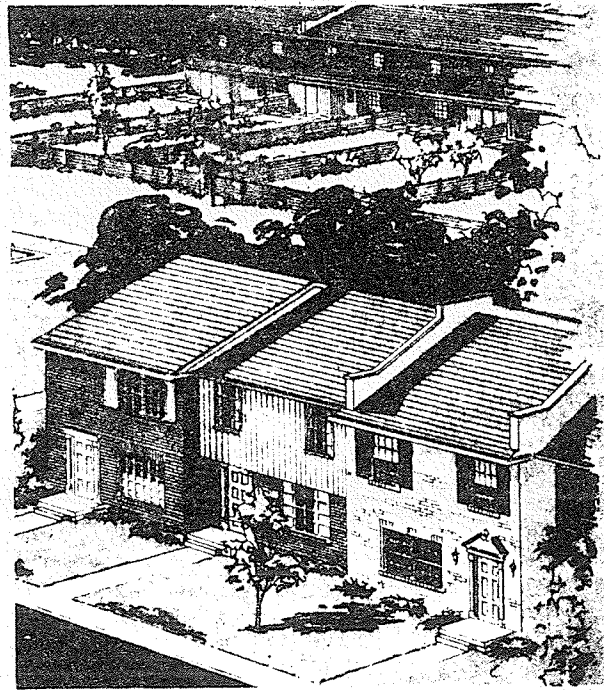


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CHAPTER I

THE DEVELOPMENT OF SLUMS AND THEIR PERPETUATION

A. PHYSICAL CAUSES

ADEQUACY

Very few Canadians or Americans are without shelter; however, there are a great number without adequate housing. "Adequacy" implies that each family shall be housed in sufficient space to maintain a happy family life and that this housing shall be of sound construction properly maintained.¹ The essential purpose of housing is to provide a level of comfort, health and enjoyment conducive to the nurture of a family.

A "home" in the proper sense of the word is a family living in a separate dwelling as a unit of society. Their accommodation must be provided with heat, ventilation, natural and artificial light, modern sanitary plumbing and modern kitchen facilities. A slum may be defined as occurring when there is an absence of several of these features. "Adequacy" thus has both social and physical implications.² Also, it is a relative term.

¹ A. Rose, REGENT PARK, p. 3.

² Ibid., p. 4.

INDICES

Three basic factors are usually considered in determining the degree of blight: the age of dwellings, the quality of housing as shown by exterior condition and incompatible land uses. The age of dwellings is not in itself a valid criterion of condition but older housing definitely has a stronger predisposition to blight. A study of the quality of housing may be conducted by a team of trained men examining each structure.

They usually tour the city in automobiles, conducting what is known as a "windshield check".³ Each city has its own system of classifications but usually those structures rated as good are free of blight and need no repairs. Those rated as fair are vulnerable to blight, and those rated as poor are in various stages of blight.

48.5 per cent of the structures in a study of part of Vancouver are of pre-1915 vintage. 21 per cent were built between 1915 and 1930. 30.5 per cent are post 1930. Those falling in the poor category make up 17 per cent of the total. 44 per cent are fair and 39 good. With very few exceptions, the distribution of blight revealed by the windshield check corresponds closely to the areas of oldest housing.⁴

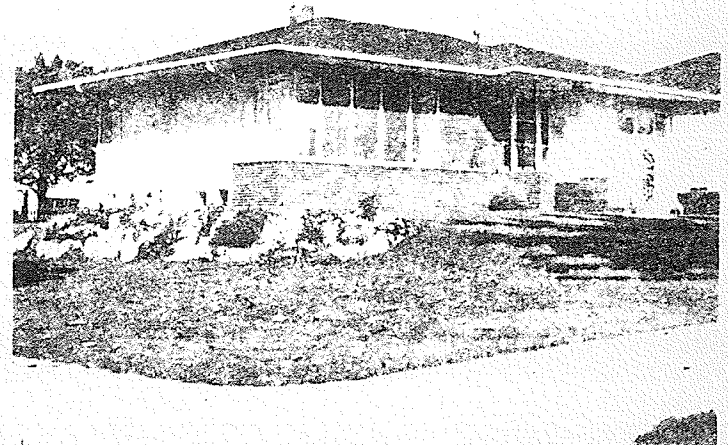
³ Vancouver Planning Department, Vancouver Redevelopment Study, p. 3.

⁴ Loc. cit.



HOUSING ILLUSTRATIVE OF THE FIVE
QUALITY GRADES USED IN THE
WINDSHIELD SURVEY

1. Very poor.
2. Poor.
3. Fair.
4. Good.
5. Very good.



OBSOLESCENCE

The pioneering spirit that produced the nation of Canada in the forest primeval seems to have died out. Pride in the accomplishment has become complacency. The result is that obsolescence has overtaken our cities. One house in every twelve in Canada is over eighty years old.⁵ A propensity for thrift on the part of Canadians seems to make them reluctant to tear down old buildings.

The values of clearing slums because they are wasteful and ugly are evident to some extent, yet Canadians on the whole have not been inspired by clearance proposals. Perhaps there is the underlying belief that such a young country should not be working on such a negative kind of salvage operation.⁶

The Canadian preoccupation for congratulating themselves on the original achievement is such that they have allowed an historical rigor mortis to set into many cities. The original design discourages needed transition of land use. Since obsolescent real estate is durable and fixed, there is a need for positive action so that blight will not

⁵ J. Hodgson, "The Redevelopment of Canadian Cities," Community Planning News No. 5, 1956. Reprint by C.M.H.C., p.1.

⁶ Loc. cit.

become a permanent feature of national life. Obsolescence, one might think, should not necessarily result in slums. Slums, however, are almost inevitable when growth for progress is limited. Buildings, streets and open spaces must change if population and business are to grow. If there is no response to the need, desirable population and business will desert the core, leaving a vacuum for blight to fill.

Structures and facilities not only wear out but they also become outmoded. Many of them outlive their usefulness. New needs and requirements may render them obsolete if they are not renovated and modernized in accord with prevailing standards and needs. An urban dwelling unit which lacks a flush toilet is an anachronism, from the standpoint of both current preferences and the sanitation requirements of a congested area. Failure to upgrade such a dwelling unit or to demolish it will add to the backwash of blight and slum development.⁷

REHABILITATION

Rehabilitation is the best way to fight slums, but it does not help where decay has gone beyond repair. New housing is then the only remedy; usually public housing,

⁷ T. Johnson, Renewing America's Cities, p. 4.

because incentives for low rent private housing are weak. When decay is in the early stages buildings and neighborhoods can be saved with a relatively small investment. Unfortunately, tax and assessment policy often prohibits or discourages repairs.

The effectiveness of the enthusiastic clean-up and paint-up organizations of our larger cities is offset by property tax policy. These rehabilitation organizations do a remarkable job, it is true. Some, like Baltimore's Fight Blight Fund, even finance such projects. A really 100 per cent effective program requires individual initiative, however. Voluntary, complete rehabilitation cannot be compulsory. The incentive has to be economic and the city's economic weapon is its tax policy. The creation of a tax and assessment incentive could do much to fight slums for a sane and realistic cost.

This is not likely to happen, however. Pressure groups raise the cry that tax relief for profit-making or non-profit organizations or individuals engaged in rehabilitation is tantamount to public subsidy of these entrepreneurs. They would rather subsidize public housing at up to 100 times the cost. This subject is pursued further under the heading of TAXES later in this chapter.

B. HUMAN CAUSES

OVERCROWDING

Slum conditions usually begin when several families crowd into a unit which is adequate for one family only. These conditions would not have occurred if regulations against multiple occupancy had been enforced. Most apartments advertised in Toronto are in houses originally built for single family occupancy, which have recently been purchased by newly arrived European families. These families usually live in a very small part of the house and divide the remainder into accommodations for three or four other small families or for roomers.

Bathrooms usually have to be shared. Kitchens often are shared. Rents are perhaps two-thirds as high, on the average, of what the reasonable rent for an entire house should be. These conditions are obviously well on the way toward turning large sections of Toronto into slum.

In a six-room house on Queen Street West in Toronto, there are three families with thirty children. Such children more readily become delinquent. Toronto has had a fabulous population growth since the war but at the same time has had a reduction in the number of rental units.⁸ The majority of

⁸ G. Stephenson, paper presented to T.P.I.C. conference, Banff, September, 1956, printed in supplement to Ontario Planning, October, 1956, p.2.

new families have had to double up in new houses or take rooms in old houses.

Overcrowding is not exclusively a post-war phenomena. In Halifax, it began long ago. In Toronto, between 1930 and 1945, 60,278 new arrivals were absorbed in 8,052 new units, or almost eight persons per unit. In contrast, the twelve suburban municipalities around Toronto housed a population increase of 103,320 in 27,815 new dwellings, or 3.75 persons per unit.

What actually happens is that the increased population crowds into the old houses and slums are spawned. In 1947, 60 per cent of all housing units contained more than a single family.⁹ Simple slum clearance and renewal with public housing will remove squalor, but should not be considered as a permanent cure. It will not get at the core of the slum problem, overcrowding. For example, Regent Park North does not accommodate many more families than did the original site, so the overall effect on density of the area is negligible.

Slum clearance can possibly defeat its own purpose. A paradox may result whereby the act of clearing and replacing will increase overcrowding in older houses, spreading the problem. This possibility occurs when occupancy is held to

⁹ Ibid., p. 3.

lower numbers per unit in the new housing, when some of the renewed land is taken for uses other than housing, and when some of the land is used for higher income housing.

Actually, much of the overcrowding problem could be solved if commercial banks and N.H.A. would lower their down payment requirements on single family dwellings to a realistic level. Families could then afford to purchase adequately sized homes for less than the price of rent on a single bedroom apartment. This would reduce densities and reduce need for costly public housing. Disadvantages would be sprawl and further decentralization of populations with higher utilities.

Until some progress is made in this direction, more of our slum-cleared land should be allotted to low-rent, multiple-unit housing. The general public should be taken on a tour of overcrowded areas: apathy would then most certainly vanish.

IRRESPONSIBILITY

Dr. Albert Rose describes in Regent Park, conditions of four to eight people per bedroom. There are conditions where over thirty people use a bedroom in shifts on New York's Eleventh Avenue. Dr. Rose puts the blame squarely on society. He has no patience with those who claim that most families in a housing dilemma are there because of "their

own fault". He cites, however, "typical" cases, where a man earning \$30 to \$35 a week has a housing problem that increases with each child. This immediately brings to mind the question as to whether a man who fathers child after child, without means or sense of responsibility, deserves a place in society at all.

By the same token, it would cost the individual nothing to pick up the rubbish that forms the focus of every photograph of a slum dwelling, rubbish that contributes so heavily to breeding the slum. Such slovenliness could manufacture a slum out of any neighborhood. Moral philosophies notwithstanding, overcrowding and decay cause blight. We must intensify simultaneous programs to prevent overcrowding and to replace blight where it is beyond rehabilitation.

SOCIAL CHANGE

Possibly the most important reason for slums is social change. A modern social change followed the automobile, which helped open suburban areas and fostered sprawl, while making street patterns obsolete and subordinating the pedestrian. The next modern change was the redistribution of wealth caused by the income tax, labor movement, war-time wages and a variety of other economic pressures. This change was accompanied by a shortage of domestic servants which, in turn, relegated the big house neighborhoods to rooming house

dormitories. This type of use now dominates large parts of most central cities and business district fringes in a trend that continues. The passing of housing to occupancy by groups having lower living standards almost inevitably results in a decline in the quality of housing and this in turn accelerates the departure from the neighborhood of families with higher living standards.¹⁰

RACIAL AND ETHNIC GROUPS

The newcomers usually represent a minority ethnic group with a low standard of living and sometimes a lower average level of education and a lack of familiarity with the social and economic customs of their new surroundings. In the past, these groups have been ripe for exploitation. The original plight of Italians of New York, San Francisco and, later, Toronto, the Irish of New York and Boston and the Ukrainians of Winnipeg is familiar history to us.

These groups, not without difficulty, adjusted to the new life, often becoming a substantial segment of society. They also brought with them rich traditions of culture to enhance the interest and variety of our cities. In the process of integrating with the new society, the newcomers sometimes remained in the transitional quarters only long

¹⁰ Johnson, op. cit., p. 1.

enough to create a slum. Some stayed on to perpetuate it. Others voluntarily rehabilitated it.

These invasions were, however, of negligible impact when compared with the Negro migration in the United States. This massive migration to the cities is the most important factor in a modern, realistic discussion of slum development. Although it is primarily a problem of the United States, it is not exclusively so. Puerto Rican migration to New York and Negro migration to northern cities can furnish a picture of the ultimate problem from which Canadian planners can make profitable studies. For all intents and purposes, in the United States, the slum problem IS the Negro problem.

The slum problem and the Negro integration problem are inseparable in the United States because a majority of the households involved in slum clearance are Negro. The percentages vary from 62 in New York to about 100 in Baltimore. Few, if any, of the families relocated could afford the private housing planned to replace their old homes.¹¹

The white population, no matter what its status, still seems loathe to accept the newcomers as neighbors, and the resulting exodus creates growth, sprawl and social

¹¹ P. Marris, "The Social Implications of Urban Redevelopment", Journal of the A.I.P., August, 1962, p. 182.

problems outside the cities. The newcomers to every large U.S. city are mostly Negro. Some Canadian cities are also feeling the impact heavily.

In the centers of the twelve largest U.S. cities, the non-white population has increased much more rapidly than the white and now accounts for over 20 per cent of the residents.¹² Between 1950 and 1960, these twelve central cities lost over two million whites and gained almost two million non-whites. Meanwhile, the colored population of the suburbs remains negligible and has been added to only marginally.¹³

All evidence makes it highly probable that within thirty years, Negroes will constitute from 25 to 50 per cent of the total population in at least ten of the largest fourteen U.S. central cities.¹⁴ New York's Negro population has increased by nearly two and one half times in the last twenty years, to 1,100,000. In Philadelphia, Negroes have doubled to 29 per cent of the population. The Negro population of Los Angeles County has jumped a phenomenal sixfold.¹⁵

¹² Ibid, p. 181.

¹³ H. Sharp, "Race as a Factor in Metropolitan Growth, 1930 - 1960", paper presented at 1961 Population Association of America meeting, reprint by U. of Mich. Survey Research Center, 1961.

¹⁴ M. Grodzins, The Metropolitan Area as a Racial Problem, p. 3.

¹⁵ C. Silberman, "The Negroes in Our Cities", Reader's Digest, August, 1962, p. 53.

The fact is that social status in the cities is drawn in terms of race. Color consciousness is on the upsurge and tensions are accentuated by Negro demands for preferential rights at the expense of other citizens' rights. Racial integration, some think, will dilute blight, spread it thin and give everyone a chance to find proper environment. Alarmists see slums for all as a result. Conditions in some U.S. cities are already insufferable, and are getting worse; Canadian cities are not immune.

Complete integration describes the situation in which white and non-white families not only live in a spatially mixed community, but also accept one another, associate without self-consciousness and do not look forward to release from each other as neighbors.¹⁶ This is unlikely to happen for many centuries because whites have many justified fears of forced Negro integration. They have no choice but to try to escape. There are significant differences in values and behavior patterns between whites and Negroes which form an almost insurmountable abyss socially.

The census reports that the woman is the head in nearly one out of four Negro families.¹⁷ Family groups are

¹⁶ R. Weaver, "Integration in Public and Private Housing", Annals of American Academy of Political and Social Science, March, 1956, p. 87.

¹⁷ M. Davie, Negroes in American Society, p. 209.

casual and variable. Desertion by husbands is many times more prevalent among Negroes than among whites.¹⁸ Common law marriage is more common among Negroes than legal marriage. In the Southern U.S., common law marriage is the most prevalent union even for the upper class Negro. Temporary matings are most numerous for the lower class. Middle-class Negroes do not disapprove of illegitimacy; most of those polled approve of petty rackets such as policy and bookmaking.

The new Negro neighbor is easily offended so one has to be constantly on guard. The higher class of Negro, the one that is likely to first enter the white neighborhood, is preoccupied with the "society" of his race. One learns from the Negro press that wives of gamblers, policemen, waiters, professors, doctors and petty public servants are all "socialites".¹⁹ Negro professional people generally limit their conversation to sports. They have no real appreciation of art, literature or music. The section that forms society scarcely ever read books; consequently their conversation is trivial and exhibits a childish view of the world. The decor of their homes reveals the most atrocious and childish tastes.²⁰

¹⁸ Ibid, p. 213.

¹⁹ E. Frazier, Black Bourgeoisie, p. 207.

²⁰ Ibid, p. 208.

White fears that Negroes may bring disease to the neighborhood are not unfounded. They do not have the resistance to tuberculosis that whites do. Their mortality rate for tuberculosis is more than five times the rate for whites in Northern cities. Surveys show that 20 to 25 per cent of all American Negroes have syphilis. During World War II, 27.2 per cent of Negroes had the disease as compared to 2.3 per cent for whites.²¹

In contradiction to the theory of environmental influence is the fact that Negro illegitimacy, crime and narcotics addiction are on the increase in those places where living conditions are being vastly improved. In a state where Negroes make up 12 per cent of the population, they also make up 51 per cent of the prison inmates. In the District of Columbia, Negroes making up a little more than half of the population, are responsible for about 80 per cent of the serious crimes. In Chicago, when Negroes were 17 per cent of the population, they accounted for 65 per cent of the jail inmates. In Philadelphia, when Negroes accounted for 21 per cent of the population, they were responsible for 80 per cent of the crime punishable by prison sentence. Comparable figures for Detroit are

²¹ Davie, op. cit., p. 240.

19 and 58 per cent.²² When Negroes constituted a tenth of the United States population, they comprised a fourth of all people arrested for crimes. The rate of homicide by Negroes is nine times as high as by whites.²³

Illegitimacy is ten times as high among Negroes as among whites. Negro fathers, even when they are married, tend to abandon their families with lighthearted frequency. Twenty-one per cent of Negro families with children under eighteen are broken homes.²⁴

Regardless of the excuses that are made to justify this behavior, the statistics illustrate the reason for middle-class flight from a neighborhood; Negro infiltration, invasion, succession, slum. The economic result is a disturbing trend toward loss of functions. Shops and offices are moving to the suburbs in alarming numbers. The remaining shell of the center city becomes grossly overcrowded because of segregation. The population density of the Negro district of Chicago is 75,000 to the square mile.²⁵

Dr. Robert Weaver, administrator of the Housing and Home Finance Agency, believes that this problem can be

²² J. Fischer, "What the Negro Needs Most", Reader's Digest, September, 1962, p. 74.

²³ Metropolitan Life Insurance Co. statistics.

²⁴ Fischer, op. cit., p. 76.

²⁵ Davie, op. cit., p. 221.

attacked by moving people of both races into new housing projects simultaneously. He calls for very many new low rental public housing projects to be integrated from the start because whites will not enter a predominantly colored community. New York City has integrated all low-rent public housing projects from the start for several years.

The sad fact is that both public and private housing projects designed specifically for integration are miserable failures. As many as 99.8 per cent of the whites have moved out in some cases.²⁶ Long Beach, California builder, Louis H. Boyar, told of planning a \$2.3 million project for minority groups.

"We lost \$42,000 on this idea", he testified, discovering that Japanese and Negroes . . . didn't want to live beside one another, and that none of them wanted to live with whites" ²⁷

Neither confining racial groups nor encouraging their relocation into unfamiliar surroundings will alleviate this serious situation. Underprivileged peoples must be trained to live in society, as well as bettered economically.

Federal laws forcing integration in private sectors of life, without any training, is antagonizing the situation. In fact, any official admission that these behavior patterns

²⁶ Weaver, op. cit., p. 87.

²⁷ Staff Writers, "Builders, Zoning Officials Blamed for Suburban Slums", House and Home, June, 1959, p. 47.

exist would be condemned as anti-racial by minority groups. What must be recognized is the fact that racial discrimination is usually a protest against behavior, not color, and the combination of behavior and discrimination is undermining urban life.

WELFARE

A great part of the need for low-rent, subsidized dwellings in such an affluent society stems from the unrealistic welfare and unemployment programs that discourage men from working; the failure of the government to encourage mobility, so that great throngs of people could leave the depressed areas and go where their labor is needed; the great migration to cities of groups which refuse to accept work no matter what the incentives; and, in the East, the sustained immigration of hundreds of thousands of Puerto Ricans who are unemployable because of lack of skills.

Some observers have noted that the various welfare services liberally extended by some cities function as magnets to attract great numbers of low-income persons, and that this in turn magnifies the social and economic problems in the central cities. Official disagreement on this policy has been the underlying factor behind recent and widely publicized political disputes in New York City, Newburgh, New York and almost every city where relievers are encouraged not to seek work. Taxpayer resentment is high.

ADVERTISING

This section is so named, instead of "Conspicuous Consumption", because the demand for greater welfare services comes largely from higher income groups who are quite unable to budget wisely. Spurred on by advertising and high-pressure salesmanship to want, then to buy beyond their means, these budget-fumblers demand subsidized housing.

Many of them come to be included in the seventeen million who, according to the late President Kennedy, go to bed hungry each night. We learn from zealous reformers that we must provide housing for families who have incomes greater than our own but who simply cannot resist the shiny new Buick in the advertisement. Objection to helping rash spenders through public subsidy accounts for much of the resistance to public housing. A few remarks on this subject are also included under the heading of SOCIALISM AND GOVERNMENT POLICY.

RELOCATION

Slums are often allowed to increase in size and stage of decay even after civic enthusiasm for slum clearance reaches a peak. An example is Cleveland, where the last two mayors won elections largely on promises to redevelop slum

areas.²⁸ They found, after election, that they were incapable of following through. Civic enthusiasm waned when little progress was actually made. The programs often bog down because clearance cannot begin until other shelter is found for the slum-dwellers. Often there is no land that can be acquired for relocation housing, or no interim housing can be located; or due to lack of foresight or unethical political activity, available land is priced out of the market. As a result the slums are perpetuated.

NEIGHBORHOOD

Modern North American civilization is based on neighborhood living. The neighborhood unit is often physically centered around the elementary school, and socially based on an income or ethnic group. When the neighborhood unit is destroyed, planners and sociologists know that civic pride, friendships, political and social groups and moral values break down.

In the U.S., subversive and racial groups are pressing for this total breakdown of civilized living as we know it. The neighborhood unit, based on the local school and the school zone system itself, have been branded as de facto

²⁸ Staff Writers, "How Business Helps Slums", Business Week, April 5, 1958, one page reprint by McGraw-Hill Co.

segregation. The Supreme Court of the United States has decided to endorse this idea, and is systematically destroying neighborhood and village units by ordering school zoning broken up.

As a result, lawlessness and public discontent are becoming prevalent. Young couples no longer settle in specific neighborhoods for the convenience of schools.

School children are ordered shipped around to other towns at the whim of minority groups and militant organizations. This in itself contributes greatly toward the crumbling of neighborhood feeling. Social contacts between families formerly were made mostly through neighborhood school functions. Now one may have to travel to an unfamiliar town to visit his child's school, and it is unlikely that he will make any lasting friendships among other parents.

Children cannot use their own school ground as a playground. Children form cliques totally alien to each other. Extra-curricular activities will be difficult for those children who have to travel. The group whose rights have been forfeited will seek escape from the group who is responsible for this state of affairs. This enforcement of arbitrary rules, set up to give certain minorities preference without regard to the rights of individuals, will do more harm and create more slums than all other causes combined. Canadian neighborhoods may begin to crumble for the same

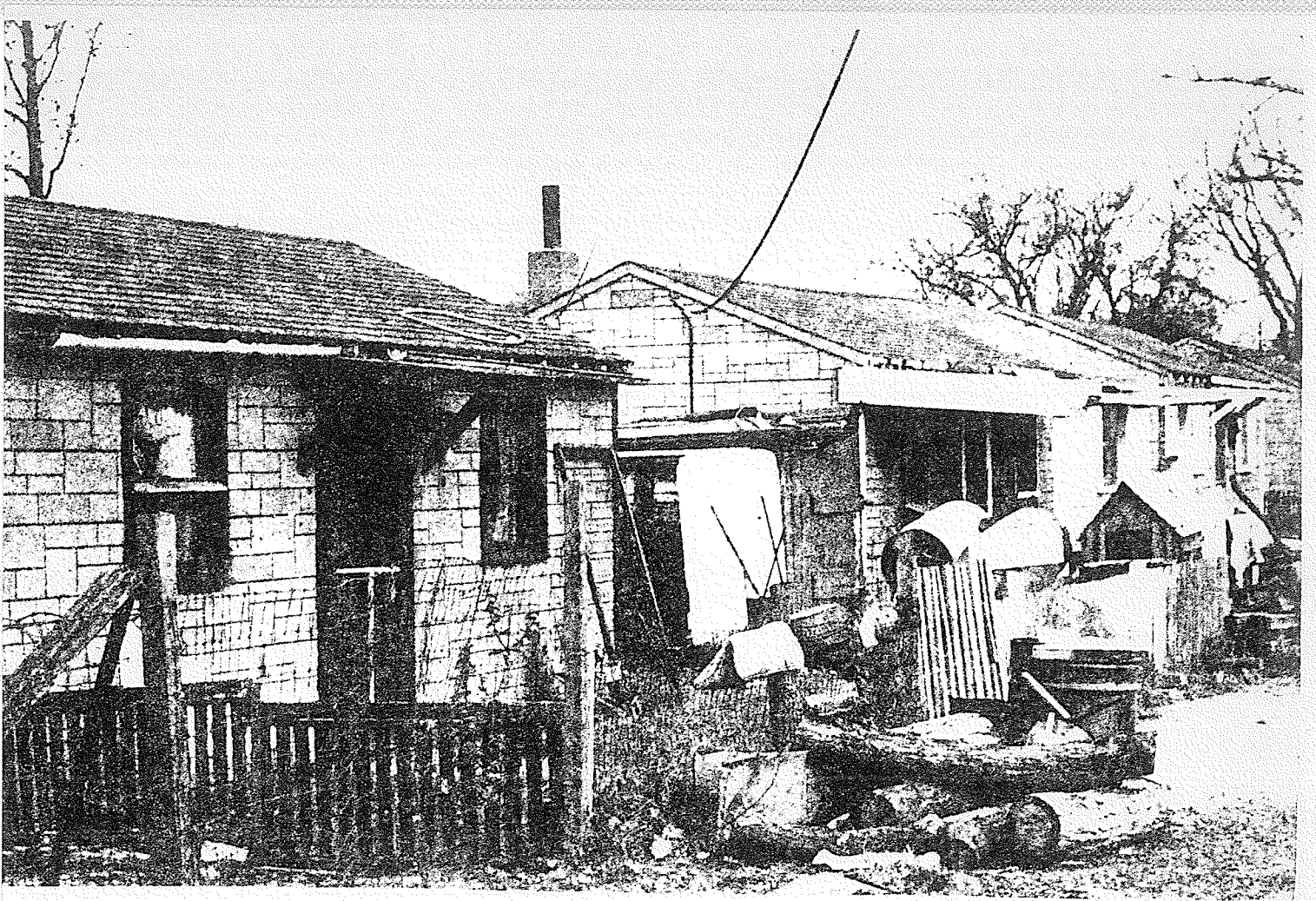
reasons soon, if apathy and misinterpretation of laws and rights reaches the U.S. level.

C. POLITICAL REASONS

NEGLECT

The blighting process is strangely insidious. Every house starts to deteriorate toward eventual demolition as soon as it has been completed. A well-planned, well-built, well-maintained house will last for centuries, but no house lasts long after the neighborhood has been destroyed. Physical destruction of the neighborhood, or creation of the slum, is caused by overcrowding superimposed on neglect. There are three parties to neglect: the owner, the occupant and the community. These things occur in some neighborhoods while others escape.

Sometimes, because of original inadequacy: the neighborhood was not properly conceived or built. Perhaps there was no inherent neighborhood concept present. It may have lacked natural boundaries, a focal point, or recreation facilities which are necessary to a physical and social neighborhood unit. This is prevalent because of civic neglect of the planning, zoning and code enforcement functions. In addition, cities as a whole are delinquent in executing municipal house-keeping functions. Inadequate



lighting, police protection, and garbage collection contribute to crime, disease and blight.

SOCIALISM AND GOVERNMENT POLICY

Most proposals for public housing projects are met by attacks as the one inserted in The Toronto Globe and Mail on November 29, 1952 by the Property Owners Association of Toronto, which reads as follows:

"TORONTO HOMEOWNERS CAN YOU AFFORD TO PAY SOMEBODY ELSE'S RENT whose Income May be Greater Than Your Own?

. . . Will it be self-supporting and not cost the taxpayer anything? No! 'Instead of getting \$240,000 in taxes, as would be the case if Regent Park were a private enterprise like other taxable property, the civic treasury . . . is required to meet a deficit of \$31,000. The taxpayers are being called upon to subsidize the project to the extent of \$271,000 a year.' (Editorial, The Telegram, November 6, 1952.)"

"Will it accommodate Toronto's neediest families? No! Families earning up to \$4,800 a year will be eligible as tenants (Bureau of Municipal Research) . . . a man . . . could live in Regent Park while he . . . earned . . . approximately \$1,000 a year more than the amount paid the average factory employee in Toronto (Dominion Bureau of Statistics.)"

"Will families on relief be admitted? No!"

"Can the Average Homeowner Afford as Good Accommodation? No! . . . the average value per dwelling unit is \$6,500. The cost . . . per dwelling unit at Regent Park is \$12,400, nearly twice as much! (Bureau of Municipal Research.)"

"Is Regent Park the Only Socialized Housing Project Planned by the City? No!"

"The Regent Park socialized housing project is a liability . . . Families earning up to \$4,800 a year are to be admitted, but those in greatest need . . . are to be refused. Can you afford to pay somebody else's rent, whose income may be greater than your own?"

"Vote NO on Regent Park
Monday, December 1st. "29

These typical complaints are a direct result of the realization of sociologists and welfare workers that inability to budget or resist advertising can create just as needy cases as the usually recognized legitimate reasons. The trouble is, nobody is willing to try to correct the cause of this condition, beyond directing a few irresponsible accusations at the advertising industry. It should go without saying that the advertising industry, a few abuses notwithstanding, is just as much responsible for our prosperity as any other influence on the economy. They also let us know what products are available, and help to educate and entertain us. The individual should be held at least partly responsible for his own well-being.

The logic of the administrators of Regent Park and Burrows-Keewatin in Winnipeg is difficult for the public to understand when these and other projects do not fulfill the purpose of their initiation, to provide housing for those who

²⁹ Advertisement in Toronto Globe and Mail, November 29, 1952.

are unable to support themselves. Subsidized housing for the needy is necessary for the removal of blight from the face of the city; but on the other hand, socialized housing for the self-supporting is contrary to the free enterprise basis of our economy and individual freedom of our society. These opposing principles can be reconciled by forcing those who apply for subsidized housing to forfeit freedom and privacy of their own financial matters. Those who are unable to manage their own finances, and who are a public burden, must have finances managed for them. Those with little or no income have nothing to lose.

A typical example of the early disagreement over the role of Federal government in public housing is given by the following statements. In 1946, Mr. C. D. Howe, Canada's Minister of Reconstruction, reported to Parliament:

"We believe that houses should be . . . of a high standard so as to provide comfort . . . commensurate with the high standard of living at which we are aiming. This will involve new houses for families with low incomes But subsidies to create uneconomic rentals are, in my opinion, a matter for provincial and municipal concern." 30

The Citizen's Housing and Planning Association of Toronto replied to Mr. Howe's statement:

³⁰ A. Rose, Regent Park, p. 14.

"The low income group . . . includes from one-third to one-half of our Canadian tenant families. This large group is now the most miserably housed in the country; they cannot afford to buy homes nor to pay an economic rental for decent housing. It perpetuates overcrowding, squalor and slums." 31

Lack of firm overall civic policy for redevelopment is a reason for neglect of the slum problem. Indecision and pressure from interested parties have resulted in premature announcement of specific redevelopment areas, confusion and profiteering. Lack of a declared policy may stem from general public apathy and may result in the discouragement of those few citizens who provided the original impetus.

There are cities in the United States that have not recovered from early abortive attempts at solving slum problems. The dynamic men needed to stimulate the programs have become apathetic and cautious and refuse to be associated with projects after mismanagement attaches a stigma to them.

Government policy on slum clearance and public housing defeats its original purpose when it gets into fields other than limited dividend projects. When government on any level usurps the powers of free enterprise and tips the balance of economic laws, it has entered the socialized housing field. Government policy in housing should be limited to bearing the

31 Loc. cit.

responsibility of housing only in cases where there is absolutely no incentive for private enterprise.

Some argue that Swedish and Russian policy on housing has been successful in minimizing slums. This may be true, and socialized housing is now necessary in those countries because it has the effect, once started, of perpetuating the need for itself. Unfortunately, we don't get anything in this world without payment. The modest socialist success has been paid for by the rather heavy price of mediocre, stereotyped housing for a carbon copy people.

Pride and status of individual ownership have been sacrificed for the security of a cell for one's twilight years. The fruits of one's labor cannot be applied to a dream home. The minimum standards of housing and living become the maximum; this should not be necessary, because all those who are self-supporting can afford housing. To get at the root of the problem, we must insure that more people become self-supporting. Socialized housing, on the other hand may only increase the number of dependents.

It has been stated earlier that decay in Canada is not entirely created by those who are genuinely needy, but also by the great mass of the population that is in the low income group, by those who live in that fringe of overcrowded and inadequate housing that is not a slum but is on the verge of becoming one. To avoid a socialized housing policy for

this group would mean interfering with their private lives to see that their budgets include a higher percentage of income for housing and less for trivia. This would cause a great hue and cry about infringement on rights and privacy, but the public who pays for the subsidies should also have a right; the right to the assurance that their money is not misappropriated. I am afraid that before we can direct policy away from socialized housing, we must attack the more basic and almost insurmountable problems of the nation's economy, and conspicuous consumption by the populace at the expense of necessities.

This task could be begun with a study by psychologists, economists and sociologists to determine the reasons for the difference in financial attitudes between Canadians and Americans. The average Canadian seems highly satisfied with a wage that makes public housing and welfare state practices almost a necessity. Nothing is more distasteful to him than the average ambitious American who is eager to work a forty hour week plus twenty hours of double pay overtime.

One may be lazy or the other overly materialistic, but only one is responsible for his own housing. Although this discussion has strayed quite far from the subject of government housing policy, and such an inquiry might show only that the average Canadian individual cannot earn enough to house himself, even if he desires to do so, the analysis of the

attitudes might be very useful in reshaping the economic system. To close this subject, it might be suggested that the political scientist be added to the above-mentioned group of experts. He would study the effect of political bidding for the vote of the irresponsible with promises of ever increasing and unrealistic subsidies in almost every facet of life. These political policies sap the incentive to invest capital, the basis upon which all our wealth is generated. Those who advocate these self-defeating policies would not be sorely missed if they emigrated to one of those countries where the individual is unimportant.

CONTROLS

Rent controls during and after World War II stimulated an alarming number of illegal conversions of single family units to multi-family use and accelerated the deterioration of rental properties. New York City, which still has rent controls, has a distorted rental housing market.

RESTRICTIONS

Some rather ridiculous and arbitrary or outdated building codes and labor union by-laws discourage new construction and raise prices. The prefabricated steel house was banned in some cities because codes required plaster for fireproofing. Jurisdictional disputes between carpenters and

iron workers stopped use of metal partitions in some places. The same thing happened with brick masons and glaziers over glass block, even though a glazier has not the skills necessary to lay up masonry. Lathers fought iron workers over metal lath, tinsmiths and plumbers over shower stalls. Sheet metal workers will not handle flexible duct, or allow anyone else to. Contradictory codes exasperate builders in most towns. No one will take the responsibility of untangling codes. These are typical of the thousand annoyances confronting the builder and architect. Delays resulting from senseless rules are reflected in costs, discouraging new construction.

LAWS

Every U.S. State has legal power to require owners of slum properties to put them in decent condition or to demolish them. These laws have grown out of the common law, "doctrine of nuisances". It evolved from the familiar English legal maxim: "So use your own property as not to unreasonably injure others."^{32,33} The law has a long history in reference to anti-slum codes dating back to Babylon of

³² Sic tuo ut alienum non laedas.

³³ T. Johnson, Renewing America's Cities, p. 25.

2000 B.C.³⁴ Virtually every civilized community in North America has logical, fair and non-oppressive laws. The failure is in weak enforcement.

The U.S. Federal Government, through legislation, has attempted in many ways to abate slum development. President Hoover convened a conference in the early 1930's which culminated in authorization of loans. A Federal Slum Clearance program was initiated in 1933 as an unemployment relief measure. In 1935, direct federal slum clearance was held as an unconstitutional infringement on state's rights. The debates were harmful to the cause of slum clearance.

In 1937, the government substituted the grant-in-aid approach for direct participation. The Housing Act of 1949 defined national objective and policy based on three assumptions: (1) that the general welfare of the nation requires elimination of substandard housing; (2) that public agencies acquire and clear large blighted areas for private redevelopment; and (3) that state and local governments are not capable of handling a "substantial proportion" of any of the areas involved.

In December 1953, the President's Advisory Committee on Government Housing Policies found that the Act of 1949 was

³⁴ J. Guandolo, "Housing Codes in Urban Renewal", paper presented at annual meeting of American Bar Association, 1956.

not getting at the real cause of slums and disclosed that slums were developing faster than they were being eliminated. Congress then enacted the Housing Act of 1954 which provided for prevention of spread of blight by rehabilitating and improving deteriorating areas in addition to the original slum clearing provisions. Loans for rehabilitation and high risk mortgage insurance for displaced families were added.

The Housing Act of 1959 liberalized the urban renewal program by increasing limits of funds, doubling relocation payments for displaced persons, reducing required city participation, and authorizing federal assistance for 35,000 additional units of low-rent public housing.

The Housing Act of 1961 further expanded and liberalized the program but mistakenly increased the amount of grant authorization which may be used for non-residential purposes from 20 to 30 per cent. Previously, it had been increased from 10 per cent.³⁵ This subsidy is diverting funds away from housing, therefore indirectly perpetuating slums. The early acts wasted much money by authorizing overpayments for expropriations, demanding too rigid specifications, allowing inefficiency and neglecting rehabilitation. The waste embittered the public toward slum clearance and public housing.

³⁵ Johnson, op. cit., p. 42.

D. FINANCIAL REASONS

ABANDONMENT

Dr. Samuel Shepard Jr., a Negro and official of the St. Louis School System, points out that the rapid gain of Negro population in cities is causing increasing unemployment, welfare cost, violence and crime.

"Is the white man going to abandon these cities to the culturally deprived Negroes - with resultant chaos - or is he going to help educate them and save the country from disaster?" ³⁶

Philadelphia, even with the most publicized and ambitious renewal program, now has five remaining downtown theatres but thirty peripheral summer theatres.³⁷

The destiny of the center city, if slum housing is allowed to surround and permeate it, is an empty shell of poverty. This decline of the central city means a great loss of revenue and custom to political and commercial organizations.

INCOME

The need for low-rental housing stems from slightly different economic reasons in Canada and the United States.

³⁶ P. Friggens, "Is the Negro Equal in Intelligence and Ability?" Reader's Digest, March 1964, p. 53.

³⁷ P. Marris, "The Social Implications of Urban Redevelopment", Journal of the A.I.P., August 1962, p. 181.

In 1951 more than 30 per cent of all Canadian heads of families who were employees earned less than \$2,000 per annum. An additional 45 per cent earned between \$2,000 and \$3,000.³⁸ The statistics for some individual provinces accentuate the problem. In Newfoundland more than 62 per cent of the working family heads earned under \$2,000 that year. A recent survey shows that here in Manitoba, about 25 per cent of the non-farm families have less than \$3,000 annual income.³⁹

Housing experts generally agree that families in this income range should not spend more than 20 per cent of their total income on housing. A family earning \$3,000 should pay \$50 per month. A dwelling that can be rented or purchased for \$50.00 per month will usually have a value of less than \$5,000. Suitable dwellings costing less than \$5,000 are almost non-existent.

There seems to be a willingness among Canadians to accept less than subsistence wages. These same people, however, are not willing to forego their luxuries. A combination of political double-talk and saturation advertising has led the great majority of the population to indulge

³⁸ A. Rose, Regent Park, p. 12.

³⁹ C.M.H.C., Canadian Housing Statistics, Fourth Quarter, 1960, table 49.

themselves, and, at the same time, expect the responsible segment of society to provide housing and other necessities. Many, many Canadians will tell you that it is their "right" to have the necessities provided for them. This attitude becomes entrenched as the individualist becomes extinct.

It is obvious, in spite of the contributing factors that a very substantial proportion of Canadian families can afford perhaps only \$25 to \$50 per month for housing.⁴⁰ It is also obvious, therefore, that we must have either slums, public housing or a revitalized new economy.

In the United States, the need for public housing is even greater in proportion to its population than in Canada. There, for statistical studies, wage earners are usually classified in the low income bracket if they earn less than \$7,000 to \$8,000 per annum. The average factory worker now takes home over \$100 per week. Eastern construction tradesmen and laborers earn more than double the hourly wage of their Winnipeg counterparts. There is no seasonal layoff; overtime is the rule rather than the exception. Some trades will not report to the job unless guaranteed \$60 to \$75 per day. The cost of living is considerably lower, the unemployment rate is a third to a half of Canada's.

⁴⁰ Rose, op. cit., p. 13.

DEMAND

In the pre-war decade Canada's rate of home construction was 67 per cent that of the U.S. and 60 per cent that of Britain, in proportion to its population.⁴¹ The post war rate quadrupled but, until recently, demand, in economic terms, outran supply. This created an inflationary situation in housing which was somewhat alleviated by bold Federal Government housing financial policies.

Now that supply is catching up, however, blight is not being overcome at the same time, as would be expected. Fifty to sixty per cent of the housing market had not been tapped by 1957 and most of that has not yet entered the market.⁴² This situation is extraordinary in an economy based on mass production. The U.S. housing market continues to be inflationary, with a constant desire for better accommodation by the populace. In Canada, the demand seems to be primarily for low cost housing, in spite of the rising demand for high cost homes. For this reason, Canadian urban renewal has a very limited effect unless considerable low cost housing is provided as an integral part of the projects.

Average composite salaries of Toronto's seven largest

⁴¹ G. Stephenson, paper presented to T.P.I.C. conference, Banff, September 1956, printed in supplement to Ontario Planner, October, 1956, p. 3.

⁴² Loc. cit.

industries were \$3,116. The minimum qualifying income for an N.H.A. house on an average mortgage loan was \$3,396.⁴³ This was in 1953. Today's figures may show an even wider disparity. Down payments and interest are higher. These figures, as well as those of the preceding paragraphs on income, may illustrate the reason why such a high percentage of the demand is for low cost or low rental accommodation as compared to high class individually owned homes. This demand level is parallel to the demand for sub-standard housing and the tenacity with which slum type structures adhere to the landscape.

FINANCING

Canadian home buyers are financially limited by a factor other than income, when compared to United States purchasers. Privately sponsored mortgages are much harder to come by in Canada. Lenders demand from seven to eight per cent interest and thirty to forty per cent down on first mortgages and eight to twelve per cent on discounted second mortgages. N.H.A. lends only on new house purchases and presently charges $6\frac{3}{4}$ per cent interest. Banks are prohibited by law from making loans on homes.⁴⁴

⁴³ Loc. cit.

⁴⁴ C.M.H.C. Bulletin

In the United States bank mortgages are easy to secure for five or six per cent. Private lenders are numerous. Federal Housing Administration and Veterans' Administration guaranteed mortgages can be secured at slightly over four per cent, usually, with a negligible down payment and no age limit on the house. Furthermore, U.S. purchasers can mortgage all the appliances and equipment, landscaping, garage, and, from some private lenders, even a new car and furniture, on the same loan. The latter may be an extravagant "gimmick" to attract borrowers, but the lack of these other features in Canadian financing limits the home-buying capacity of the Canadian.

LAND ASSEMBLY

Developers can assemble large tracts of land outside the city from a few owners. In the city, a hundred owners may be involved, some of whom may hold out for speculative or other reasons. A number of states are adopting "quick taking laws" to expedite land assembly for redevelopment projects.

THE BULLDOZER

Sometimes salvageable housing is destroyed in the name of renewal and this wasteful practise is often encouraged. New public housing need not mean waste. In fact, run down

housing which is structurally sound could be purchased by the community and rehabilitated for public housing.

In the United States Housing Act of 1949, a slum clearance and redevelopment program was set up based on the theory that the only answer to the problem of unfit living conditions was the bulldozer. Early redevelopment projects in a few cities proved that there was not enough money in Fort Knox to plow under and completely rebuild every old neighborhood that needed attention.

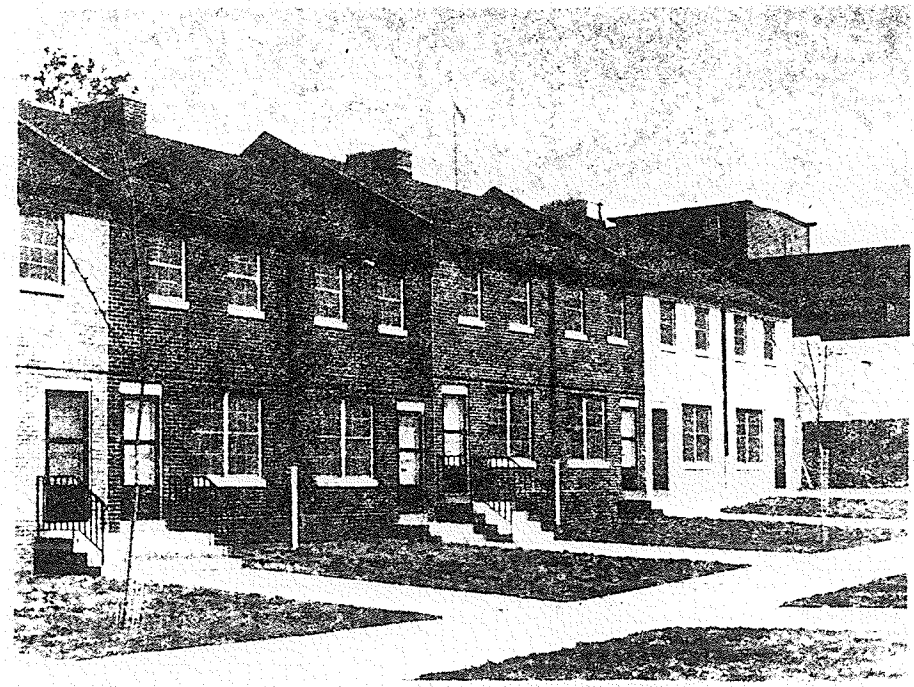
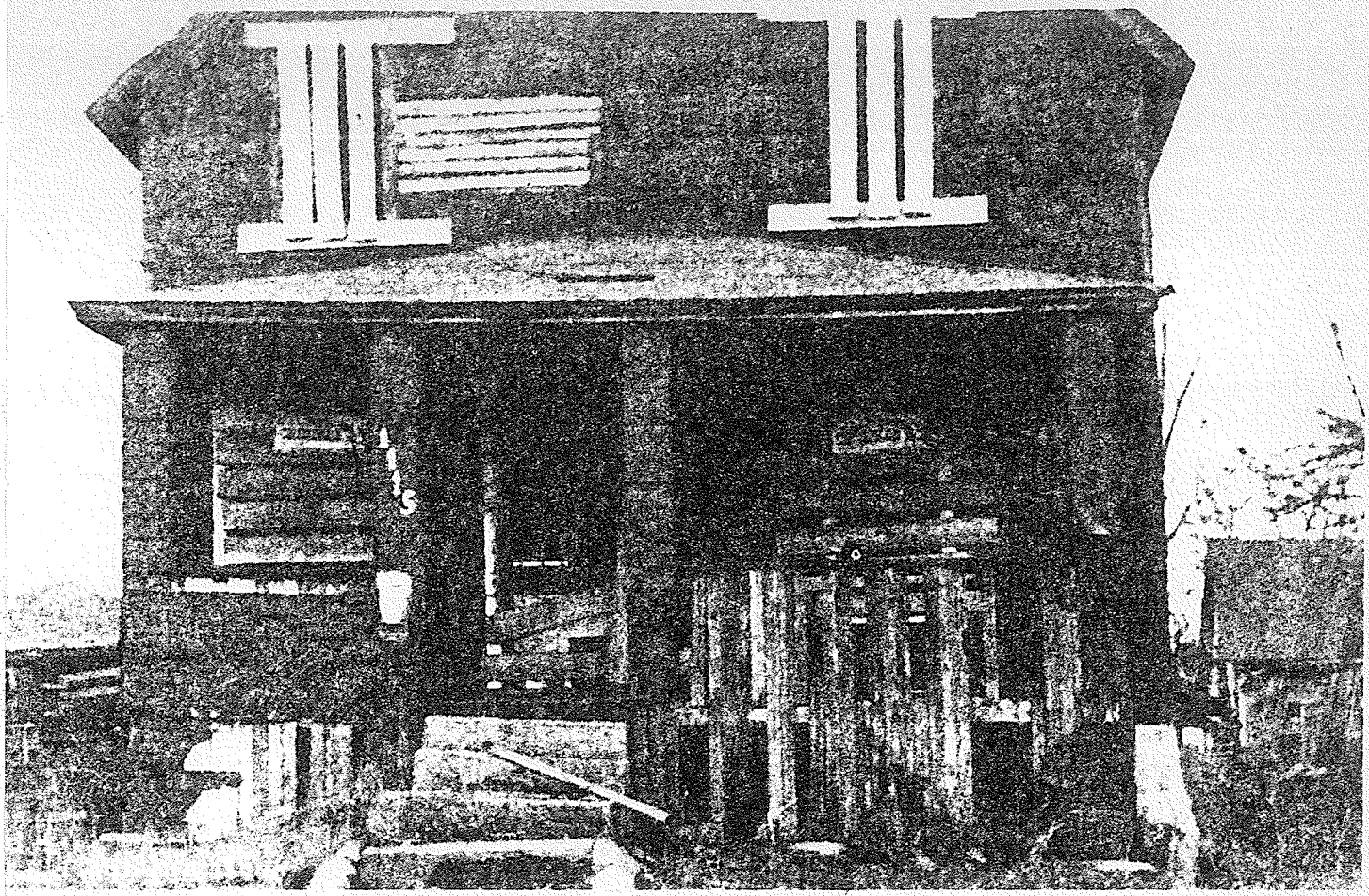
A wasteful example was a neighborhood with top rehabilitation potential, in which a new, privately financed community center had just been built for over \$200,000. The neighborhood was foolishly designated for clearance in the city's community renewal program.⁴⁵ Community renewal program planning is vital in stopping blight, but it must be flexible enough to recognize the voluntary upgrading that sometimes takes place in a neighborhood. This kind of planning should not be the basis for hard and fast decisions on renewal action until the city is prepared to follow up and implement the action.

⁴⁵ F. Dow, "A Practical Approach to Urban Renewal", paper presented at 15th annual Real Estate Educational Conference of the NAREB committee on Education, November 9, 1962, Detroit, p. 1.

TAXES

Lack of tax incentives is a very important reason for the perpetuation of slums. Public housing is often required because owners of residential rental property cannot afford to rehabilitate after taxes. Industrial owners are allowed quick amortization. Owners of rental property should be allowed the same option. This is not likely to happen. Therefore we are often left with the choice between slums or public housing. When an obsolete building is acquired and demolished, United States Federal tax rules require that the value of the building plus the cost of demolition be added to the value of the land, which cannot be depreciated. This discourages the demolition of buildings which are not fit for occupancy.

When a charitable foundation acquires and rehabilitates or redevelops blighted property, United States tax authorities are likely to judge that this constitutes the carrying on of a trade or business and revoke the tax exempt status of the foundation. This situation seems even more ridiculous when one examines some of the business enterprises which are tax exempt under the religious label, i.e., Yankee Stadium, because it is owned by the Knights of Columbus, and many large apartment buildings owned by the pseudo-religious followers of Father Devine. This policy discourages a very



desirable type of investor from participating in slum clearance. Another very important incentive in reverse is the fact that tax assessments go down as the buildings deteriorate.

EXPLOITATION

As the center city becomes congested, the more prosperous move farther out, abandoning their town houses to successively more ruthless exploitation. In this they are eagerly encouraged by some real estate interests, who hope to realize a handsome return on land acquired on the city's fringes, and at the same time exploit the older property from which, sub-divided and indifferently maintained, satisfactory profits can be squeezed long after it deserves to be pulled down.

Suburban spread and central decay would occur even if suburban life was not especially attractive. When the social status of a neighborhood is threatened by an assault of newcomers, the old residents take flight. This produces a phenomenon where the proportion of native born residents increases directly with the distance from the city center.⁴⁶ The newcomers are often minority groups who are susceptible to exploitation.

⁴⁶ P. Marris, "The Social Implications of Urban Redevelopment", Journal of the A.I.P., August, 1962, p. 181.



PROFIT

The profit motive, up to now, tended to encourage the ownership of slum property, creating every incentive to overcrowding and neglect while offering little incentive to improvement. The whole basis and theory of a free enterprise economy is that the more desirable and essential the service performed, the more people will pay for it and so the greater profit.

The supply and demand theory, of course, still holds, but in slums, income is highest where overcrowding is worst. In fact, Harlem cellars often bring higher rents per square foot than the finest Park Avenue apartments.⁴⁷ Furthermore, expenses are lowest where no maintenance is done. Many landlords find it cheaper to pay fines for violations than to make repairs. The profit also goes up as the building deteriorates because the tax assessment goes down.

In New York recently a family was paying \$143 monthly rent for a seven-room tenement which lacked even cooking facilities. Another building brought a profit to a New York "slumlord" of \$3,500 per year, although the building probably was not even worth that much in total sale value. An interesting sidelight was that this rent was paid by the

⁴⁷ Staff Writers and Guest Experts, "Textbook on Conservation", House and Home, October, 1953, p. 105.

Welfare Department of New York City.⁴⁸ In Rockford, Illinois, dilapidated trailers, purchased from the government for \$15, were rented for \$80 per month.⁴⁹

The value-inflating effect of capitalizing high earnings can be shown by a simple illustration. Assume that rental property earning \$400 per year is purchased for \$8,000. Through illegal conversion and disregard of occupancy codes, the occupancy is greatly increased and earnings increase to \$1,600. If the original five per cent is assumed to be a fair rate of return for seizure valuation purposes, the capitalized value of the property's earnings will be \$32,000.

In 1952, a San Francisco property was purchased for \$8,810 and mortgaged for \$7,500. In 1955 the property was sold by the owning corporation to itself, through a dummy, for \$15,000. An appraisal for acquisition set the price at \$12,000, taking into account the net income of the building, which was \$1,435. A second appraisal in 1957 set a value of \$21,700, based on sales of similar property and estimated reproduction cost less depreciation. Rent had then increased to \$4,742 a year. A few months later, H.H.F.A. authorized the local redevelopment authority to purchase the property for \$21,750, but they could not because the corporation was

⁴⁸ The New York Times, August 5, 1960.

⁴⁹ U.S. Government, Urban Renewal in Selected Cities, Hearings, p. 193.

asking \$27,500 by then for the property. The case went to court.⁵⁰

In many cities, slum housing is one of the most profitable investments available. Oakland, California realtors reported that forty per cent return on investment in tenements was common.⁵¹ Philadelphia is different. Many landlords, usually owners of a few properties, live off the income and do not have the money to rehabilitate. Even big investors are now selling at great loss. One broker reports that he bought many properties at 25 to 60 per cent of their recent earlier prices.

He was besieged by a 200 to 300 per cent increase in the number of people coming to him to sell. F.H.A. was unwilling to make loans on rehabilitation projects in spite of pleading by city officials. A landlord tells of a four storey row house that had just had a \$1,000 renovation and sold at auction for \$1,250. Another tenement was forfeited to the mortgagee with only \$3,000 owing. The profit incentive of maintaining slums had disappeared.

Philadelphia has been taking the profit out of slums by code enforcement that spoils the market for slum housing.

⁵⁰ Comptroller General of the U.S., Report to the Congress of the U.S. Review of Slum Clearance and Urban Renewal Activities of the San Francisco Regional Office, p.15.

⁵¹ Staff Writers, "News Roundup", House and Home, February, 1956, p. 61.

The sale price of tenements took a dive of 50 to 75 per cent in a year. The big operators stay in business but small ones begin unloading their holdings at any price when a code enforcement drive opens.⁵² This caused a big relocation problem in Philadelphia. The first year of this enforcement program brought an attack on 200 blocks of slums. Inspections and citations were concentrated in a twenty-one block area.

Illegal overcrowding was removed and repairs were forced. Maintenance costs were drastically increased, while incomes were reduced. The results of such a campaign are that land prices are cut by so much that there is a large reduction in Federal subsidy required for redevelopment. Philadelphia's is the most dramatic example of taking the bootleg profit out of operating slums.

Some statistics on the code enforcement in the twenty-one block test area are interesting. A team of six inspectors turned up 9,000 violations in two months. The area is inhabited by 7,000 Negroes. The crack-down resulted in eventual compliance in all but thirty-five buildings where the owners vacated rather than comply. Two hundred and eighty-five properties were later demolished for the Fitzwater Housing Project.

This enforcement, however, does not mean that efficient entrepreneurs can no longer possibly profit by

⁵² Loc. cit.

renovating decayed buildings. For example, KSFS Realty, Incorporated, spent an average of \$3,666 per unit renovating several row houses in the Philadelphia pilot area. Before the job, there were vacancies. After, there were four times as many applicants as vacancies with no advertising and rents of \$23 to \$28 raised to \$45 to \$50. The owner has ten other projects ranging from six to sixteen buildings but cannot afford the capital investment on all.⁵³

Public housing is often the only alternative if there is no profit in rehabilitation. Unless there is at least a reasonable profit, the job will not be done by private enterprise. There should be a profit to the manufacturer, to whom rehabilitation will open a great new market for lower priced lines, to the banker who must finance the improvements, to the architect, builder, owner and real estate investor who bring the know-how and take the risk. If all these things are taken into account, it may be seen that there is, in the long run, more profit in improving the property than in letting it decay. It is difficult to persuade individuals of this as long as present profits from slums are high. If profits are not minimized, decay proceeds until complete clearance is required.

⁵³ Loc. cit.

SPECULATION

It is not necessary to discuss at length, the role of speculation in the development of slums. It goes hand in hand with tax and profit incentives. Landlords try to squeeze the last dollar from deteriorating rooming house neighborhoods, usually by exploiting some minority group and overcrowding buildings while spending nothing on repairs. They hang on to sub-standard dwellings on the fringe of the business district in the hope that the expanding district will require their land for a commercial use at a high price.

One method of preventing slums and avoiding land speculation is heavy land taxation or sites taxation. Some European countries, as well as some British Columbia municipalities, tax land heavily and improvements lightly or not at all. Some examples of this practise indicate, however, that advocates of Georgian single-tax-on-land proposals simply want to force a revision of land uses to suit themselves. Strict code enforcement is a more effective and democratic way to achieve clean-up.

One mistake which a city just undertaking a renewal program should guard against is the wholesale designation of areas as blighted. Unless the city is prepared to initiate renewal action immediately, designating an area as blighted can serve merely to accelerate decline. A declaration of blight which is not followed up with prompt renewal action

can also spark a wave of speculative transactions in an area that will encourage a rise in prices when the city gets around to negotiating for acquisition of the land.

An outstanding example of the hazards involved in declaring broad areas as blighted in advance of concrete renewal proposals was found in San Francisco. In the city's early renewal planning vast areas were labeled as blighted.⁵⁴ Speculation almost ruined the plan and perpetuated the slum. Eventually it became necessary to de-designate large sections. Another pitfall of premature designation is that owners tend to defer repairs and maintenance because of uncertainty over the future.

MIS-USE

The business of urban renewal should be first concerned with the removal of conditions which threaten health, safety and welfare. The Build America Better Committee, after confronting at first hand the broad dimensions of blight in cities across the United States, have been convinced that the urban renewal program should not be allowed to stray away from its basic goal of housing improvement.

The proportion of funds that may be allocated to projects which neither remove bad housing nor build new

⁵⁴ Dow, op. cit., p. 6.

housing has been increased to thirty per cent (see paragraph on laws) in what appears to be a drive to make urban renewal the convenient panacea for a city's economic ills. This may be a mistake.⁵⁵

When renewal programs for the purpose of economic rejuvenation slip outside the context of housing problems, the original purpose is likely to be forgotten. When commercial development that does not eliminate bad housing is given the assistance of eminent domain for land assembly and the unquestionable stimulus of a written-down price, we should become concerned about the effect on the rest of the real estate market.

If urban renewal funds are made generally available for redevelopment programs that bear no connection to housing, we may see slums getting a new lease on life. It is far easier to attract local support for a program to revive Main Street than it is to spark interest in the human problems of blighted housing.⁵⁶ We see this attitude manifested in big city renewal programs today. For several years, New York City has been replacing tenements with high-rise, non-residential buildings.

⁵⁵ Ibid, p. 4.

⁵⁶ Ibid, p. 5.

This was true in Des Moines, where the massive River Hills project adjacent to downtown was undertaken at tremendous cost while nothing whatever was done or planned to improve the slum section where people live in utterly unfit conditions without sewer, water or paved streets.

SUMMARY

The many contributory and overlapping causes of slums can be reduced to two major problems: in Canada, the low standard of living, and in the United States, the Negro invasion of neighborhoods. These can be further reduced to one: overcrowding. The slum is created by the people who live there. When blight appears, it has the effect of intensifying the anti-social behavior of the residents who in turn, create more blight. Overcrowding, due either to low income or containment by racial segregation, is conducive to loss of self-respect and anti-social behavior.

Slum clearance and public housing create desirable physical environments. Rehabilitation is the inexpensive way to reverse blight, if caught in time. Realistic legal, financial and welfare policies must be adopted and the sociologist must be given the means and authority to train slum-dwellers in the responsibilities of society. All these things must be done simultaneously and vigorously as there is no single cure for blight.

CHAPTER II

THE REAL COST OF MAINTAINING THE SLUM

The data in this chapter was largely obtained through interviews and correspondence with officials of various cities. This type of information is not compiled, published or advertised often enough. In a search for examples, one is led to conclude that many municipalities prefer not to keep records for comparison.

COMPARATIVE STATISTICS

Statistics show that slum and substandard districts comprise about twenty per cent of an average city's residential areas, but slums account for 33 per cent of the population, 45 per cent of the major crimes, 55 per cent of the juvenile delinquency, 50 per cent of the arrests, 60 per cent of the tuberculosis victims, 50 per cent of all disease, 35 per cent of the fires, which means that they burn up almost half of every tax dollar they pay. They account for a tremendous drain on the city, using up 45 per cent of the total city service costs within their limited area. Despite the great demand for services to alleviate the above conditions, they return only six per cent of the total tax revenues for real estate.⁵⁷

⁵⁷ Federal Works Agency Public Buildings Administration Bulletin.

These statistics are the best argument for clearing slums. By clearing, removing blight and checking the deterioration cycle, cities should be able to increase municipal revenues at the same time they are reducing the demand for municipal services.⁵⁸

The St. Louis Police Department compiled some interesting comparisons on crime in low rent housing districts and blighted areas. The crime rate in three low rent housing developments is forty-two per cent less than the rate of the city as a whole. Crimes like robbery of shops and warehouses, of which developments are virtually devoid, have been excluded from the crime rate comparisons. The frequency rate in the developments for the first six months of 1962 was 663 per 100,000 population, as compared to 1,149 per 100,000 for the city.

These developments, the Pruitt-Igoe-Vaughn Apartments, located in the Fourth Police District, recorded a crime rate 76 per cent less than the entire Fourth District. The total crimes within the three developments showed a reduction of 26 per cent during this same period, indicating that the environment is having a continually improving effect on its residents.

⁵⁸ Sears, Roebuck, ABC's of Urban Renewal, p. 6.

Since 1959, the first year crime tabulations were made for the Housing Authority by the Police Department, the total of crimes in the developments has been cut in half. Crimes were cut from 177 for the first six months of 1959 to 99 for the first six months of 1962.⁵⁹

In Los Angeles, areas of blight cost the city as a whole \$7.11 per capita each year for fire, police and health services, while the non-blighted areas cost \$3.67 per capita. Meanwhile, the blighted areas pay in \$4.25 per capita in taxes while the non-blighted areas pay in \$11.30. These figures should stimulate civic action to erase blight.⁶⁰

Incidence of undesirable occurrences for Los Angeles reflect the costs of blight in many large cities. The following data should be studied by those who have doubts about costs of maintaining slums. Fire alarms per 10,000 population in the blighted area as compared to all other areas were 256 to 142 in a recent year. Police arrests number 350 to 100. Citations were 1,240 to 370. The fact that juvenile delinquency is encouraged by slums is dramatically emphasized by the score of 68 to 10. An even heavier burden is placed on the health services where cases numbered

⁵⁹ I. Long, Press Release for the St. Louis Housing Authority and Land Clearance for Redevelopment Authority.

⁶⁰ Los Angeles Community Redevelopment Agency Bulletin.

356 as against 54 for non-blighted areas. Communicable diseases numbered 69 to 14. Venereal diseases numbered 13 to 1, tuberculosis 705 to 91, child hygiene complaints 965 to 212. In all, there were 4,022 health and crime cases per 10,000 persons in the blighted areas as compared with 994 in other sections.⁶¹

Mr. Donald Buck, Redevelopment Officer for St. John, New Brunswick, feels that the record should be made public. In his letter he states that a 57 acre slum area of St. John shelters 4.6 per cent of the population. There occur here 9 per cent of the fires, 12.6 per cent of the relief cases, 14.8 per cent of juvenile court cases, 9.2 per cent of tuberculosis cases, and the area produced only 2.5 per cent of the city's tax revenues. The cost of maintaining this slum is obviously high.⁶²

The Redevelopment Commission of Greensboro, North Carolina, in cooperation with the City Planning Department, conducted a comprehensive study of the effects of bad housing on the citizens of the city. Eleven areas of the city, containing 4,120 dwelling units, were badly blighted. Taking the latest data available, some startling results emerged. In 13.5 per cent of the total housing supply there occurred

⁶¹ Loc. cit.

⁶² D. Buck, a letter.

62.5 per cent of murders, 52 per cent of major robberies, 31.5 per cent of rapes, 27.4 per cent of infant mortality, 40 per cent of tuberculosis cases, 61.4 per cent of venereal diseases and 25 per cent of the city's fires.⁶³

The City of Champaign, Illinois, found that both in terms of dollars and cents and in human problems, a sub-standard area is costly. They found that their northeast neighborhood, currently the subject of a survey, has an area of 5.1 per cent of the total city, housing 7.7 per cent of the population. It also accounts for 33.6 per cent of the arrests, 18.9 per cent of the fires, 29.5 per cent of the fire losses, 18.1 per cent of the juvenile delinquency, and a costly 79.1 per cent of the relief money.⁶⁴

Vancouver's areas recommended for comprehensive redevelopment contain only five per cent of the population. The health implications of the area are manifested in tuberculosis rate of 642 per 100,000 as compared to 231 average for the city. Twenty per cent of the city's Social Assistance recipients live in this area.⁶⁵

⁶³ Housing and Home Finance Agency, Urban Renewal Notes, p. 10.

⁶⁴ Ibid., p. 11.

⁶⁵ Vancouver Planning Department, Redevelopment Study, p. 7.

The unbelievably dense Negro slum of Chicago, housing 17 per cent of the city's population, supplies 65 per cent of the jail inmates.⁶⁶ In Baltimore, slums eat up 45 per cent of the city's revenues, but they pay only 6 per cent of the taxes - often as little as \$25 per dwelling.⁶⁷ The already low revenues of the central cities are decreasing even more with the flight of the middle classes and the declining rate of growth. Added to this is the fact that the demand for services has not abated. Garbage must still be collected, fires fought and police protection provided.⁶⁸ This is a cause of anxiety if previous financing plans have been based upon the projection of a constant or rising rate of growth.

All available data substantiates the fact that slums are costly. The real revelation of the statistics is the magnitude of the drain on the resources of our cities, both economic and human. The decay of our cities is the number one economic problem of our day. It creates our number one health problem. It nurtures our number one crime problem.

⁶⁶ J. Fischer, "What the Negro Needs Most", Reader's Digest, September, 1962, p. 74.

⁶⁷ Staff Writers and Guest Experts, "Textbook on Conservation", House and Home, October, 1953, p. 103.

⁶⁸ T. Johnson, Renewing America's Cities, p. 6.

FIRE

City-wide increases in fire insurance rates is an expense produced by slums that is not immediately obvious to the general public. The Canadian Underwriters' Association and the National Board of Fire Underwriters of the United States rate cities on a basis of 5,000 points for a city with theoretical perfection in fire protection. Structural conditions are assigned 700 of these points.⁶⁹ Many points of deficiency are deducted for structural defects that create fire hazards. The points deducted for blighted areas raise the Key Rate which, in turn, reflects in insurance premiums for the entire city. The whole system is based on The Standard Grading Schedule issued by the N.B.F.U. Their studies of many years have shown that rates must depend primarily on structural conditions and hazards existing in the community. These factors influence the probability of serious losses, irrespective of the quality of the fire fighting facilities.⁷⁰

Winnipeg Fire Department officials state that the heaviest loss of life and property occurs in sub-standard

⁶⁹ American Waterworks Association, Journal, October, 1942, p. 1584.

⁷⁰ C. Wright, "Fire Protection and the Waterworks System", paper presented at Western Canada Water and Sewage Conference, Saskatoon, October 3, 1957.

areas of the city, in much the same proportion as is found in other large cities. The city's excellent fire department spends well over \$3 million annually,⁷¹ mostly on salaries, maintains land and buildings of \$600,000 and equipment worth hundreds of thousands more. Still, property losses amounted to over \$12.6 million from 1951 to 1961. Total value of all buildings damaged by fire was over \$461 million.⁷²

These figures illustrate the importance of good fire protection. They also illustrate the burden that fire puts on a medium-sized city when about one third of the service is used up in the small area of blight.⁷³ To isolate an area like Winnipeg's Lord Selkirk Park, and analyze the reflection of that neighborhood alone on the total premiums of the city, would be a monumental task. The rating experts of Canadian Underwriters' Association claim that they cannot isolate such a small area from the deficiency system but that such blighted areas are a heavy burden on the economy.

The N.B.F.U. a number of years ago, estimated that the percentage of cost of the entire water works plant chargeable to fire protection service for cities of various size was as follows:

⁷¹ J. Kinnear, Municipal Manual, 1963, p. 120.

⁷² Ibid., p. 123.

⁷³ Federal Works Agency Public Buildings Administration Bulletin.

77%	for	communities	of	5,000	population
60%	"	"	"	10,000	"
32%	"	"	"	50,000	"
23%	"	"	"	100,000	"
13%	"	"	"	300,000	"

Cost of fire protection is a very important factor in the design of the entire water works system.⁷⁴ Outside the congested valve mercantile district in all cities, the fire flow requirements are based upon structural conditions. Therefore, if a city or town wishes to lower its Key Rate when adding or replacing mains, the expense will be very high if there is blight.

Fire demand is generally the controlling factor in sizing water mains. Flow requirement will be high in an area where fires are likely. Permissible area to be covered by each hydrant will be small and more hydrants will be required, all at great cost. Generally, the blighted neighborhood was adequately served for flow and coverage before the area became a slum. Functioning, but inadequate, service remains, and reevaluation of protection raises the Key Rate.

CRIME

The overwhelming proportion of crime that is bred in the slums is felt most heavily in the larger cities. When an

⁷⁴ Wright, op. cit.

area of New York City erupts into disorder, the police saturate the area with as much as triple the usual force. This action restores order promptly, but it is very expensive. It is impractical and usually unnecessary in small or orderly cities like Winnipeg.

The activities and records of the Winnipeg Police do not establish any criteria to use in cost analysis. The division covering the areas of worst blight, including Lord Selkirk Park and other run-down neighborhoods, marginal business and objectionable industry, has no additional complement of men. When trouble erupts, men are rushed from other divisions as reinforcements.

This division, and all Winnipeg divisions, are staffed to minimum requirements. They are, therefore, always on patrol at the same strength and will remain at the same strength after renewal and relocation are complete. The payroll remains the same but the personnel is harder worked, spending much more time answering calls to private homes to quell petty disorders.

The Winnipeg experience suggests that the cash cost to the city of slum-bred crime may not be as serious in smaller cities. This contrasts with costs of some other services required by blighted areas, which are very much higher per capita in the small cities.

Some high ranking Winnipeg Police officers are out-

spoken in their skepticism of the environmental effect on certain minority groups. One calls it wishful thinking to suggest that the behavior of former Jarvis Avenue residents will improve in the Burrows-Keewatin Project. He cites cases of continued misbehavior at the new project and states that past relocation programs have made no difference.⁷⁵

In the past, however, there was no such ambitious project of relocation. The police, who are in day to day contact with the problem are more likely to have a realistic attitude than the idealists. Change of physical environment is only a small part of the cure. Training and rehabilitation are the only lasting effective measures.

Social workers are in continual contact with the inhabitants of the Burrows-Keewatin Project, so something lasting is being done. The people are not left alone in unfamiliar new surroundings. The critics have not given the program a chance to take effect. A few optimistic conclusions about the social success can be drawn from the few months the project has been in operation. The police officers are over-pessimistic, but let the rest of us not be over-optimistic lest we be disappointed. Remember that some of the relocated families came from indescribable conditions in Lord Selkirk Park and will not be rehabilitated for years. Dave Kemp

⁷⁵ G. Blow, interview.

wrote of conditions in the Winnipeg Tribune in August, 1962.

"It was here that a social worker found an eight-year-old suffering from venereal disease. Drunkenness, pilfering, vandalism and prostitution are almost a way of life. Morality Inspector Jack Webster . . . was sickened by what he saw there Maltreatment of children is common 'I bar my door at night', one man said. 'Those people down there are animals', one detective said 'They'll turn anything into a slum in six months.'"⁷⁶

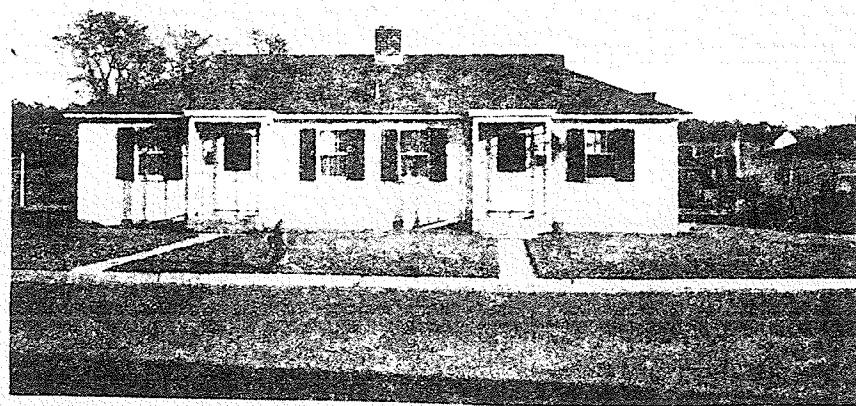
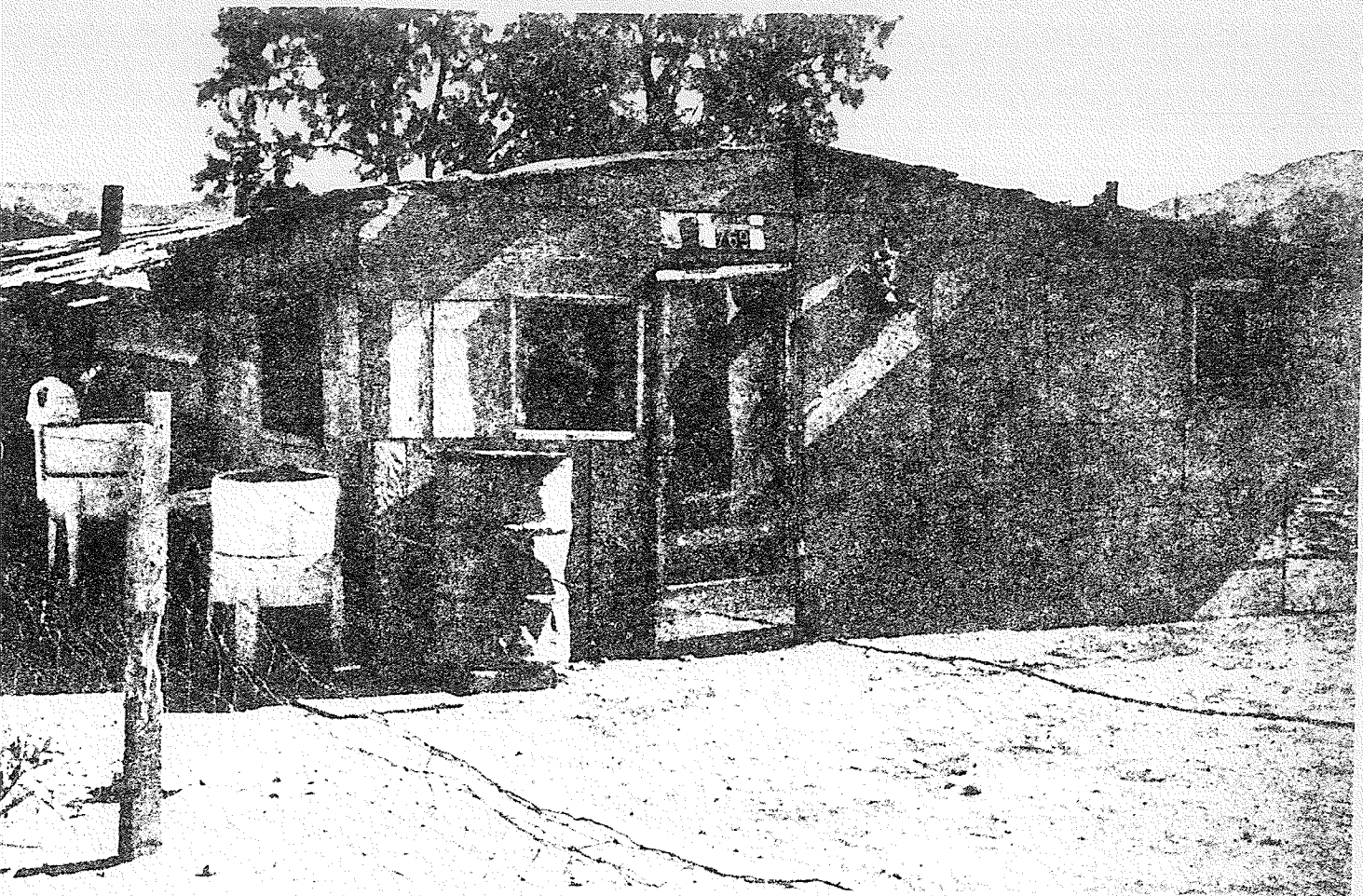
So far, neither the police critics nor the sociologists have been entirely correct, but in social terms and terms of crime rate, the project seems destined to be more of a success than a failure. It is considered an experiment by many, a very costly experiment that, if successful, may be the precedent for new concepts of housing policy for Winnipeg and other cities. Real success depends on educating the public to the fact that such expenditures will pay off in cash in the long run. It is doubtful that many people who are not directly in contact with the slums can readily see the benefit to themselves without explanation and publicity.

Everybody pays the cost of slums today, even the people who flee the city for the suburbs. One reason for this is that most of the tax burden for city services in the slums is carried by residents outside the slums. Another reason is that blight spreading from the slums threatens

⁷⁶ The Winnipeg Tribune, August 24, 1962.

property values in every other neighborhood.⁷⁷ Another is that suburbs depend for livelihood upon the center city and cannot prosper if the heart decays. Blight is not stopped by political boundaries.

⁷⁷ Staff Writers and Guest Experts, "Textbook on Conservation", House and Home, October, 1953, p. 104.



CHAPTER III

COSTS OF RENEWAL

STAGGERING COSTS

Professor Gordon Stephenson said, in his 1956 paper at the Annual Conference of The Town Planning Institute of Canada, in Banff,

"Somebody must supply the needs of half the population. They cannot be met in redevelopment or slum clearance schemes alone. Even if we assume that they could, we should ask ourselves if this is the way to supply low cost housing. It is likely, for example, that the price of the Regent Park South scheme when completed may be in the region of \$20,000 per unit, taking all costs into consideration. If this is low cost housing, I am ready to eat my economic hat. The scheme can and must be justified on other grounds: as an attack on the cancerous spread of squalor in one of the richest communities in the world." 78

In a study of 414 renewal projects reporting 186,760 substandard dwelling units, the total net cost of the projects was \$1,315,016,000 before construction, or \$7,041 per unit. The President's Advisory Committee on Government Housing Policies and Programs, in its report of 1953, estimated that 6.8 million substandard housing units needed replacement or extensive rehabilitation.⁷⁹

⁷⁸ G. Stephenson, paper presented to T.P.I.C. conference, Banff, Sept. 1956, cited in a supplement to Ontario Planning, October 1956.

⁷⁹ President's Advisory Committee on Government Housing Policies and Programs, A Report to the President of the United States, no page number.

Applying this unit of measure of \$7,041 per unit, we find a total program costing \$48 billion. This is only for preparing the land. When the cost of the new buildings and rehabilitation is added, the figure would be in excess of \$100 billion. The local share of this, although only a small percentage, is still staggering. Many cities are waking up to the fact that code enforcement, before it is too late, is a lot cheaper.

One study revealed that renewal just to replace sub-standard housing and related facilities in the United States would cost between \$85.5 and \$91.3 billion at 1950 prices.⁸⁰

As mentioned in the first chapter, slum growth is not effectively halted by the "bulldozer approach". This kind of an attack helps increase the costs of renewal. An examination of twenty Chicago urban renewal projects shows that seventeen called for complete clearance of all structures. Of the other three projects, one involved land assembly and the other two a combination of rehabilitation and clearance.⁸¹ This clearance, typically involved demolition of good standard units. In these Chicago projects, demolition of good structures ranged from 2.9 per cent to 50.2 per cent. In the

⁸⁰ Bloomberg, L., Brunsman, H., Handler, A., America's Needs and Resources, A New Survey, p. 512.

⁸¹ United States Senate, op. cit., pp.72-80.

seventeen projects, 4,570 good units were removed along with 10,505 substandard units. This amounts to 24.8 per cent of the total units.⁸² The cost to the public was enormous. It costs about \$120,000 per acre to purchase and clear land on Chicago's South Side.⁸³

Chicago has twenty-five square miles of severely blighted area remaining. On the basis of one example, the Lake Meadows Project, the city will need \$1.5 billion in Federal grants alone, or three times as much as Congress made available for all United States cities during the last five years.⁸⁴

FEDERAL PARTICIPATION

Realtors generally preach that cities should eliminate their own slums with a minimum of federal money. Government sponsored projects usually do not combine their new housing with a proper rehabilitation, relocation and renewal of blighted areas. One hundred per cent city sponsored projects have a much better chance of success but cities are lured by grants. Land for the Lake Meadows Project had an acquisition

⁸² Housing and Home Finance Agency, Exhibits, p. 72.

⁸³ Ibid., pp.49-50.

⁸⁴ Staff Writers, "Realtors Question Huge Land Write-Down Grants for Slum Projects", House and Home, January, 1956, p. 47.

cost of nearly \$16 million and its reuse value was a little more than \$2 million, representing a loss to the public of nearly \$14 million.

About \$9 million was borne by the federal government.⁸⁵ This example, unfortunately, is not singular and there was no other impetus for this project, which wiped out the core of one of the worst Negro slums. If cities will take the initiative, the federal government should refrain from interference and should leave the cities enough fields of taxation to let them pay for these projects. If the federal government must become involved, it should limit participation to protection of the cities against the loss of revenue that results when there is an exodus to suburbia.

The mayors of many large cities have stated publicly that cities simply do not have the resources to assume much financial share of the burden of renewal. On the other hand, many persons are convinced that cities are perfectly capable of combatting their own slum conditions. One witness, a representative of the Eastwick Combined Committees of Philadelphia, stated;

⁸⁵ Loc. cit.

"The basis for the use of these Federal moneys is not need, but greed . . . the city development coordinator, when faced with the fact that our community did not need this drastic redevelopment and that it was a misuse of government money to accomplish the project, stated that 'if we don't get that money, someone else will.' The general citizenry of the city are appalled at the attitude of our elected officials." ⁸⁶

This is a common attitude in the United States. Many cities endorse the "free ride" theory. Some cities, however, have found that it cost them more money in the long run to accept Federal aid. In one case, Cincinnati rejected aid because federal government specifications and requirements promised to make the job almost four times as costly as was necessary. Self-determination and individualism is rising in a few cities whose people feel that the government simply gives them back their own money, minus an amount wasted on inefficiency and administrative costs.

Canada's National Housing Act formula for 12½-12½-75 per cent participation between city, province and federal government is now widely accepted as "something for nothing".⁸⁷

⁸⁶ U.S. Senate, Urban Renewal in Selected Cities, p.1145.

⁸⁷ The Federal Government pays 75 per cent in all cases. Provincial shares are now 12½ per cent in British Columbia, New Brunswick and Nova Scotia; Nil in Alberta and Manitoba; 20 per cent in Saskatchewan; 25 per cent in Newfoundland and for subsidized housing in Ontario; and 17½ per cent for economic rentals in Ontario. Prince Edward Island does not participate. Quebec is not designated.

Even those who realize that the capital for projects is not generated on the printing presses of Ottawa, insist that there would be no impetus with less federal stimulation. Quite right. We have become dependent on Ottawa for just about everything.

Actually, cities are not in as bad financial straits as one would believe from the hue and cry. Local tax receipts have increased more than state, provincial or federal receipts. City administrators argue that the federal governments funnel off most of the additional revenues from growth. Actually, using the United States example, from 1952 through 1960, local tax receipts increased 90.1 per cent, state receipts increased 78.8 per cent and the federal government upped its share only 38 per cent.⁸⁸

HYPOTHETICAL PROJECT

The Housing and Home Finance Agency (H.H.F.A.) has described a hypothetical project under the Act of 1949. First, the city wants to make certain a portion of the federal funds is reserved for its use. The city council passes a resolution requesting the H.H.F.A. to reserve capital grant funds for projects it intends to undertake. The administrator agrees.

⁸⁸ Tax Foundation, Inc., Facts and Figures on Government Finance (1960-61), p. 21.

In order to qualify for financial aid, the city then establishes a local public agency equipped to undertake slum clearance projects. A general plan already exists. Modernization of codes to prevent recurrence of slums is being achieved through positive programs.

Funds are made available for a survey to define the project area through a preliminary advance contract. The local agency conducts the survey producing data about requirements for relocating families, marketability of the land for redevelopment, preliminary cost estimates and other factors.

The local agency submits application for \$75,000 for detailed plans and surveys. A final advance contract is executed. In a few months, the local agency submits an application for a temporary loan and capital grant. The general plan of redevelopment, relocations, assurances of marketability and final cost estimates are complete. There is assurance that the city will contribute \$350,000 in donations of land, services and public improvements, such as schools, parks and playgrounds.

The local agency estimates that the project will cost \$1,650,000, including the \$100,000 already spent for surveys and plans plus the \$350,000 in local contributions. This figure covers acquisition and clearing of the land. This makes a gross project cost of \$2,000,000. The local agency

estimates that the land will be sold for \$800,000. This means a loss of \$1,200,000 upon completion. The federal capital grant cannot exceed two-thirds of this deficit, so the local share must be \$400,000.

The local agency, therefore, must agree to provide \$50,000 in cash donations in addition to the \$350,000 in land, services and facilities which the city has already pledged.

The local agency's application therefore must request a contract for a \$1,650,000 federal temporary loan to finance the project and an \$800,000 federal capital grant to finance two-thirds of the deficit. When approved, the local agency uses the proceeds of the loan to pay the principal and interest due on the \$100,000 advance received by the agency, then they acquire, clear and prepare the land for redevelopment and sell the land to developers. At the conclusion of the project, the \$1,650,000 loan is repaid with the proceeds of the sale of the land, amounting to \$800,000, the federal capital grant, amounting to \$800,000 and the local cash contribution of \$50,000.⁸⁹

DETERMINATION

Standards of comparison of housing costs may be made on the basis of costs per family, per room, per cubic foot,

⁸⁹ Housing and Home Finance Agency, Handbook, p. 7.

per person, per square foot of total floor area, of rentable floor area, or cost per square foot of usable floor space, excluding halls and stairs. Building codes, local building practices, extent of luxury appointments and the region of the country introduce cost variations in construction.

Costs of existing buildings are difficult to compare because builders do not disclose actual costs as distinguished from selling prices or costs reported for building permits. When costs of proposed buildings are compared, there is a danger that actual costs may vary considerably from estimates for many reasons. Type, level and costs of operation and maintenance vary greatly among localities and at different periods of time.

DETACHED, SEMIDETACHED, ROW HOUSES

Compared with detached or semidetached houses, the row house offers greater economy of land, streets and utility improvements, and construction materials because of fewer exterior walls. Upkeep and heating expenses are generally less for row houses. Cost of equal housing in a semi-detached design is twenty per cent higher than in row design for a specific sampling. Detached is thirty-five per cent higher, including lot and improvements. Other examples show

an even higher differential.⁹⁰ Row houses built in Pittsburgh's Chatham Village development cost about \$10,000 per unit instead of \$12,000 for comparable detached units.⁹¹

APARTMENT BLOCKS

Apartments must be constructed of heavier fire-resistant materials than row houses and must have public spaces - stairs, halls, lobbies - to be heated and maintained. Garbage collection and repairs must be provided by the landlord. On the other hand, the apartment is economical in the use of land and in utilities improvements. The economical size depends entirely on the risks of vacancy and the costs of maintenance. The two to six unit building is uneconomical unless operated by a resident landlord who performs most of the service himself. Six to twelve unit buildings are also risky investments because they are too large for part-time resident maintenance and carry a high vacancy risk. In fact, buildings with less than fifty units are often risky ventures.

High buildings are the result of high land cost, but because of their increased earning power, they are often the cause of high land costs. Tall buildings offer economy in

⁹⁰ Computed from data in: Woodbury, op. cit., p. 137, Table A-4.

⁹¹ C. Stein, "Toward New Towns for America", Town Planning Review, October, 1949, p. 252.

heating and plumbing installations up to a certain point. Six storey apartments are popular in New York City because fireproofed floors are not required up to that height. Low buildings are replacing elevator buildings in popularity. There is little economic choice between low walk-up apartments and row housing.

Construction Cost Analysis reports,

"The overall merits of a project, in any study of construction costs, are most simply judged by the achievements in economy, privacy, space provided and safety. The projects chosen for comparison were all efficiently and economically constructed, but they emphasized the aforementioned aspects in varying degrees It can thus be seen that no one project can be picked out as meeting all these standards best or as having produced all standards most cheaply, and it is for this reason that no over-all comparison has been attempted. The committee cannot discover a mathematical pattern which would relate the merits of facilities provided to the cost of producing them"92

LAND

Land cost is a major factor in determining the density of a project. When land in New York is available at \$.75 per square foot, a doubling of density results in a reduction of rentals by only \$.34 per room per month, whereas with land at \$6.00 per square foot, doubling density decreases rentals by \$2.68. Thus, high land costs exert a very strong pressure

⁹² New York City Housing Authority, Construction Cost Analysis, p. 11.

to increase densities.⁹³

The question of land costs and their effect on rentals in buildings of different types, heights and lot densities takes on special significance under urban redevelopment procedures. By writing down the land cost to any desired level, the redevelopment agency can provide the economic setting necessary for profitable operation of the type and density of housing appropriate to the location within the city and the families to be housed.

Land costs to developers can be set, according to the type of housing desired, into appropriate suggested brackets, so that desirable and efficient densities can be agreed to.

The extent to which land costs should be written off at the public expense raises important questions of public policy. Whereas the developer seeks the lowest possible land cost, the greater write-off, the less redevelopment can be accomplished per dollar of public capital grant.⁹⁴ Land cost should be low enough to attract investment capital to projects of desirable density but should not be so low as to encourage excess profiteering.

Cost should be based on the economic rent. It depends on the total income that can be expected from the developed

⁹³ Woodbury, op. cit., p. 138, Table A-7.

⁹⁴ Ibid., p. 132.

site, less all expenses, taxes and interest and amortization or depreciation on the buildings. The remainder represents income from land itself, which can be converted into capital value at a rate of interest reasonable for the risk.⁹⁵ This principle should be applied whether public or private funds are being invested. The main decision to make is in selection of a density to fulfill the desired social criteria. It should be kept in mind that land cost for multi-family residential buildings is often ten to twenty per cent of the total project cost, or five to ten per cent of the total rent.

RELOCATION

During the first ten months of Philadelphia's enforcement program, relocation cost \$10,000. The next year, a budget of \$32,000 was asked to shift 3,000 families.⁹⁶ This cost seems almost negligible. In the pilot area, 158 families were relocated. Thirty-one moved of their own accord. Of the remaining 127, five were in public housing at the time of the report and forty-eight were eligible. Thirty-three had very large families for which accommodations were scarce.⁹⁷

⁹⁵ Ibid., p. 133.

⁹⁶ Staff Writers, "News Roundup", House and Home, February, 1956, p. 73.

⁹⁷ Ibid., p. 76.

Information about families is incomplete, but often as many as half of the families do not use the relocation services and their fate is unknown.⁹⁸ Laws require that "decent, safe and sanitary" housing be provided at reasonable rent. Occasionally a family will be worse off after relocation. This happens when some good buildings are removed for the good of the overall plan.

In most cities, less than ten per cent were relocated in public housing. Evidence suggests a widespread prejudice against accepting relocation in public housing. Rents of the relocated went up \$12 to \$20. The density per room, which was generally not overcrowded in the average original lodging, remained almost the same. So far, redevelopment has usually meant a marginal improvement at an increased rent for the majority of those relocated.

Chicago will have to move more than \$200,000 people out of slums before any lasting relief can be achieved.⁹⁹ By midsummer 1960, urban renewal projects of the Housing Act of 1949 had displaced 85,000 families, most of whom were relocated with public funds.¹⁰⁰

⁹⁸ P. Marris, "The Social Implications of Urban Redevelopment", Journal of the A.I.P., August, 1962, p. 182.

⁹⁹ Staff Writers and Guest Experts, "Textbook on Conservation", House and Home, October, 1953, p. 112.

¹⁰⁰ S. Pickett, Pamphlet No. 1 - Urban Renewal, p. 3.

New Haven, Connecticut is spending \$130,000 on rental assistance to forty demonstration families over a three year period. This assistance goes to displaced families for whom there is no room in the public housing segment of renewed areas. They are relocated in accommodations of the private rental market. The cost of assistance is determined as follows: average monthly rental is \$110 plus \$20 for utilities and \$20 average monthly interest and amortization for improvements (\$1,000 over five years), for a total of \$150. The estimated average yearly income of demonstration families is \$3,900. The current rent for public housing is 21.8 per cent of income, or an average of \$70 per month. This amount is deducted from the assistance, therefore the amount of rental supplement required is \$80 per month or \$115,000 for the forty families for the three year demonstration period. The rental supervisor's salary brings the total up to \$130,000, or \$3,250 per family; an expensive alternative to relocation in public housing. This allotment is charged up to relocation, public housing or welfare in different communities.

CONTINUING COSTS

Winnipeg's Burrows-Keewatin Project admits people who are in the upper third of the lower third income bracket. With some exceptions, this is a maximum of \$361 per month.

People with this wage, and somewhat lower, are considered self-supporting. Half of the self-supporting reject the opportunity to move to this project, therefore, poorer people, requiring larger rent subsidies are filling the project. The break even rent is \$93, not amortizing utilities improvements. Most renters pay between \$45 and \$55, with the rest being subsidized. In addition, many families already on welfare require greater aid in order to have a standard of living commensurate with their new surroundings.

Families are also provided with furniture suitable for the new apartments. Almost all the tenants of the one hundred and sixty-five unit Burrows-Keewatin Project required furniture and appliances. One hundred and three beds and eighty-two stoves were supplied to the families who only partially filled the project by the end of 1963. Social supervision is stepped up to keep the families from slipping back into their former degrading life. In order to be really successful, public housing must be accompanied by many benefits which mean a never ending cost to the taxpayer.¹⁰¹

¹⁰¹ W. Courage, Winnipeg Relocation Officer, an interview.

COST OF STUDIES

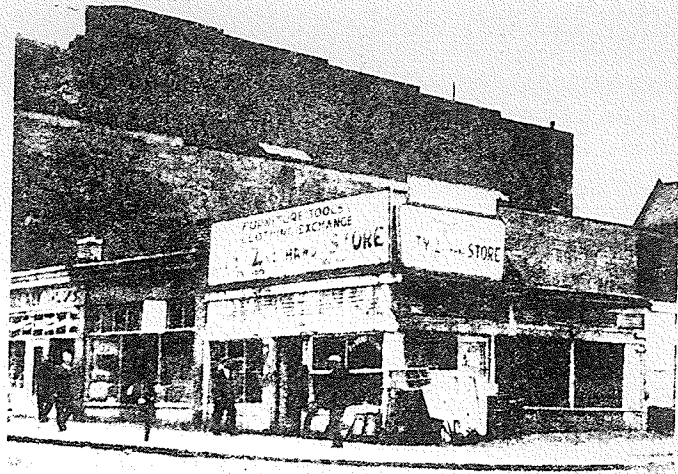
Preliminary studies to determine the need and feasibility of renewal projects amount to only a small part of total project costs, however, they are quite expensive. Government grants to assist recent preliminary studies in twenty-seven Canadian cities cost \$430,544.¹⁰² Complete financial, sociological and geographical studies can cost in the hundreds of thousands of dollars for a single large project. The money is usually well spent as complete studies can save the taxpayers many times their cost and prevent blunders such as some of the public housing ventures of the southern United States.

Public housing, due to the increasing demand, could become one of the largest public expenditures on this continent, rivaling defense spending. New incentives could attract private investment into the public housing field. Expedient acquisition of lands on behalf of the public could minimize speculation. The cost of public assistance, which goes hand-in-hand with public housing, will always remain a burden on the taxpayer.

¹⁰² Central Mortgage and Housing Corp., Urban Renewal Studies, p. 1.

MISCELLANEOUS BLIGHT

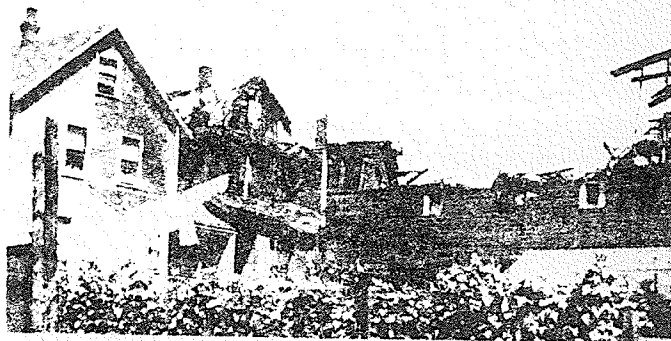
is poor commercial building with a low tax return. The City occupies a prime site at an intersection.



apidated housing. Notice the rundown, unpainted siding which leans in several unnatural directions. Wood piles clutter up the weed-grown space.



Recent fire in the heart of the project area razed an industrial printing works, leaving only the burnt shell. The remains of the neighbouring house can be seen. Only the fast action of the Fire Department saved the house beyond, it shows the effect of a bad scorching. Fire hazards are ever present in this area of closely-packed houses, many of them converted to multiple occupancy, and with industrial establishments often in proximity.



Original cabin-style structure of a type built for transient workers at the turn of the century when the railway came to the west coast. This structure is now home to some of eight old-age pensioners, each paying \$12.00 for the unheated room. A single privy, which is outside on the upper balcony, serves all the residents, while the only source of water supply is an exposed tap which often freezes in winter-time. This tap can be seen as a rickety sink on the upper balcony. An overgrown railway track can be seen at the right foreground.



CHAPTER IV

REVENUES

Urban Renewal, including slum clearance and new public housing, can pay dividends. United States Urban Renewal Commissioner William L. Slayton recently stated:

"Urban Renewal has five goals, one of which is re-establishing the economic health of our cities. It is true that man does not live by bread alone, but that bread he must have. Otherwise, the benefits of education, city beautification, recreation, and the other gifts of a free democratic society become greatly diminished in his eyes." 103

The Detroit Housing Commission reports the increase in tax yields of a project which includes public housing. They record the yields on a parcel by parcel basis for eight parcels in two project areas, rather than on the usual overall project basis. New construction on these parcels totaled \$7.425 million and taxes more than quadrupled. Enterprises accompanying public housing in the scheme provide especially high revenues to the city. The Gratiot Project apartments increased tax revenues from \$8,943 to \$132,350. Town houses in the project caused taxes to double, to \$57,090.

¹⁰³ Urban Renewal Administration, Urban Renewal Notes, November-December, 1962, p. 7.

The West Side Industrial Project includes a florist delivery service which increased taxes from \$5,512 to \$8,732, a rim and wheel company which increased taxes from \$1,855 to \$3,838, a dry goods distributor which increased taxes from \$2,332 to \$5,034, an electric supply company which increased revenues from \$2,532 to \$8,662, and other enterprises of similar impact.¹⁰⁴ Despite a thirty-one per cent decrease in taxable land area, from 78 to 54 acres, the tax revenue from the project area rose from \$70,000 to \$512,000, an increase of 620 per cent. The impetus of slum clearance and public housing triggered the project, made the neighborhood desirable, attracted other enterprises which provided work for the residents who remained and provided improved housing for the workers to live in.

Birmingham Alabama now has the Medical Center where formerly existed sixty acres of squalid slum. The Birmingham News reports: "The Medical Center complex is the city's growing-est business."¹⁰⁵ This slum clearance and renewal project, although being used for purposes other than public housing, is forming the nucleus of a new commercial

¹⁰⁴ Detroit Housing Commission, Slum Clearance and New Construction = Tax Revenue, The Commission, 1962, a brochure.

¹⁰⁵ Birmingham News, October 28, 1962.

and residential city center, accruing new atmosphere, financial revitalization and property tax revenues to the city.

Chicago's broad urban renewal program includes twenty-seven redevelopment projects. Clearance operations are producing land for 11,000 new homes, ranging from single-family houses to large public apartment buildings. Two hundred and eighty-six needed acres for schools, hospitals and parks are being salvaged from rat-infested slums. The University of Illinois is gaining land for its Chicago campus. One hundred and sixty-three acres for industries employing thousands of workers and twelve acres for shopping centers is included. It is estimated that the tax revenues will be raised from \$2.3 million to \$4.8 million annually. The city's coffers are further enriched by sale of land not needed for public projects to industrial users. The largest such sale was fifteen acres in the Roosevelt-Clinton Project for well over one million dollars.¹⁰⁶

The Clinton Park Project in Oakland, California, a combination rehabilitation - new construction project, represents an area of 0.8 per cent of the total area of Oakland. During progress, the new parts of the project amounted to 12.2 per cent of the construction activity of the entire city. Half of the permits issued for alteration

¹⁰⁶ Urban Renewal Administration, op. cit., p. 8.

in the city were for Clinton Park. Tax revenues quadrupled from \$49,000 to \$195,000 in the 1960-61 tax year.¹⁰⁷

Pittsburgh, Pennsylvania, reports that its eleven urban renewal projects covering 809 acres represent an investment of over \$400 million, 90 per cent of which is taxable. By 1968, taxable value of land and buildings will increase by \$100 million and annual tax revenue will increase by more than \$5.2 million. The project includes relocation of 5,000 families from slum areas into subsidized standard housing. In addition, the project includes 5,000 to 8,000 new privately financed dwellings and twenty-five major buildings.¹⁰⁸

The City of Valdosta, Georgia, estimates that property tax revenues from their renewal project area would rise from \$7,600 to \$46,800. In addition, revenues to the county would be increased from \$5,700 to \$36,400.¹⁰⁹

Communities of all sizes find dividends in renewal. New structures for industry, commerce, and high rent dwellings bring in the highest revenues, of course. Public housing shows fiscal dividends mostly on paper, tax returns being

107 Ibid., p. 9.

108 Loc. cit.

109 City of Valdosta, Georgia, Budget, Final Planning Report, 4-15-58, West Crane Avenue Urban Renewal Area. One mimeographed page.

partly eaten up by subsidies, however, value and assessment of properties adjacent to the former slum tends to increase as the blighting influence is removed. Private investment in the rehabilitation of surrounding areas is encouraged.

In Little Rock, Arkansas, tax assessment of an entire area in which there was spot clearance is now six and one-half times the figure before work was started in 1958.¹¹⁰ In Cambridge, Massachusetts, a fourteen acre tract renewed for research use not only brings in great revenues but employs 3,000 people. A Norfolk, Virginia area had 947 buildings, of which only fourteen had been erected after 1925 and 85 per cent were blighted. The tuberculosis rate was six times the citywide average; police calls were five times more frequent; venereal disease was more than twenty times as common. If no taxes had been delinquent, revenues would have been only \$165,000 per year. After redevelopment, private owners paid \$375,000 annually. Fire insurance rates have now been lowered for a saving of over half a million dollars annually.¹¹¹

The small town of Calexico, California, has a revenue of \$16,400 from a twenty-one acre area that formerly paid

¹¹⁰ Urban Renewal Administration, Urban Renewal Notes, November-December, 1962, p. 4.

¹¹¹ Ibid., p. 5.

\$4,400 annually.¹¹² The Philadelphia renewal project in the neighborhood of the old Broad Street Station yields about \$1.5 million annually as compared with \$400,000 before.¹¹³ The 36.7 acre project in Nashville yielded \$47,188 annually to the city and county before redevelopment. Even with 8.2 acres now tax exempt as public projects and 16.1 acres unsold, the tax return increased to \$236,487. After all land is sold, the estimated yield will be \$455,000. As a by-product, the thirty-five businesses that were displaced from the project area to other parts of the city now occupy quarters assessed at \$1 million higher than before relocation.¹¹⁴

The Downtown Project of East Orange, New Jersey, will receive tax revenues increased by \$200,000. The city's investment will have been amortized within five or six years.¹¹⁵ The Waterfront-Crossroads Renewal Project in Buffalo will increase taxes by \$2 million annually, as well as regenerating the city's waterfront and whole downtown.¹¹⁶

Action-Housing, Incorporated, formed by a group of Pittsburgh businessmen and civic leaders has concentrated on

112 Loc. cit.

113 Ibid., p. 6.

114 Loc. cit.

115 Loc. cit.

116 Ibid., p. 8.

clearance of slum housing and on pioneering design innovations in new low-cost, low-rent housing. They have provided a remedy to the shortage of housing for low-income groups by using the initiative of the private business segment of the economy. One of the organization's most significant achievements was in breaking the bureaucratic entanglement that had prevented Section 221 of the National Housing Act from attracting private developers. This section provides for federal mortgage insurance for forty year, one hundred per cent mortgages for relocation housing by non-profit organizations.¹¹⁷ The corporation is now sponsoring 209 unit and 1,400 unit low rental developments, and thus is saving the public from the burden of subsidy. Action-Housing has created, in effect, a public housing project without cost to the public, and at the same time, created a new source of revenue to Pittsburgh.

Redevelopment largely financed by F.H.A. insured private funds in Rankin Borough, Pennsylvania, resulted in construction of 130 new houses where formerly existed 234 substandard structures. Prior to redevelopment the site paid \$41,000 annually in taxes; the new development will produce \$127,000, a gain of 210 per cent. The Government

¹¹⁷ D. Carlson, "Profits in 'Non-profit' Renewal", Architectural Forum, February, 1961, p. 103.

Hill Project in Anchorage, Alaska, produced a tax revenue of \$47,973 as opposed to \$5,639 before redevelopment.¹¹⁸

Before redevelopment, assessments in five project areas of New Haven, Connecticut, totaled \$26.6 million and produced a tax revenue of \$944,000. In 1962, with redevelopment only partly completed, revenues were \$3.2 million. The Constitution Plaza Project in Hartford, Connecticut, increased assessed valuations from \$3.4 million to over \$30 million. Also in Connecticut, Stamford's East Meadow Project increased the annual tax yield tenfold, to \$85,000.¹¹⁹

New York City officials decided to learn what financial effect a slum clearance project has on the area surrounding it. They studied the thirty blocks around the Red Hook public housing project in Brooklyn where its influence could be directly felt in terms of trade and commerce. They found that the total assessed valuation of the buildings in this area had gone up fifty per cent in the five years since the site was acquired, while property values in Brooklyn as a whole rose only twenty-three per cent.

¹¹⁸ Urban Renewal Administration, Urban Renewal Notes, September-October, 1963, p. 10.

¹¹⁹ Ibid., p. 14.

A private slum clearance project in Manhattan, Stuyvesant Town, erected by the Metropolitan Life Insurance Company in 1945 to 1949, did even better. Assessed valuations on the thirty-two block area bordering the project had increased sixty-eight per cent. On one three block stretch, they were up 192 per cent. Murfreesboro, Tennessee, collects \$20,000 from a slum that used to yield only \$2,000. Perth Amboy, New Jersey, jumped taxes from \$23,000 to \$170,000 by redeveloping a slum area.

The public housing projects usually pay into the city coffers ten per cent of the rent taken in. Memphis was getting \$95,444 in such payments in 1955, where they formerly collected \$35,649.¹²⁰ The small town of Florence, Alabama, receives more than \$2,500 from a small project in taxes. This amount will pay for the cost of the subsidized housing project in twenty-five years.¹²¹ Philadelphia's Eastwick Redevelopment area, an enormous and complex project, revitalizes an area that had been returning \$200,000 a year in taxes. Upon completion, it will add between \$5 million and \$6 million to the city's income.¹²²

¹²⁰ D. Robinson, "Slum Clearance Pays Extra Dividends", Reader's Digest, November, 1955, (a reprint)

¹²¹ K. Tyree, Executive Director of Florence, Alabama, a letter, August 9, 1963.

¹²² Redevelopment Authority of Philadelphia, Annual Report, 1962, p. 35.

In redevelopment for public housing, monetary benefits are usually presented as an exercise in municipal accountancy. Assessment valuations are almost always increased by removal of blight. Toronto's Regent Park North multiplied the city's tax revenue from the site exactly sixfold, from \$36,000 to \$240,000. J. S. Hodgson, Development Director of Central Mortgage and Housing Corporation, says, about revenues from public housing:

"These revenues help of course to redistribute the municipal tax load, and are therefore very welcome; but I am afraid I cannot understand the accountancy that regards the higher taxes as amortizing the costs of a redevelopment project. The higher assessment may be a consequence of an increase in values, but the worth of redevelopment is not to be judged by the size of the tax charges payable by the redeveloped property. Other criteria are far more appropriate."

"In some cases a project may yield rentals and sale prices sufficient to cover its entire cost. This is most likely to occur when the boundary of the project area is wide enough to capture the value created by the removal of blight. If the project area is unduly restricted, private speculators may pocket the harvest of a public redevelopment project."¹²³

Another cash item that could be mentioned under revenues is the saving accrued to the city over what would have been spent if the blighted neighborhood had been properly maintained. Even though costs of services to a slum

¹²³ J. Hodgson, "The Redevelopment of Canadian Cities", Community Planning News, No. 5, 1956, p. 3.

are generally higher, as detailed in Chapter II, those neighborhoods scheduled for renewal are often neglected during the last months, or years, of their existence. Maintenance of roads, sewers and other improvements is looked upon as a waste, if the neighborhood is to be demolished.

This saving can be looked upon as an amount in lieu of tax revenue from the area. This saving can also be taken into account, when computing the net cost of a redevelopment project. Net cost equals cost of acquisition, relocation, demolition, construction of new buildings and services, less recoveries through resale of parcels not used for public housing, and cost of services that would have been performed if the area had been properly maintained. Thus, maintenance savings will be made to appear as a saving of public funds for public housing.

It is obvious, from this very representative sampling of renewal project examples, that renewal pays, for private or public housing, for commercial or industrial use, for large or small communities. It pays in actual increased cash revenues to the city from the renewed area itself, as well as the surrounding areas.

CHAPTER V

THE ANALYSIS

In making a choice between alternative courses of action, one must weigh which would bring the greater return for time or money given - in money, social or aesthetic benefit or psychic satisfaction. Techniques for guiding the choice are well known in real estate investment and structural design. The industrial engineering curriculum features engineering economics. In the sector of slum clearance the techniques are difficult to devise because the benefits cannot always be put in terms of cash.

Cost-benefit analysis is often used in relation to highway and water resource investment and can be adapted to city planning. The government utilizes planning for the attainment of certain community objectives. The planning process translates these objectives into reality. Planning decisions provide a framework for private and public investment of land. Cost-benefit analysis can be applied to individual or interdependent projects. Decision makers should be able to determine to what extent a renewal project will achieve the community's objectives, what the cost will be, who will benefit and who will assume the cost.

The actual process varies according to the nature of a redevelopment project when an owner demolishes old

tenements to make way for new apartments to be rented by him, analysis can be simple. When a public agency acquires and clears whole city blocks for sale to private developers who will build for new occupants, and relocates the displaced occupants in another area, the analysis of such varied costs, benefits and interests becomes complex.

In an example that could apply to either private or public enterprise, an owner demolishes four rented houses in order to sell the site to a developer, who wants to erect a block of apartments. Both direct and indirect costs and benefits must be considered. Costs are, for the most part, the value of goods used to operate the redevelopment, while benefits consist in the value of the services provided.¹²⁴

DIRECT COST AND BENEFITS

Prior to redevelopment, in this example, tenants' gross rents were in part paid to the owner of the house for shelter and in part to the city for services. If rents are at market value, we can assume that they are a measure of benefit and that cost is equal to benefit. As to municipal services, cost may or may not exceed benefit. For while the general property tax and the taxes levied by special

¹²⁴ N. Lichfield, "Cost-Benefit Analysis in City Planning", Journal of the A.I.P., No. 26, 1960, p. 274.

districts are based on real estate values, municipal operating costs are allocated to consumers without regard to actual benefit derived.

The special assessment to pay for particular public improvements does attempt to equate benefit with cost, but in quantity this is a small part of taxation for municipal services. Prior to redevelopment, the owner has as a benefit the actual and prospective gross rents, less operating costs. His costs are the present value of that income, not the capital he has invested.

With the transfer of the property to the redeveloper the tenants' situation remains the same. The owner suffers a cost equal in amount to his loss of actual and prospective net income and receives a benefit equal to the purchase price. Insofar as this equals market value his benefit equals cost, for he can reinvest to obtain the same income and security.

Upon clearance the displaced tenants lose their benefit (shelter and services) but gain their cost (rent and taxes). In addition they bear the cost of dislocation and relocation, which may or may not be compensated by benefit in payment from the owner or developer. Securing new accommodations, on the same site or elsewhere, these tenants receive different shelter and service benefits and pay different rents and taxes.

New shelter benefits again equal costs, insofar as rents are at market value, but again, benefits from municipal services may or may not equal costs. If these tenants exchange an old for a new dwelling on the same site, they incur higher taxes and receive identical services, the taxes being arbitrarily allocated on the new assessment.

As the developer embarks upon his project he encounters certain costs: a transfer cost, amounting to the acquisition price and the real costs of demolition and new construction, including the opportunity costs of his time, skill and working capital. His benefit lies in his expectation of net rents or sale prices for the apartments. Assuming this to be a typical market enterprise the expected return on the real costs equals the market rate of return. The value of the buildings and their cost will be common to both sides of the equation. The developer's benefits and costs can therefore be compared in terms of totals disregarding these common items. The terms will be the benefit of residential land values and the cost of property acquisition.¹²⁵

Three distinct groups may incur direct and indirect costs and benefits arising from the site. The first group, owners and occupiers of existing buildings, might be affected

¹²⁵ N. Lichfield, "Cost-Benefit Analysis in Urban Renewal", p. 2.

in two distinct ways. Redevelopment might cause an increase or decrease in the real (technological) value of services they enjoy, a value independent of any change in the desirability or availability of alternative accommodation. If the redevelopment puts a garden where none was before, and adjoining houses are afforded a view, we have an increase in value. A decrease occurs when the redeveloped block overshadows adjoining houses. Such changes in real value lead immediately to changes in rental value, as differentials in relation to other housing stock are altered. These changes accrue to nearby occupiers until rents are adjusted.

At that point the nearby owner is affected. But the adjustment does not necessarily equal the initial change in rental value, for differentials in relation to other stock may have caused a general readjustment of price levels. These last are pecuniary effects. When rents are adjusted tenants will find that the change in their benefits matches changes in costs as then valued in the market. The owner experiences a change in benefit without any in real cost.

Another way in which redevelopment of substandard neighborhoods can affect owners and occupiers is by causing a change in the supply of existing housing stock. When those four houses were removed and apartments built the change may have been sufficient to cause a long-term change in price levels as demand adjusts to the changed supply.

Tenants find themselves in a better position if, having the same services, they pay less rent. Conversely, their situation worsens if they pay more. In the long run owners' experience rises or drops in value without incurring or saving real costs.

The first kind of change, in real or technological value, must be investigated in an analysis because it indicates the efficiency of the redevelopment scheme. In measuring this change, the immediate effect on rental value serves as an index. This might differ from the long-range change that follows a general readjustment in price levels. While the long-term change is important for tracing the incidence of costs and benefits arising from the scheme, the analysis generally abstains from forecasting on this basis because of the inherent difficulty and because to make any appreciable difference in the ultimate price levels the amount of change in real value must be quite large in relation to value of existing stock.

When the change is large, a forecast must be attempted despite the difficulty. The other kind of change, pecuniary, which is the effect on owners and occupiers due simply to changes in supply, is important for incidence. This is also ignored for the same reasons but it must be reckoned with in terms of large supply changes.¹²⁶

¹²⁶ Ibid., p. 3.

OWNERS

Possible effects of redevelopment on owners of property with potential value involve the concepts of "shifting" and "floating" value. Before discussing these concepts we must distinguish between two kinds of property value: current use value, related to the use of the property as it stands; and potential use value, related to the potential use of the property as it might be redeveloped in response to demand. Except for sub-marginal land all property has current use value but not all land has potential use value. Any excess over current use is development value.¹²⁷

Given a certain demand for new construction and a supply of sites suitable for redevelopment, potential use value can be regarded as "floating" over the site, awaiting its time to settle. On some land the possibility of the value settling is greater than on others. Each site has a speculative potential use value and therefore negative or positive development value. This is based upon forecasts of a particular site's potentiality in attracting the floating value, after discounting for time and the possibility that competing land will obtain the prior claim.

¹²⁷ N. Lichfield, Economics of Planned Development, p. 311.

Once the floating value has settled on a particular site, on space made available through new construction, the expectation at other sites must correspondingly diminish. Conversely, once a site potentially capable of satisfying a demand is removed from competition, by being made into a park, for example, potential use value will be "shifted" from that site. The expectation on other sites will rise.

Value can shift in another way when occupiers displaced by clearance demand alternate accommodations and thus generate "floating" potential use value. If their demand is satisfied by redevelopment on the same site, the value resettles on that site. If satisfied on another site, value "shifts" to that site at no real cost to the owner. If the demand is satisfied in existing accommodations, its value is enhanced without real cost to the owner, just as new development might attract value from existing property without saving in real cost to the owner.

"Floating" or "shifting" value will not be the same wherever it settles. For any given demand values and costs of different accommodations will vary, as will the value of identical accommodation in different locations. Therefore, economic rent will vary.¹²⁸ Where land values are concerned,

¹²⁸ H. Parker, "The Financial Aspects of Town and Country Planning", The Economic Journal, No. 64, 1954, p. 73.

there is no economic law of the conservation of value.¹²⁹

This example is a gross oversimplification of the demand situation, directing attention to static qualities. In reality, when floating value settles onto a particular site, it sets up a chain reaction, a fluctuation in demand results for other locations. Also, total demand continually grows and diminishes, altering expectations on specific sites in an uneven manner. Though this makes the forecasting of where potential use values will settle difficult, it does not invalidate the concept of shifting and floating value.

LOCAL GOVERNMENT COSTS

Municipal operating costs vary with the nature of property served. Revenues vary with age of buildings and size of lots, therefore operating costs and revenues are changed by redevelopment. This usually causes tax revenues from other properties to rise or fall and their tax assessments are altered as an indirect effect of redevelopment. It is not likely, however, that these effects would change operating costs incurred by owners or alter assessed valuations.¹³⁰

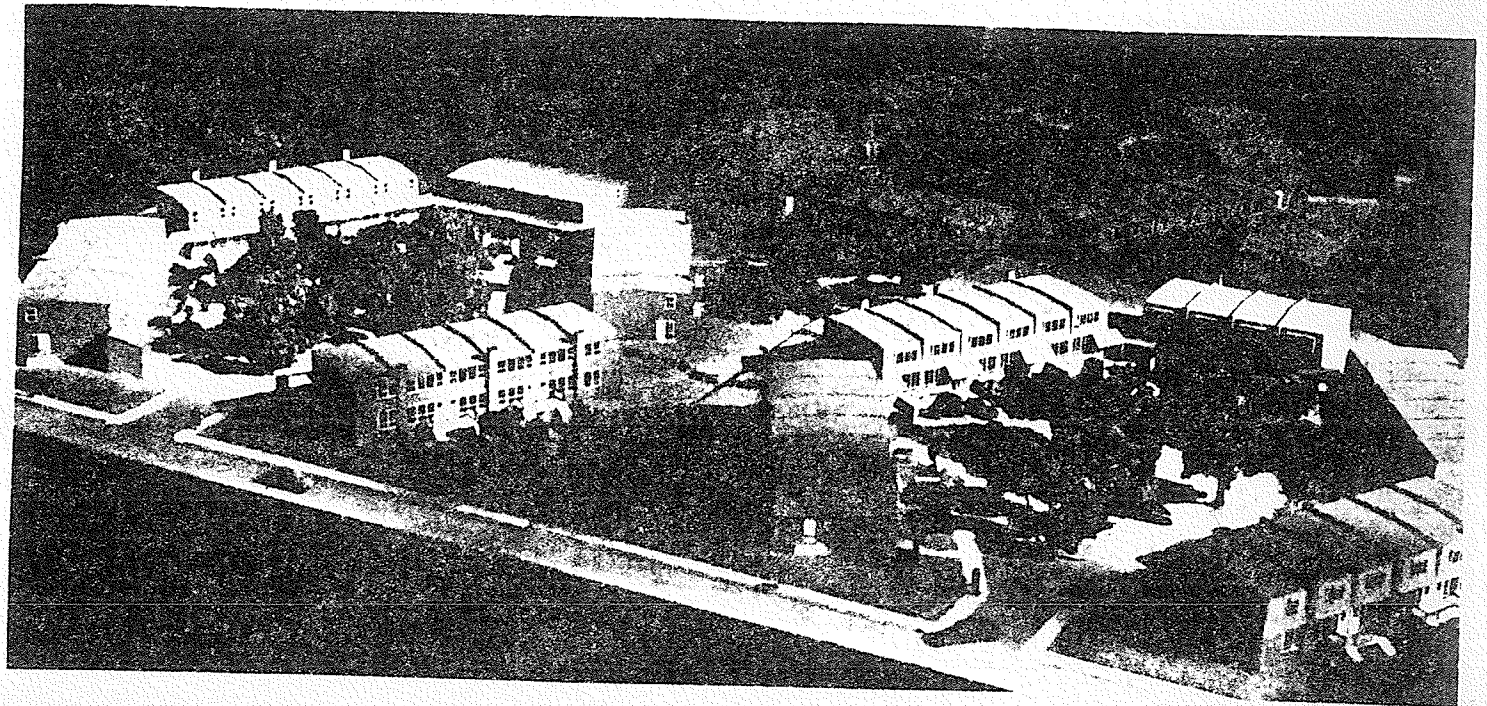
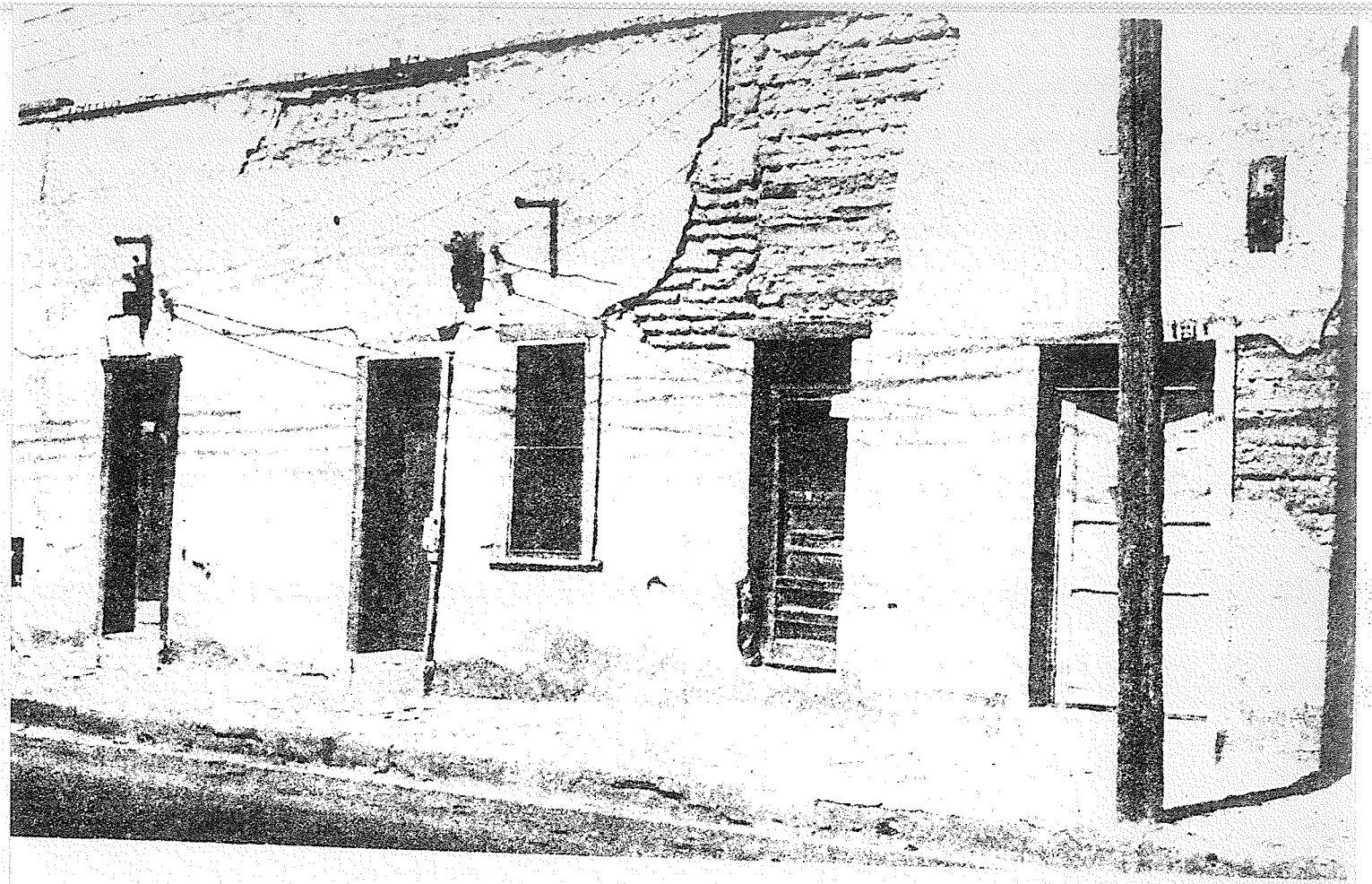
¹²⁹ A. Plant, "Land Planning and the Economic Functions of Ownership", Journal of the Chartered Auctioneers and Estate Agents Institute, No. 29, 1949, p. 293.

¹³⁰ N. Lichfield, Cost-Benefit Analysis in Urban Renewal, p. 5.

When the redevelopment process is based on public initiative simply because blight exists there, it does not necessarily follow the regular market trend. The enterprise compounds the motives of profit with decisions as to what is best in the broad general interest. The City of San Francisco, which will be referred to often in this chapter, appointed a Redevelopment Agency to assume the responsibility of clearing project areas and preparing land for improvements. The developing and construction phases are undertaken by other public agencies and private entrepreneurs.

The agency acquires the property by condemnation or regular purchase. Some land is left in private ownership, if the owner is able to redevelop in accordance with the Plan. The Agency helps with relocation of residents, demolishes, administers the implementation of the Plan and provides utilities. Upon completion of their share of the project, the Agency sells the site to public or private developers, including the city, subject to restrictions of re-use.

Since this modernizing process can rarely be implemented without financial loss, federal stimulants are provided, as detailed in a previous chapter. These federal grants amount to two-thirds or three-quarters of the net project cost, depending on whether the city uses federal advances or its own funds for preliminary planning. Net



project cost is the difference between gross project cost and income realized from land sales and temporary renting. Gross project cost includes the cost of public works, on or off the site, which are of a direct benefit to the project area.¹³¹

RENT

In the actual example to be studied in this paper, the benefits from services provided by buildings and sites to occupants and other users are measured by their net rental value in the market. This assumes that the differential quality of the services provided, such as their local environment, location, accessibility, size, outlook and appearance, bears a close relation to their differential net rental value. While this assumption is of general validity, differences in economic rent can only provide a crude index to this whole range of services.¹³² Differences are too subtle to be reflected in current appraisal techniques.

Forecasts as to services are difficult at the stage where the nature of buildings is not yet selected. They are possible only through the projection of the findings of a synthesis of ex-post studies, such as in the forecast for

¹³¹ Ibid., p. 6.

¹³² Ibid., p. 7.

future locations for a Federal Employment Center in the Washington, D.C. area. Input-output studies may also be used. They enable forecasts to be made of changes in spatial arrangements of economic activities within communities as a result of specified investment.

GEARY STREET

An excellent subject for analysis of whether or not benefits would merit costs is the Geary Street Project of the Western Addition, San Francisco. The area is an inner residential district of the city and has sufficient identity to be recognized as one of the city's twelve residential community units. The area has a population of 86,000 living in 280 blocks, or an area of approximately $2\frac{1}{4}$ square miles.¹³³

The area was developed around 1870 into a high quality residential area, but was invaded by displaced people from adjoining areas which were destroyed by the 1906 earthquake and fire. Many business enterprises were also relocated here and two of the main streets became the center of city shopping activities. In a short time, with the rebuilding of damaged areas, the business interests moved out.

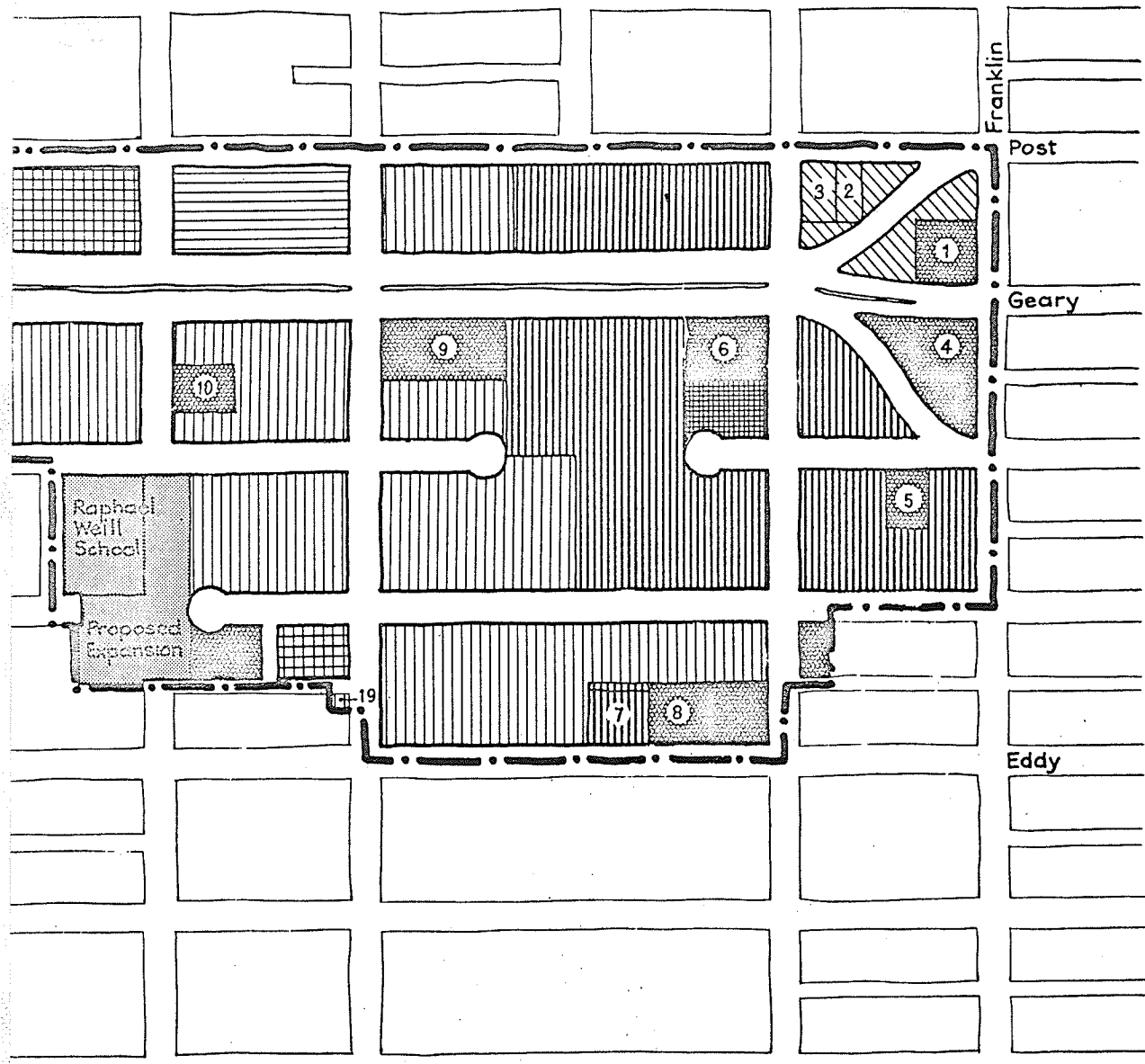
This marked the beginning of a permanent decline. Older residents moved out and successive waves of immigrants,

¹³³ Ibid., p. 34.

including Germans, Russians, Japanese and Negroes, entered. In 1950 the area was designated as blighted. Within this area the Redevelopment Agency, in conjunction with the Department of City Planning, selected both sides of Geary Street for the first redevelopment project in the city.

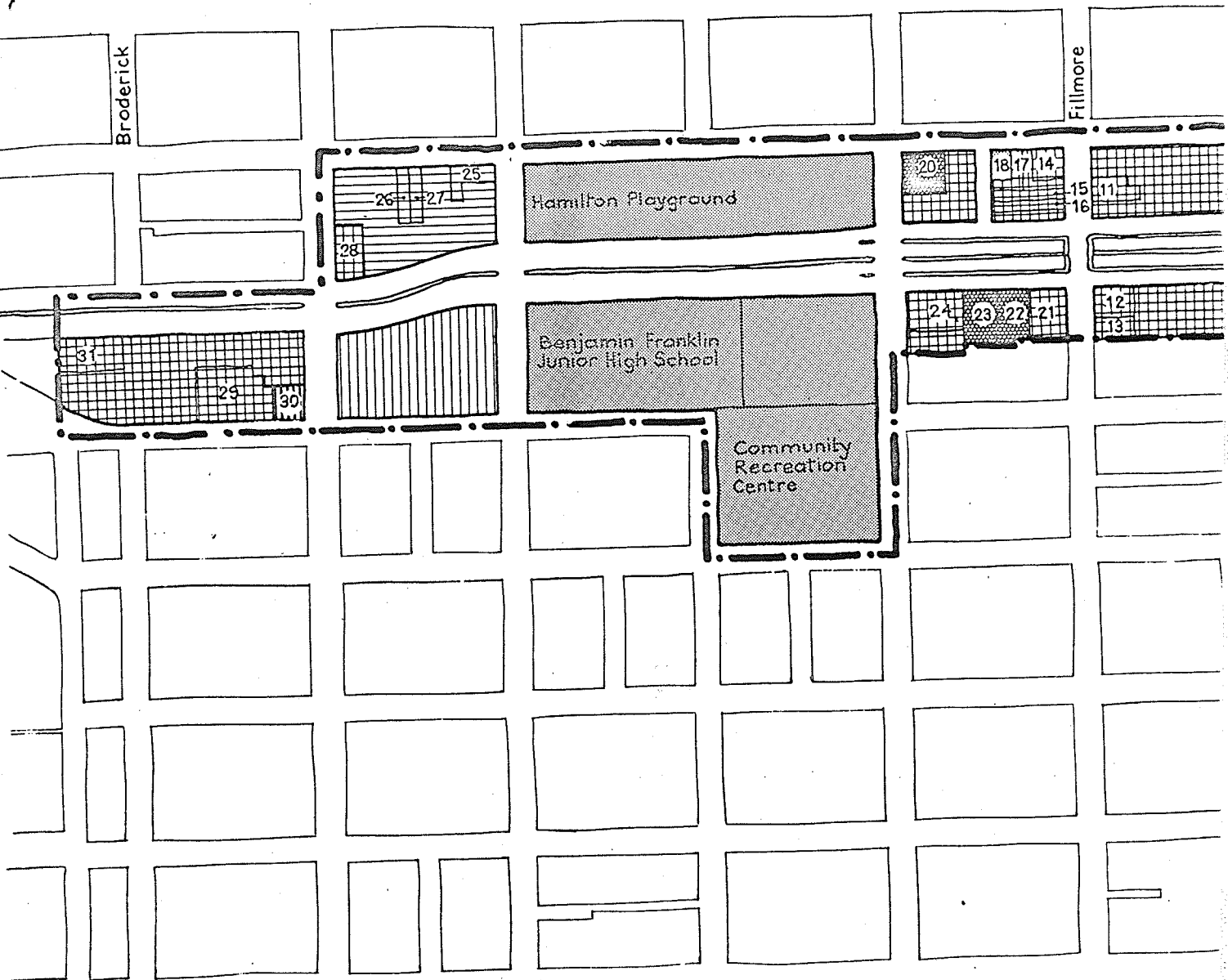
Obsolescence and excessive conversion of dwellings had resulted in structural deficiencies serious enough to render many unsafe. Most housing was overcrowded and sub-standard. Land coverage was excessive and private outdoor recreation space nonexistent. Commercial and industrial establishments interfered with residential amenities and many people lived in nonresidential buildings. All streets carried heavy through traffic. The area was deficient in schools and parks.

The San Francisco Board of Supervisors adopted a redevelopment plan for the project area in 1956. In adherence to the city master plan, the area was allocated primarily for residential use. Geary Street was to be widened to the standard of expressway and another major street was to be widened to the standard of major thoroughfare. The major intersection was redesigned for a separation of grades. Streets were closed to provide bigger blocks. Sound existing buildings would be retained. One school was to be expanded, another converted. A playground and community recreation center were to be provided.












used land use
STERN ADDITION : SAN FRANCISCO FIGURE 4
 ECT A-1

EASTERN HALF



USES

-  Residential - medium density (70-180 persons/acre)
-  Residential - high density (190-250 persons/acre)
-  Institutional
-  Public - as noted
-  General commercial
-  Community shopping
-  Neighborhood shopping
-  Office and professional
-  Project boundary

BUILDINGS TO BE RETAINED

- | | |
|--|--------------------------------|
| 1 Hamilton Square baptist church | 17 store |
| 2 studio building | 18 post office building |
| 3 garage (De Soto cabs) | 19 apartment building |
| 4 unitarian church | 20 Jones methodist church |
| 5 St. Mark's Lutheran church | 21 stores and offices |
| 6 St. Vincent's High School | 22 Congregation Beth Israel |
| 7 apartment buildings | 23 Masonic temple |
| 8 Cathedral Pres. School | 24 Safeway store |
| 9 Salvation Army Officer's training centre | 25 Post-Scott medical building |
| 10 Buchanan Street 'Y' | 26 Mt. Zion psychiatric clinic |
| 11 store | 27 medical offices |
| 12 bank and hotel | 28 stores (apartments above) |
| 13 store | 29 sanitary laundry |
| 14 store | 30 apartment building |
| 15 store | 31 used car lot |

Commercial uses were to be grouped in appropriate locations. Residential blocks were to be developed for medium and high-density dwellings at 70 to 180 and 190 to 250 persons per acre respectively. Industries were to be excluded.¹³⁴

THE PROBLEM

In 1956 the Board of Supervisors considered whether or not to adopt the Redevelopment Plan. Assume that the year is now 1956 so that the procedure may be detailed in the present tense. The board agrees that blight must be overcome by public initiative but they have doubts about the Redevelopment Plan. The general arguments in favor of the plan (e.g., because up-to-date conditions would replace blight, net benefits would flow)¹³⁵ give no assurance that benefits would justify the heavy expenditure. They request a forecast be made of the costs and benefits to all concerned if the area is redeveloped in accordance with the plan rather than left undeveloped.

THE ANALYSIS

The City would carry out public improvements at a cost of \$9,800,560, of which \$2,662,000 would be of direct

¹³⁴ M. Scott, Western Addition District Redevelopment Study, pp.1-12.

¹³⁵ N. Lichfield, op. cit., p. 35.

and substantial benefit to the project. (See Tables 1 and 2)¹³⁶ In making comparisons, conditions without redevelopment are considered as they exist, not as they might possibly become if the project were discarded. The Board is concerned primarily with the merits of a public housing project, not with a forecast of commercial development.

They are concerned only with a minimum level of achievement. If the analysis shows the scheme to be below the minimum level, the Board will seek alternatives. This example of analysis for the sake of brevity, and because all information is not available, does not discuss the relative welfare of former occupants who do not return to the project or the previous conditions of the new occupants. The analysis is therefore only partial.

ITEMS 1 and 2 - THE AGENCY

The Redevelopment Agency will have outlays and returns shown in Table 1, which balance each other when the benefit of the federal grant in Table 2 is added. The balancing totals are transferred to Table A. Since the Agency performs a transitional operation in redevelopment, the costs and benefits from its operations are absorbed by other development agencies and consumers so they are considered in relation to other items.¹³⁷

¹³⁶ Ibid., pp.36-37.

¹³⁷ Ibid., p. 38.

Table 1

Outlays and Returns to Redevelopment Agency
for Geary Street Project

Redevelopment Agency Expenditure		\$16,088,000
Less Income from Temporary Renting of Property		<u>150,000</u>
<u>Redevelopment Agency Project Cost</u>		15,938,000
Less Sales of Land:		
Private Residential and Com- mercial Developers	\$5,977,300	
Private Institutions	220,000	
City and School District for Road Widening, Schools, and Open Space	<u>3,812,500</u>	<u>10,010,000</u>
<u>Redevelopment Agency Net Loss</u>		\$ 5,928,000

All Charts in this Chapter
are reproduced from: N. Lichfield,
Cost-Benefit Analysis in Urban Redevelopment.

Table 2

 Distribution Net Project Cost for Geary Street Project

Redevelopment Agency Expenditure	\$16,088,000
Cost to City and School District which is of "Direct and Substantial Benefit" to Project Area	<u>2,662,000</u>
Gross Project Cost	18,750,000
Redevelopment Agency Land Sales	<u>10,160,000</u>
Net Project Cost	8,590,000
Distribution of Net Project Cost:	
Federal Grant	5,928,000
Matching Local Non-Cash Grants- in-Aid	<u>2,662,000</u>
Relocation Payments Paid in Full by Federal Government	<u>100,000</u>

STUDY NO. 3: WESTERN ADDITION

Notes to Table A

1. The entries show differences between current conditions and those shown in the Redevelopment Plan.
2. All figures are in \$000.
3. "C" is a capital (once for all) item; "A" is an annual (continuing) item.
4. "M" or "m" shows an item which is measurable in money but has not been measured, capital or annual respectively. In each item different numbers (M_1 , M_2 , etc.) indicate different figures.
5. "P" or "p" shows in the same way an item which is measurable in physical terms.
6. "I" or "i" shows an intangible (nonmeasurable) item, capital or annual respectively. The numbering (i_1 , i_2) as for "M" items.
7. The entries which are underlined are negative.
8. The reduction shows the annual net benefits and costs under each item other than capital investment. For method, see Chapter II.

(See table on other side.)

ITEM 3 - CITY SERVICES

The various services are listed in the following table, including some which may have been provided without a redevelopment project. The playground improvement and conversion of the school fall into this category. These are included because the project as a whole is being tested. All services are included, not only those which meet the test of "direct and substantial benefit to the project area", because indirect as well as direct costs and benefits are relevant. This is fortunate, as it avoids troublesome allocation.

Some existing city assets are affected, including part of a playground to be taken for the Geary Street widening. The fire house will be sold to the Agency for resale for private use, a transaction showing both cost and benefit to the Agency and benefit to the city. Where these city assets have not been completely amortized, the outstanding debt service is included in city operating expenditure.

(Item 17 in Table A)

ITEM 4 - CITY USERS

All the improved facilities will result in enhanced amenities for on-site and off-site occupiers, but at higher rents and taxes. These are reflected elsewhere, in items

Note. All figures are in \$ 000

Item No.	PRODUCERS	Benefit		Cost		Remarks	Item No.	CONSUMERS	Benefit		Cost		Remarks
		C	A	C	A				C	A	C	A	
1	Redevelopment Agency — costs and receipts	16,088	.	16,088	.		2	Redevelopment Agency					
	Reduction	.	.	.	.				
3	City Services						4	City Users					
(1.2.6.10)	Traffic routes — Geary & Webster, traffic signals, lighting			5-499			(1-16)	On site & off site residents — general amenity	E		E		12.14.
(3.4.5)	Street improvements — O'Farrell, Eddy & Ellis			128			(1.2)	Motorists — saving in time and operating costs	m ₁		E		16.18.
(8.9.11)	Utilities — water and sewers			705			(6.10)	Motorists and pedestrians — saving in accidents	m ₂		E		18
(12.13)	Schools — Benjamin Franklin and Raphael Wein			1-476			(12.13)	Schoolchildren — improved educational facilities	p ₁		E		18
(14.15)	Hamilton Recreation Center and Hayward Playground			1-788			(14.15)	On site & off site residents — improved recreation facilities	p ₂		E		18
(7.16)	Fire Boxes and Fire House	26		264			(7.16)	Fire Service — improved efficiency	p ₃		E		18
	Police Boxes			14				Police Service — improved efficiency	p ₄		E		18
	Write off of scrapped installations			E		17							
	Reduction					371							
5	City Redevelopment						6	San Francisco citizens and visitors					
	Local grants in aid			E		3		Removal of blight	i ₁				
7	Federal Government						8	Nation as whole					
	Grants to redevelopment	5-928		5-928				Removal of blight	i ₂	5928			
	Reduction	.	.	.	.			Reduction	i ₂	178			
9	Displaced on site owners						10	Displaced on site occupiers					
(a)	Residential	.	.	.	.		(a)	Residential — occupation relocation	M ₄	i ₃	M ₄	m ₃	N/c
(b)	Commercial and light industry	.	.	.	.		(b)	Commercial and light industry — operators — occupation relocation	M ₆	i ₄	M ₇	m ₅	N/c
								employees — occupation relocation		i ₅		m ₈	N/c
(c)	Institutional (churches)	.	.	.	.		(c)	Institutional — churchgoers relocation	M ₁₁	i ₆	M ₉	m ₁₀	N/c
(d)	Public (firehouses and playground)	E		E		3	(d)	Public — fire service and on site & off site residents		E		E	4.18
(e)	Unimproved	.	.	.	.		(f)	Unimproved		E		E	14
	Reduction	.	.	.	.				

TABLE 'A' WESTERN ADDITION, CONTINUED

\$ 000

Item No.	PRODUCERS	Benefit		Cost		Remarks	Item No.	CONSUMERS	Benefit		Cost		Remarks
		C	A	C	A				C	A	C	A	
17a	<u>City Summary</u>						18	<u>City Taxpayers</u>					
3	City services reduction				371								
5	City redevelopment reduction		461 + m ₃₇		37 + m ₃₅								
17	City operation reduction		+ m ₃₈		+ m ₃₆								
	Reduction		(27 + m ₃₇										
	Adjustment		+ m ₃₆ - m ₃₅										
	Final Reduction		+ m ₃₆										
			m ₃₉										
19	<u>Fixed Capital Investment</u>												
(item 1) (a)	Redevelopment Agency — demolition			9,074									
	new work			1,790									
(item 3) (b)	City and School District — new work			5,988									
(item 13) (c)	Development Agencies — new work			24,000									
(item 11) (d)	Remaining on site owners — new work			M									
	Total			40,852									
				+ M									

12, 14, 16, 18 of Table A. The costs of these facilities fall on city taxes and are reflected in Item 18.

ITEM 4a - TRAFFIC

New traffic routes, with expected re-distribution of traffic, are shown in Table 3. A considerable amount of traffic will be taken off minor streets. One benefit will be that motorists passing through will save time and vehicle operating costs. Another benefit is that traffic will be channeled onto feeder routes for greater pedestrian safety. Both are shown on Table A as "M" items, for they are susceptible of forecast and measurements are in money terms.

ITEM 4b - PHYSICAL BENEFITS

Municipal services whose benefits are measurable in physical but not money terms are denoted by a "p". Benefits will accrue to people within or outside the project area from schools, the Hamilton Recreation Center and Hayward Playground. Police and fire protection will be more effective.

The city grants-in-aid equal their liability for contribution to net project cost. The city has no need to make a cash grant, therefore, and its contribution is covered in item 3. An intangible but important benefit of this removal of blight will be the general enhancement of the lives of the citizens of San Francisco and the pleasure of visitors.

Table 3
Traffic Flows Before and After Redevelopment
—in Geary Street Project

	<u>Before</u>	<u>After</u>
East-West Streets		
Post	9,580	2,390
Geary	6,160	24,270
O'Farrell	7,110	-
Ellis	3,680	1,840
Sutter	6,650	4,980
Eddy	3,050	2,750
	36,230	36,230
North-South Streets:		
Franklin	16,000	16,000
Gough	9,000	9,660
Octavia	1,330	-
Laguna	4,530	6,670
Buchanan	2,940	-
Webster	4,840	6,320
Fillmore	10,230	10,230
Steiner	4,600	5,090
Pierce	970	-
Scott	3,120	3,600
Divisadero	15,980	18,030
Broderick	2,050	-
	75,590	75,590

- Notes:
1. The traffic flows are for 24-hours.
 2. E-W streets based on counts in 1957, and N-S streets on counts in 1959.
 3. It is estimated that by 1970 volume will have increased 10 percent over 1957-59.

Source: Division of Traffic Engineering, Department of Public Works, City and County of San Francisco.

ITEM 7 - GOVERNMENT

The Federal Government will have a capital outlay amounting to its capital grants which will be balanced by receipt from taxes.

ITEM 8 - NATION

The nation will have the intangible benefit of a reduction in blight. Its cost will be the capital grant.

ITEM 9 - DISPLACED OWNERS

Private owners, before redevelopment, have costs equal to the values of their properties and have benefits in net incomes - actual incomes if they are landlords or imputed if they are owner-occupiers.

Upon redevelopment, owners receive a capital benefit amounting to the value of their property, but suffer an annual cost amounting to the foregone income. Compensation for acquired real estate will equal fair market value, so these owners should be in the same asset position. Differences in income from their re-invested funds will be compensated for by differences in risk and security.

ITEM 10 - DISPLACED OCCUPIERS

Repercussions on occupiers of buildings to be demolished are more complex. Nine thousand, six hundred

people (a) are paying for the benefits of living in this slum. The benefits are a good location near downtown and liberal community facilities, with the possible exception of schools and neighborhoods based on family and ethnic group associations. Offsetting these benefits is the fact that the dwellings are of poor residential and environmental quality. It is difficult to forecast the conditions of those who move permanently from the site, either in terms of benefit or cost. They will have the costs of relocation and the benefit of relocation payments from the agency which should balance.

The employees and operators of commercial and industrial establishments (b) both have costs of the time spent in working and travel to work. Operators incur the operating expenses. Benefits are wages for labor and profits for entrepreneurial skill. After redevelopment, some will be re-established at the same location, some at different locations within the area and some will leave the area.

Employees and operators will both be involved in costs of disturbance, which means finding alternative occupations. Proprietors bear moving costs and possible loss of profit and business goodwill. Compensation is only made to the operators and is only partial. These effects are felt by a fairly small percentage of the total population because the area is primarily residential and benefits from the redevelopment will accrue to an even smaller number

in this category because the area will exclude industry and limit commercial enterprise.

Some churches (c) will be relocated. Before redevelopment, church-goers are paying operating costs for intangible benefits. Some costs of relocation will be met. Costs and benefits of firehouses and playgrounds (d) are considered in items 4 and 18 of Table A. The costs and benefits of unimproved land (e), to those who will move in after redevelopment, are merged with those in item 16.

ITEMS 11 and 12 - REMAINING OWNERS AND OCCUPIERS

Owners who retain but do not expand (a) their uses will have the benefit of increased value at no cost. Occupiers of the school and churches enjoy increased benefits at no cost. Employees and proprietors will have increased amenities for which proprietors will pay increased rents, neutralizing their position.

Owners who retain and expand (b) will have the cost of acquiring sites. The benefit will be the enhancement of site value, as described under (a) in the table plus intangible benefits which will be great as compared with increased operating costs. This applies mainly to churches.

Owners who demolish for rebuilding but do not expand (c) have a cost and benefit equal to the value of the property before redevelopment. After redevelopment, they

have the added costs of demolition and construction but they expect to make a profit. The churches will again have increased intangible benefits and storekeepers will have better facilities for which they pay additional rents, neutralizing their position.

Owners who demolish for rebuilding and expand also (d) will stand at a cost and benefit equal to value of existing premises before redevelopment. After, they will have additional costs of development but presumably will obtain a value higher than cost. Occupiers of the churches and schools will have increased benefits for additional operating costs; those for the school will be met out of the taxes in item 20.¹³⁸

ITEMS 13 and 14 - AGENCIES AND NEW OCCUPIERS

This heading includes agencies who buy land for building from the Redevelopment Agency and the new occupiers. Residential (a) and commercial (b) land is purchased by various agencies which incur the cost of buying land from the Redevelopment Agency. They have the benefit amounting to capital values and a cost equal to benefits insofar as the negotiated sale prices are at market value.

New residents and commercial users will pay costs for

¹³⁸ Ibid., p. 42.

the four categories in item 10. They will bear the costs of moving to the redeveloped area themselves. They pay costs for good location, improved community facilities, new social affiliations and high quality buildings. It can be assumed that their differences in benefits will exceed their differences in cost, or they would not come into the area.

Institutions (c) have acquisition and construction costs from which they presumably will receive equal benefit. Intangible benefits will be paid for through operating costs. Effects on the public (d) are listed in Table 3. The developers are included in item 3 and the consumers in items 4 and 18 of Table A.

ITEMS 15 and 16 -

EXISTING OFF-SITE PROPERTY OWNERS AND OCCUPIERS

There will be considerable good effect on owners' property values at no real cost. There are increases in value due to the replacement of blight, provision of new community facilities and increased accessibility to downtown afforded by the widening of Geary Street.¹³⁹ The changes in value can be separated into those based on current use and those on development values. The former are likely to rise at no real cost and the latter will have rises compensated

¹³⁹ Ibid., p. 43.



by falls elsewhere. All these changes are measurable, although appraisal is complex. The table marks affected items with (M).

Occupiers' amenities will be influenced in the same way as owners', but will be eventually balanced by rent changes. There will be a heavy saving to off-site owners and occupiers through a reduction in fire insurance premiums throughout the city because of the fire hazard reduction in the area. This is in accordance with insurance Key rates as discussed in Chapter 1.

ITEM 17 - CITY OPERATING COSTS AND REVENUE

Welfare expenditure will be lowered only in those cases where relocation is to modern housing with its environmental improvement.¹⁴⁰ In this San Francisco case, however, welfare costs will not change appreciably and no difference is shown in the table. There will be a drastic drop in fire service expenditures to the city. There will be a rise in operating costs due to additional municipal facilities but a reduction due to replacing of outmoded facilities. There is a measurable net effect. Finally, there is an overhead of administration costs which remain about the same. The only off-site difference in operating

¹⁴⁰ Ibid., p. 44.

costs is a reduction in fire services to nearby property.

Turning now to revenue, the taxes from the property to be demolished will be replaced by higher taxes from the new property. Information on taxes collected from the project area is obtained from appraisers' reports on property to be acquired. New taxes are estimated by taking an assessed value of 33 per cent of capital values of new development, at the 1957 rate of \$7 per \$100 in this particular case. For the reasons discussed under items 13 and 15, it is likely that there will be an increase in taxes from nearby properties and those left in private ownership in the project area. This is shown in Table A.¹⁴¹

ITEM 17a - THE CITY SUMMARY

This shows the city's net position by adding the reductions in items 3, 5 and 17. The many (M) items make it impossible to strike an arithmetical balance. The situation indicates that the city will show a net tax benefit because there is a decided tax revenue increase and a small drop in operating costs. The debt service on the large new municipal works expenditure would not completely offset this gain.

¹⁴¹ Ibid., p. 45.

Table 4

Analysis of Redevelopment Agency Project Cost
in Geary Street Project

Transfer Payment		
-acquisition cost of land in project		\$ 5,074,000
Demolition of Assets		
-acquisition cost of buildings in project which are to be cleared		9,074,000
Creation of Assets		
-technical and administrative expenses	\$710,000	
-interest on loan less income from temporary renting	720,000	
-clearance, demolition and site improvements	<u>360,000</u>	<u>1,790,000</u>
Agency Project Cost		\$15,938,000

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ITEM 18 - THE CITY TAXPAYER

This net benefit would be passed on to the taxpayer.

ITEM 19 - FIXED CAPITAL INVESTMENT

Table A shows that assets worth \$9,074,000 will be destroyed while assets worth at least \$31,808,000 are being created, involving a total call of at least \$41,000,000 on real investment resources.

The Redevelopment Agency's project cost of \$15,938,000 (a), as determined in Table 1, is broken down in Table 4. It is referred to in item 1 also. The total costs of public improvements, specifically the City and School District (b), also listed in item 3, is \$9,800,560. From this the cost of land bought from the Redevelopment Agency (\$3,812,500 - see Table 1) is deducted. The new fixed capital amounts to the difference of \$5,988,000.

The Development Agencies (c), also referred to in item 13, incur an estimated cost of building to be erected. The remaining on-site owners (d) will carry out demolition and new construction work on property they retain or buy from the Redevelopment Agency. This amount is uncertain and is shown by (M).¹⁴²

¹⁴² Ibid., p. 46.

SUMMATION

Table B summarizes and simplifies the information in Table A, giving the difference in costs and benefits that would arise if the area were redeveloped instead of being left as is. Net annual costs and benefits are transferred directly from the reduction in Table A, keeping costs and benefits separate and then netted.¹⁴³ Most entries are in M, I, or P form and few are self-balancing, therefore it has been impossible to reduce materially all items for transfer to Table B. Since consumers of the same class appear in different items, they are grouped as far as possible, with groups being placed in the **order** shown for ease of reference. The link between producers and consumers is thus broken. There are eight producers and twelve quite different groups of consumers.

For producers, the costs and benefits balance each other for the items of Redevelopment Agency (1), Federal Government (7), displaced on-site owners (9), development agencies (13) and the City (19). The remaining on-site owners (11) and existing off-site owners (15) would have both benefits and costs with a net benefit. In total there is a clear benefit.

¹⁴³ Ibid., p. 47.

Consumers show a more complex picture. There would be a clear, measurable net benefit to motorists and pedestrians (a) and in fire service (b). There will be benefits to on-site and off-site school children (c) and recreation-seekers (d). Remaining on-site commercial and industrial employees (e) would have amenity, although this is unimportant in a project that clears slums primarily for housing. On-site church-goers (f) would have intangible benefits greater than measurable costs and all the citizens of San Francisco (g) obviously benefit by the removal of the slum and by the reduction in tax liability of at least \$47,000 per year.

The nation as a whole (h) has indirect benefit from blight removal but has a capital cost equal to \$178,000 per annum. Existing off-site occupiers (i) would enjoy intangible benefits equal to increased shelter cost. Relocation costs to commercial and industrial proprietors and employers (j) would not be fully compensated. Incoming residential occupiers (k) would benefit or otherwise they would not come.¹⁴⁴

Table A shows that \$9 million of fixed capital would be destroyed, and at least \$32 million spent on creating new real capital. The national taxpayers will be assessed for another \$6 million. With this analysis in hand, the

144 Loc. cit.

Note. All figures are in \$000

Item No.	PRODUCERS	Benefit	Cost	Net	Item No.	CONSUMERS	Benefit	Cost	Net
1	Redevelopment Agency	.	.	.	(a)	Motorists & pedestrians - time, operating costs, accidents	m ₁ m ₂	.	m ₁ - m ₂
7	Federal Government	.	.	.	(b)	Fire Service & Police Service - improved efficiency	p ₃ p ₄	.	p ₃ p ₄
9	Displaced on site owners	.	.	.	(c)	Schoolchildren, on a off site - improved education facilities	p ₁ p ₅ p ₆	.	p ₁ p ₅ p ₆
11	Remaining on site owners	m ₂ , 13, 14, 15, 17, 19, 21, 23.	m ₁₆ , 18, 20, 22, 24	B > C	(d)	New on site & existing on site residents - improved recreation	p ₂	.	p ₂
13	Development Agencies	.	.	.	(e)	Remaining on site commercial and industrial employees	i ₉	.	i ₉
15	Existing off site owners	m ₃₁ , 32	m ₃₃	B > C	(f)	Remaining on site churchgoers	i ₇ i ₁₀ i ₁₁ i ₁₄	m ₁₅ m ₁₇ m ₂₁	i > m
17a	City Summary	.	.	.	(g)	San Francisco citizens and visitors	i ₁	m ₃₉	i ₁ m ₃₉
19	Fixed Capital Investment	.	40,852 + M	.	(h)	San Francisco Taxpayers	.	.	.
		.	.	.	(i)	Nation as a whole	i ₂	178	i ₂ 178
		.	.	.	(j)	Existing off site occupiers	i ₁₉ m ₃₄	m ₃₁	B = C
		.	.	.	(k)	Displaced on site occupiers - comm. & ind. relocation occupation	m ₆	m ₇ m ₉	m ₇ m ₉ > m ₆
		.	.	.	(l)	New site occupiers - resid. commercial & institutional	i ₃ i ₄ i ₅ i ₆	m ₅ m ₈ m ₉ m ₁₀	N/c
		.	.	.	(m)	New site occupiers - resid. commercial & institutional	i ₁₅ i ₁₇ i ₁₈	m ₂₅ m ₂₆ m ₂₇ m ₂₈ m ₂₉ m ₃₀	i = m N/c

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STUDY NO. 3: WESTERN ADDITION

Notes to Table B

1. The benefits and costs shown are obtained by deducting the Table A reduced items in Scheme 3 from Scheme 2, keeping benefits and costs separate in the columns so headed. The net is then shown in the third column by deducting costs from benefits. A + benefit and - cost are +; and a - benefit and + cost are -.
2. Where M. and I items do not permit of arithmetical reduction in the net column, probabilities are forecast.
3. All quantities are in annual terms.
4. Figures are in \$000.

(See table on other side.)

decision makers will be better able to put a value on the intangible benefits to be derived .

In most such cases, because of the heavy federal subsidy, the city would decide to go ahead. If most of a project is devoted to low rental public housing, the incoming occupant will benefit more at the expense of the city, nation and others.

ECONOMIC VERSUS SOCIAL CRITERIA

The cost of achieving a specific combination of densities, patterns and social standards forms an important basis for guiding redevelopment. The most feasible plan, economically, might prove by analysis to be one of concentrated business, industry and high-density residence. A more dispersed pattern might be more desirable in terms of livability and amenities. One plan for a decentralized community might be much more expensive than the concentrated plan and another only slightly more costly. Reference to the probable future economic base of the community and the earning power of individuals would provide some basis for estimating to what extent more costly but more socially desirable urban patterns and densities could be afforded.

Estimates of future productivity and income in the United States indicate a much higher standard of living for

the future than is currently possible.¹⁴⁵ Canadian gross national productivity is increasing but the absolute economy appears only to be holding ground against welfare state measures. Future standards should be predicted because parts of cities built today will be with us for many years to come and they should represent standards of livability that will not be obsolete within two or three decades. If they are not to degenerate into the slums of the future, they must embody standards of livability that will attract and hold residents for many years in competition with newer developments. Investors in mortgages are aware of the lower long-term risk when high standards are achieved. Public officials and community leaders need to be particularly sensitive to the long-term implications of redevelopment from the larger economic as well as the social point of view.¹⁴⁶

¹⁴⁵ C. Woodbury, Urban Redevelopment Problems and Practices, p. 192, citing M. Perkins, "How Rich Can Your Children Be?", Harper's, July, 1949.

¹⁴⁶ Ibid., p. 193.

CHAPTER VI

INTANGIBLE EFFECTS AND CONCLUSIONS

Because slums require services costing more than they pay in revenues, it can be stated that a saving will result from their removal. But demolition alone simply compounds the problems of the slum dweller and usually spreads blight by crowding more people into a smaller supply of substandard housing. In order to have lasting effect, low-rent housing must be provided for those displaced. Low rent housing, often being unsound for private investment, is becoming more and more of a burden on the public. If public housing programs depended entirely on direct economic feasibility for their initiation, few would ever be undertaken. The major benefits of such programs are intangible, but they all result in eventual indirect cash savings to the public.

The intangible effects of the replacement of slums by public housing are in the form of improved stress level, health, satisfaction, density, social attitudes, aesthetic value and other phenomena which are discussed in this chapter, along with some disadvantages of public housing. Also discussed are the interdependency of public housing, welfare and discipline, and further evaluation of the relative importance of public and private housing.

EVIDENCE

There are three types of evidence of the effects of housing on attitudes and behavior. The most prevalent is personal observation. There is testimony by slum dwellers and by those who know them firsthand. Teachers know of children who are unable to study for lack of space and quiet, who are unable to bring friends home, who are unable even to stay home.¹⁴⁷ Social workers speak of poor sanitation, of doors without locks so that drunks wander in, of single rooms that serve as family dwellings.¹⁴⁸

A doctor describes a woman who visited him weekly for advice on relieving her headaches and on dealing with defective plumbing and with ratholes. When she could move, her migraine vanished with her maintenance problems.¹⁴⁹

These are convincing observations because they focus on the effect of extreme housing conditions.

Another of the types of evidence is the material developed in attempting to correlate the relationship between

¹⁴⁷ W. Jackson, "Housing and Pupil Growth and Development", The Journal of Educational Sociology, Vol. 28, No.9, May, 1955, pp.370-380, cited by A. Schorr, Slums and Social Insecurity, p. 141.

¹⁴⁸ A. Schorr, Slums and Social Insecurity, p. 141, citing an unknown author in "The Human Side of Urban Renewal", The Welfareer, October, 1960, pp.1-6.

¹⁴⁹ B. Berle, Eighty Puerto Rican Families in New York, cited by Schorr, op. cit.

housing and human behavior. Poor housing correlates to a high degree with rates of illness, death, insanity, alcoholism, illegitimacy, and other social problems as described in Chapter II.

Gunnar Myrdal writes,

"Any common sense evaluation will tell us that the causation, in part, goes from poor housing to bad moral, mental and physical health." 150

A long line of researchers have made similar statements. But the summary of Chapter II states that it is the people who create slums. This is evidenced in most cities where good neighborhoods suddenly deteriorate upon the invasions of newcomers.

Perhaps the researchers are only partly correct in their statements and perhaps the statement at the end of Chapter II should be qualified to make it clear that each slum dweller is not individually responsible for the blight. The mass of individuals living in an overcrowded state are responsible. Forces often beyond the control of the individual are responsible for the overcrowding. Human self-respect is reduced in these conditions.

Juvenile delinquency, however, is not always directly attributable to housing conditions. When such factors as percentage of non-whites and median educational level were

150 G. Myrdal, An American Dilemma, p. 1290.

neglected, there appeared to be no correlation, when referring to Baltimore census material.¹⁵¹ Researcher Benard Lander discovered that only two traits could stand up to all tests of correlation with juvenile delinquency: the racial heterogeneity of an area and the percentage of homes rented instead of owned.

The third type of evidence, then, compares the behavior and attitudes of people in different types of housing.¹⁵² Because of the public issues involved, the comparison is usually between substandard or crowded housing and adequate housing. Other types of comparison can also be made: established versus new neighborhoods,¹⁵³ planned versus unplanned neighborhoods,¹⁵⁴ racially homogeneous versus mixed housing,¹⁵⁵ and public versus private housing.

In spite of complicating sociological factors, most intangible and partly tangible costs of blight are clearly

¹⁵¹ Schorr, op. cit., pp. 142-143, citing B. Lander, Towards an Understanding of Juvenile Delinquency.

¹⁵² Loc. cit.

¹⁵³ Schorr, op. cit., p.143, citing J. Moge, "Changes in Family Life Experienced by English Workers Moving from Slums to Housing Estates", Marriage and Family Living, May, 1955, pp.123-138; and E. Frieden, "Social Differences and their Consequences for Housing the Aged", Journal of the A.I.P., May, 1960, pp.119-124.

¹⁵⁴ Loc. cit., citing L. Festinger, Social Pressures in Informal Groups, and W. Whyte, the Organization Man.

¹⁵⁵ Loc. cit., citing M. Deutsch, Interracial Housing and D. Wilner, Human Relations in Interracial Housing.

recognizable and a relationship between their magnitude and the degree of blight can be roughly established. Therefore, a degree of well-being and intangible benefit can be established and tied to the renewal of slum areas. A purely intangible reward of slum clearance is the enhancement of aesthetic value. Aesthetics were considered important in the lives of most ancient peoples. Recent studies prove that beauty is an essential quality and is "heavily dependent on physical elements."¹⁵⁶

The requirements of beauty are barely distinguishable from those of imageability - openness and variety, vistas and surprises, alterations and continuities.¹⁵⁷ Sir Geoffrey Vickers, in The Undirected Society, wrote,

"However many man's possibilities, he can choose only one at a time. He can spend time, money, life only once. Industrialization does not invalidate this ancient truth; it merely buries it. We are unearthing it at tremendous cost.

. . . Among the new choices which have been posed one concerns the importance of beauty. We are forced to ask ourselves - 'Is beauty necessary to you? If so, what will you sacrifice in order to have it?' The response . . . has been . . . to raise the aesthetic standards of building control and even to narrow by a little the gulf which still separates the architect from the engineer." ¹⁵⁸

¹⁵⁶ Ibid., p.147, citing R. Wilson, "Livability of the City: Attitudes and Urban Development", Urban Growth Dynamics, pp.35-39.

¹⁵⁷ Loc. cit.

¹⁵⁸ Loc. cit., citing G. Vickers, The Undirected Society, pp.17-21.

STRESS

Housing may affect behavior by contributing to or dissipating stress. Consideration of stress has two advantages over attempts to relate housing inadequacies directly to behavior. For example: noise results in irritability. It accounts for differences in reaction between individuals of the same general background. In other words, it introduces the idea that some people have more effective adjustment mechanisms than others. Second, it accounts for the effect of certain factors which would not otherwise appear to be relevant. For example: the relation of filth to migraine headaches.¹⁵⁹

Almost any housing quality that affects individuals may be interpreted as stressful. Crowding, dilapidation, cockroaches and high noise levels all have been isolated as creators of stress in individuals.¹⁶⁰ Research suggests that certain bad environments cause stresses that lead to distinguishable personality changes.¹⁶¹

¹⁵⁹ Ibid., p. 12.

¹⁶⁰ Ibid., p. 13, citing A. Davis, "Motivation of the underprivileged Worker", Industry and Society, and Berle, op. cit., and L. Mumford, The City in History, p. 473.

¹⁶¹ P. Lemkan, Mental Hygiene in Public Health, p.381.

One expert on the effects of environment refers the mental strain arising from constantly having to "get along" with other people.

". . . In the strain of having constantly to adapt to others there is a continuous challenge to the integrity of (the child's defenses) and the child gives to us beautifully the irritable, restless, insecure picture which proclaims this ever-present threat. Often adults feel the strain of having to adjust to others if they are persistently in a group for a period of time. We see children who have never known any other situation."¹⁶²

HEALTH

Health services are measurable in money but illness and human suffering are intangible. There is a clear link between poor housing and poor health. Conditions in some modern slums approach those of the worst periods of the industrial revolution. Acute respiratory infections such as colds, bronchitis and grippe show little reflection in actual cost and are therefore intangible effects. Incidence is directly related to multiple use of toilet and water facilities, inadequate heating or ventilation and crowded sleeping arrangements.

Certain infectious diseases of childhood such as measles, chickenpox and whooping cough are related to similar

¹⁶² J. Plant, "Some Psychiatric Aspects of Crowded Living Conditions", American Journal of Psychiatry, March, 1930, p. 853.

causal factors. Minor digestive diseases, enteritis, typhoid, dysentery and diarrhea are related to poor food storage facilities and inadequate washing and toilet facilities. Minor injuries resulting from inadequate kitchens, poor electrical connections and poorly lighted and unstable stairs are prevalent in slums.

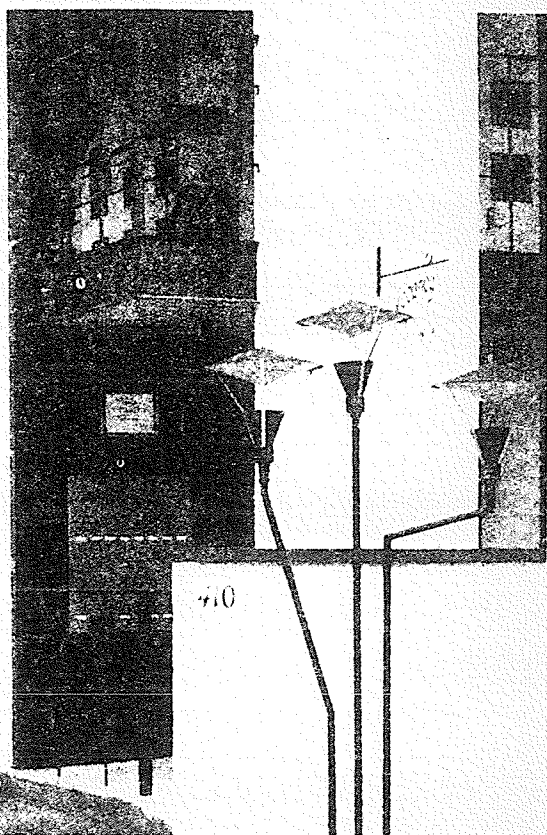
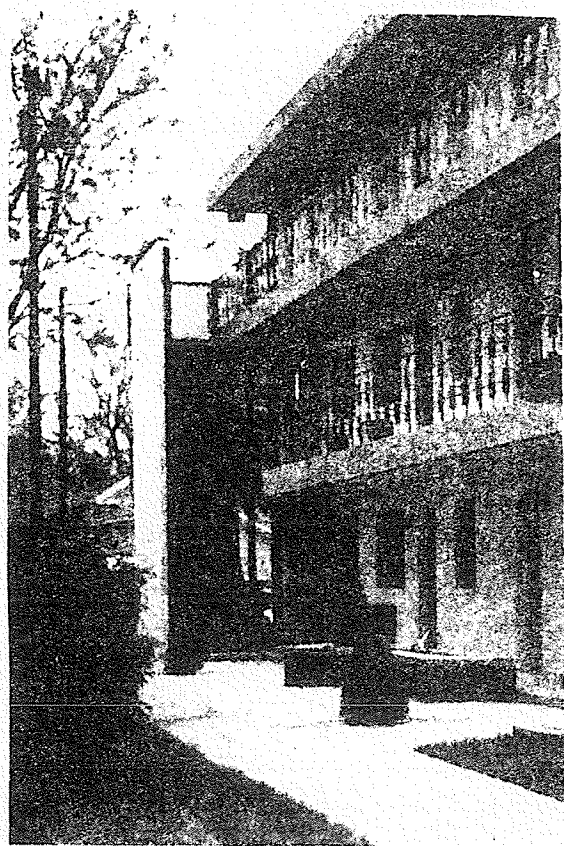
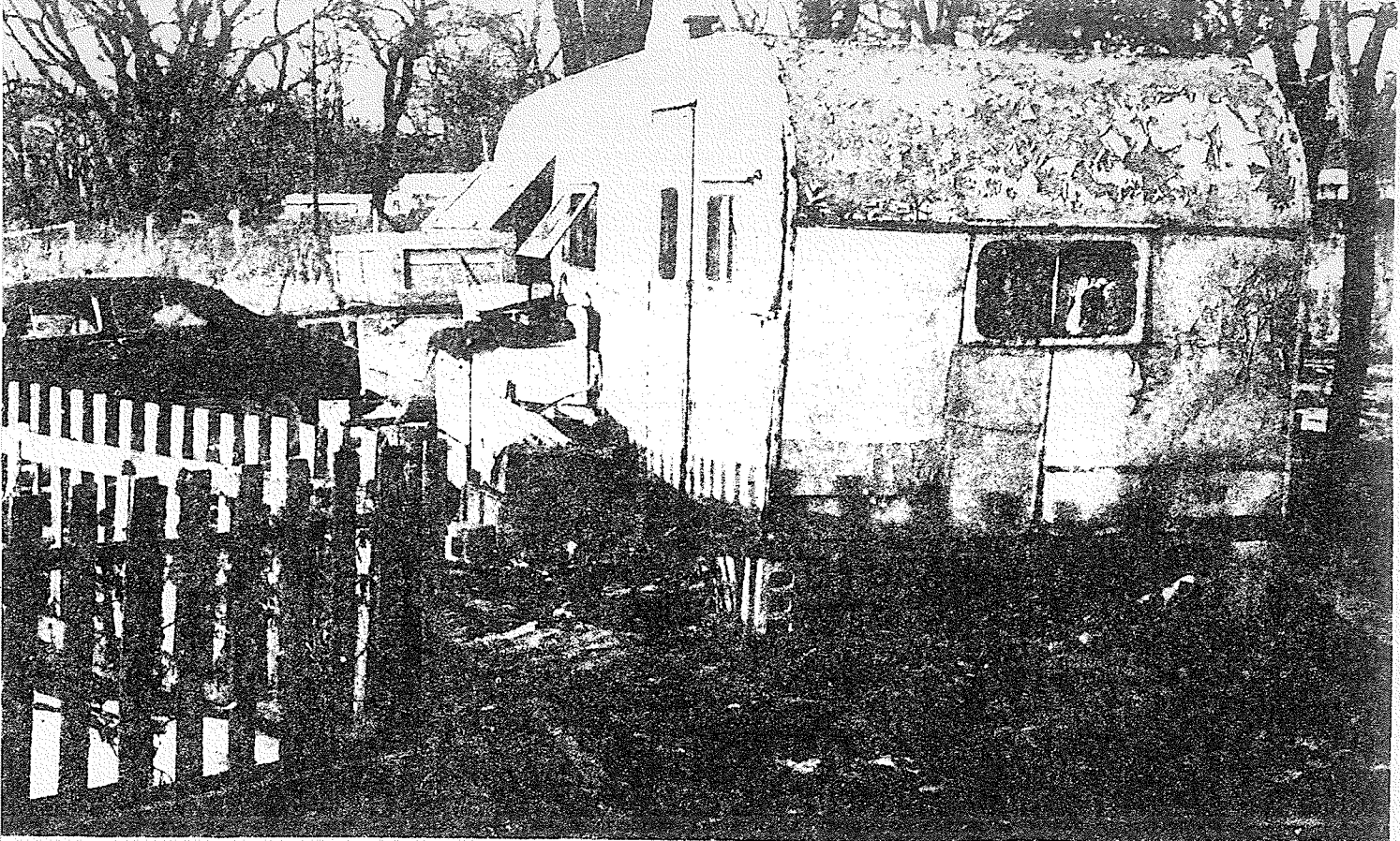
More serious conditions common to the slum are skin diseases, lead poisoning in children from eating scaling paint, pneumonia and tuberculosis.¹⁶³ Controlled studies confirm that improved housing reduces the incidence of illness and death.¹⁶⁴

SATISFACTION

Satisfaction may be defined as the absence of a complaint. A very important intangible benefit of slum clearance is that people are more apt to be satisfied with their new surroundings. Satisfaction is positively related to the following housing characteristics: a set of beliefs about one's house, as distinguished from its physical

¹⁶³ D. Wilner, "How Does the Quality of Housing Affect Health and Family Adjustment", American Journal of Public Health, June, 1956, cited by A. Schorr, Slums and Social Insecurity, p. 15.

¹⁶⁴ D. Wilner, "The Effects of Housing on Health, Social Adjustment and School Performance", a paper cited by A. Schorr, loc. cit.



properties; the market value of the house; ownership as opposed to rental; one's neighbors or one's view of them; close friendship or kinship ties in the neighborhood; space per person; the number of rooms per family; the availability of space for separate uses; the possession of a kitchen or bathroom of one's own; and the absence of vermin and other deficiencies.

Correlated findings of this nature are confirmed by studies that follow families from poor to improved housing.¹⁶⁵ An evaluation of different studies turns up some paradoxical findings. Satisfaction is relative and there is probably a large class difference in the standards of privacy and other features that satisfy.

SPACE

Crowding is a specific reason for dissatisfaction but deserves separate comment. The need for more space is the dominant reason that families, when they can afford it, change one house or apartment for another.¹⁶⁶ Crowding appears to be the major housing characteristic that

¹⁶⁵ A. Schorr, Slums and Social Insecurity, p. 15.

¹⁶⁶ P. Rossi, Why Families Move, cited by A. Schorr, Ibid., p. 17.

influences health.¹⁶⁷ The American Public Health Association some years ago established space requirements by number of square feet - four hundred for one person, seven hundred and fifty for two, one thousand for three, and so on.¹⁶⁸ An easier standard is the number of people per room.

One person per room or less is adequate. One bedroom for two people or two bedrooms for three or four people is adequate. Combining the two standards into a more complicated formula, a requirement of 554 square feet is arrived at for three people with two bedrooms.¹⁶⁹ "Use crowding" describes the situation in which a room designated for one function (living room) is also used for a different function (bedroom).¹⁷⁰ This is the kind of housing deficiency that causes great loss of intangible well-being.

Aside from stress, there are other psychological consequences of crowding, according to psychiatric researcher James S. Plant. There is a challenge to the sense of individuality. Children are forced to withdraw within

¹⁶⁷ M. Pond, "The Influence of Housing on Health", Marriage and Family Living, May, 1957, p.155.

¹⁶⁸ Public Administration Service bulletin, Planning the Home for Occupancy.

¹⁶⁹ Schorr, op. cit., p.17, citing International Union of Family Organizations, Minimum Habitable Surfaces.

¹⁷⁰ Expert Committee on the Public Health Aspects of Housing, the Relationship of Housing to Mental Health, p.1.

themselves. Illusions about others vanish with unavoidable contact with adult weakness and greed. Crowding makes "the physical aspect of the sexual life primary instead of realizing it as largely the symbol of idiomatic personal relationships."¹⁷¹

Crowding seriously affects rest. A study of working-class Negroes in Chicago in 1945 revealed that most of them slept less than five hours a night simply because of a lack of space for beds.¹⁷²

ATTITUDES

There can be a dramatic change in attitudes, values and behavior of residents who are relocated in public housing or whose blighted neighborhoods are rehabilitated. Examples in Baltimore, New Orleans, Miami and Chicago prove that residents will take an interest in clean-up of their neighborhood once their inertia is overcome by a stimulus in the form of a renewal of the worst blight. One block of slum clearance and renewal by public subscription can result in an influx of private investment to a neighborhood, as well as voluntary rehabilitation. A bit of impetus from an

¹⁷¹ Plant, op. cit., pp.850-854.

¹⁷² A. Davis, "Motivation of the Underprivileged Worker", Industry and Society, cited by Schorr, op.cit., p.22.

outside source often generates the spark of pride necessary to put life back into a neighborhood.

Improvements in attitude by new residents of public housing include more neighborly visiting and social gatherings. In Baltimore projects, former bad feeling by tenants toward landlords has been eliminated. Tenants started respecting sanitation laws and inspectors became friends, rather than feared authoritarian symbols.¹⁷³ Public housing raises the horizons of living for some families so much that they move into better private housing eventually, regarding the public housing as interim accommodation.

EDUCATION

Careful educational case work in conjunction with relocation or rehabilitation work teaches individuals to deal with problems more adequately. Chicago's Back of the Yards Projects include a credit union which appears to be effective in changing attitudes of how to spend money.

Children in Baltimore's Pilot Area and Miami's Carver School were taught good housekeeping principles. Children sometimes had to shame their parents to get them to refrain from flushing garbage down their new toilets in a Miami project. Whenever children learned about sanitation,

¹⁷³ Colean, M., The Human Side of Urban Renewal, p.224.

cleanliness, neatness and home decoration, there seemed to be a good chance that these new standards would remain with them wherever they live.¹⁷⁴

PUBLIC HOUSING AND WELFARE

There have been definite gains in housing poor families as a result of public housing in the United States. The number of substandard units has declined steadily in the past two decades, though total housing inventory has increased over fifty per cent. In spite of this feat, thirty-two million Americans still live in crowded or substandard housing.¹⁷⁵

As in its Canadian counterpart, United States public housing tends to exclude those with the lowest incomes. Less than a quarter of the United States working population earns under \$4,000 a year (compare with Canadian statistics in Chapter I, section on income), but 5.8 per cent of America's families earn less than \$1,500 per year. These extremely needy are excluded from public housing to the extent that they make up only 11.7 per cent of the total families entering public housing.¹⁷⁶ Perhaps these

¹⁷⁴ Ibid., p.225.

¹⁷⁵ Ibid., p.108.

¹⁷⁶ Ibid., p.114, citing U.S. Department of Commerce, "Income of Families and Persons in the United States: 1960", Current Population Reports, table 5, and Housing and Home Finance Agency, Families Moving Into Low Rent Housing, table 6.

percentages will improve.

One great potential of public housing that is often neglected or criticized is coercion of the inhabitants to conform to minimum social standards. Some housing authorities impose fines or eviction for unsocial acts and destruction of property. Fines are levied for leaving windows wide open in winter or for plugging drains through lack of care and wanton destruction of property. Some authorities believe this to be the only method of teaching minimum understanding of the responsibilities of housing.

Eviction can be the penalty for illegitimate pregnancy and immorality. Many tenants consider this to be decent housing at the expense of their liberty. Evidently there is a new concept afoot; that one of the human rights is the right to behave in an antisocial manner. Tenants must leave public housing when their incomes exceed a permissible maximum. This may have some incentive stifling effect and also has some effect of forcing those families with a bit of ambition and success to leave, taking with them their good influence on other tenants.

This latter disadvantage is minor because public housing tenants' incomes (in constant dollars) has remained level in the past decade.¹⁷⁷ The penalty system remains a

¹⁷⁷ Housing and Home Finance Agency, Families in Low-Rent Housing Projects - Families Re-examined During Calendar Year 1960 for Continued Occupancy, cited by A. Schorr, Ibid., p.112.

splendid way to impress primitive tenants with the importance of decent living habits and consideration for others when all other training methods fail. Authorities are moving slowly and with reluctance toward rehabilitative programs. Under present circumstances, the families who are entering public housing make such a course inevitable. When they are not served with rehabilitation, buildings deteriorate and delinquencies occur.

At one extreme, a rehabilitative program suggests therapeutic housing communities, planned to protect and teach families. Tried in a number of European countries, these suggest regimentation.¹⁷⁸ The Joint Committee on Housing and Welfare found, in 1961, that,

"Public housing management is not equipped either by training, personnel, structure, or financing to assume full responsibility and direction of the social aspects of the program - nor would it be desirable to supplant the traditional reliance of management on public and voluntary organizations sustained by citizen support"179

When they are asked, the majority of public housing residents say that they like it. They appreciate its conveniences and their morale is much better than it was in substandard housing. Of course, those who are opposed to

¹⁷⁸ Ibid., p.116.

¹⁷⁹ Joint Committee on Housing and Welfare, Community Services and Public Housing: Seven Recommendations for Local Housing Authority Action, p. 3.

public housing either refrain from entering it or leave shortly after entering, so their opinion is not polled.

Public housing is, therefore, satisfying, or at least acceptable, to poor families. It offers children better advantages than did the usual slum. The price paid for these advantages is a somewhat sterile and protected atmosphere. Public housing may not suit all families, no matter how nice it is, because it is closely managed. The objectives of the community must be defined if public housing is to be limited to serve a specific classification of people. The alternatives are: housing for the respectable poor, a rehabilitation project for the completely dependent and antisocial poor, or a widespread program with housing opportunity for various types of people.

Shortcomings of present public housing in financial terms are obvious. The subsidy covers capital costs and debt service. Operating cost must be met out of income. In effect, public housing tenants must pay higher rent, suggesting that the subsidy allotment requires reexamination. Management costs have risen more sharply than income of tenants and the lowest of the low income families are generally excluded. Furthermore, almost half the families are paying twenty per cent or more of their incomes for rent.¹⁸⁰

¹⁸⁰ Housing and Home Finance Agency, op.cit., p.118.

There has been recent United States legislation providing subsidy for very low income groups. Also, the other problems mentioned above are widely recognized, so shortcomings in the basic principles and coverage of public housing may soon be eliminated in the United States. It is conceivable that any success would lead to similar changes in Canadian policy, unless welfare state advocates thwart progress.

The trend toward admitting welfare recipients promises to make public housing programs successful and useful. A Florida review of 13,000 cases of aid to families with dependent children revealed a preponderance of "excessively high rents for unspeakably inadequate slum homes."¹⁸¹

Four out of five such families in Maine did not have central heating. Over half had neither central heating nor essential plumbing facilities.¹⁸² The same situation has been documented in Chicago; Atlanta; Baltimore; Washington; Philadelphia; Westchester County, New York; and Alexandria, Virginia.

Only ten per cent of the 3,000 illegitimate children receiving aid in Cleveland are living in public housing.

¹⁸¹ Florida Department of Public Welfare, Suitable Home Law, p.16.

¹⁸² J. Romanyshyn, Aid to Dependent Children in Maine, p.10.

All the rest are living in overcrowded and substandard housing because they are excluded, for one reason or another, from public housing. As soon as it becomes universally recognized that public housing for the needy is required more than socialized housing for the self-supporting, these unfortunates will be accepted.

Most welfare agencies budget recipients' funds for housing according to the amount they pay, not according to standards of housing. The provinces take an interest in welfare recipients' housing, but do not have standards and actually exclude most recipients from public housing. Denver has a department to aid recipients in locating and negotiating rentals and purchases. Only one state, New Jersey, has objective standards of housing quality against which caseworkers are expected to appraise the homes they visit.¹⁸³

This represents the first official recognition of the principle that the agency has a responsibility in relation to shelter similar to that relating to food or clothing; that is, the agency should define space for living on an objective basis, rather than using a general description and accepting space occupied by a particular individual. Staff would then have a base for judgement as to adequacy of housing and could offer agency help toward making

¹⁸³ Schorr, op. cit., p.127.

changes in which a client had expressed interest.¹⁸⁴

The proportion of recipients living in public housing has mounted in the United States to about twenty-five per cent of the tenants (the same percentage permitted as maximum in Canadian public housing). Public housing and public assistance have much in common: their origin (the depression), their purpose (to assist the poor), and public skepticism of both. With the increase in the number of assistance recipients living in public housing, assistance agencies have been urged to provide casework staffs close at hand. A series of demonstration projects has confirmed the advisability of taking such a step. The pattern to provide public assistance workers in and near public housing appears likely to spread. There seems to be no logical reason for keeping the two separate. Public housing is the one dependable resource to which public assistance can turn for acceptable housing for recipients.¹⁸⁵

PUBLIC INSTEAD OF PRIVATE HOUSING

Taxation and credit are of such great importance in the housing industry that this paper concludes with a further discussion of the financial incentives, and lack of

¹⁸⁴ G. Lotwin, A State Revises Its Assistance Standard, p. 17.

¹⁸⁵ Schorr, op. cit., p. 131.

incentives, mentioned in Chapter II.

Public housing for low income groups is made especially necessary because supply of all forms of rental housing are at an all-time low. By 1957, rentals had dropped to eight per cent of all housing in the United States.¹⁸⁶ Easy buying terms, such as Veterans' Administration no down payment purchases make it easier to buy than rent. Mass moves to the suburbs, the end of the Federal Housing Administration rental housing program, and the windfall scandals of 1954 all helped to make rental housing unpopular. An increase in vacancies did not lead to lower rents, as in a normal supply and demand commodity. It led instead to dilapidation. Equity investors recall rent control days of the depression. There is not much new building for rental purposes. Dilapidation affects 11.2 per cent of multi-family rental buildings in the United States, as compared with 4.8 per cent of the resident-owned homes.¹⁸⁷

Need for public housing for all but the lowest income group may diminish as the public becomes aware of the present profit potential of rentals. An F.H.A. section 220

¹⁸⁶ Winnick, L., "Can Rental Housing Make a Comeback?", House and Home, October, 1957, p.244.

¹⁸⁷ Loc. cit.

project can be financed with five per cent cash, and can very possibly yield up to twenty per cent on book equity and forty per cent on cash equity. If the project is sold in five years for its original book value, there is a three hundred per cent return on investment, because the annual debt repayment comes to nearly forty per cent of the equity dollar. With inflation, the potential capital gains become enormous.

The possibilities of such profits have to overcome many discriminatory regulations and policies in addition to those mentioned in Chapter II.

United States Federal income tax laws discourage rental housing by giving great financial incentive for home ownership. An individual of modest income can easily get a tax break equivalent to a ten dollar monthly saving. For those in high brackets, the savings are large. A repeal of the tax deduction privilege for owners would be very unpopular while giving the privilege to renters could cost the treasury over \$1 billion a year.¹⁸⁸

"Soak-the-landlord" attitudes often result in apartments being assessed much closer to the market value than single-family homes. Owner-residents, especially veterans, are given partial property tax exemptions. Equal treatment

¹⁸⁸ Loc. cit.

for rental property owners and home owners is necessary to encourage private rental housing which could take the place of public housing in renewal. Pressure groups will keep this from happening, therefore, public housing programs are the most realistic approach to the fight against blight and the necessity of massive subsidies must be expected.

Rental housing loan money is difficult to obtain because pension funds, commercial banks and non-institutional investors are reluctant to invest as the life insurance companies and mutual savings banks do. The fact that service costs are negligible, as compared to those of single-family units, does not seem to have an effect. An issue of F.H.A. debenture-bonds, backed by a Treasury guarantee, might induce these reluctant investors to lend.

Other tax incentives that would encourage rehabilitation and renewal could be the exempting of stockholders of building corporations from federal income tax, five year income tax write-off for substantial repairs or renewal projects, income tax write-off as a loss for the value of obsolete structures.

F.H.A. and N.H.A. building codes are primarily directed toward new housing and disregard the problems of older housing. Private investors are averse to rehabilitation instead of new housing, because their investment is more likely to be endangered by the government's power of

eminent domain. Another setback for renovation, the alternative to new public housing, is a United States court decision that backs the overpricing of slums. Fair payment for condemned property had always been considered to be equal to the fair market value, whether or not the owner paid too much for it. A Washington, D.C. Negro bought a home for an exorbitant price and stood a considerable loss in a later condemnation proceeding. The court ordered restitution of her loss, a decision which promises to encourage speculation and conspiracy in second and third trust paper dealings in slums and could add millions to the costs of acquisition for renewal.

Lenders do not have confidence in renewal projects. Local housing officials can choose rehabilitation instead of clearance if it means lower land write-down costs and lower rents, provided the result will fit with overall planning. However, rehabilitation is no substitute for real renewal, combining spot clearance, voluntary rehabilitation, new public housing and new community facilities. A balance must be struck between easing bad conditions now and complete rebuilding later.

The taxpayer should not identify the statistics on substandard housing with an expenditure of billions. A new home is not necessary for each slum family in order to improve housing generally. In 1953, thirty-one million

United States families moved. The entire Canadian and United States populations change homes every five years. Every new home, therefore, makes it possible for thirteen families to play musical chairs with their houses and improve their accommodations.¹⁸⁹

GHETTO PERPETUATION

A serious disadvantage of public housing is that projects tend to become economic, social and racial ghettos. The New York State Division of Housing urges more public housing for \$100 per week families and higher. An editorial in the New York World Telegram and Sun echoes sentiments about Regent Park, quoted in Chapter I. It states,

"Where would the trend stop? Would it be \$125 next time, \$150 the time after? There has to be a sensible limit on who is eligible. The alternative is a spiral of socialism in housing." 190

Here the planner and public official are required to choose between two serious evils: ghettos and socialism. The former isolates an island of society, the latter threatens to replace traditional North American society with a void.

¹⁸⁹ Staff Writers and Guest Experts, "Textbook on Conservation", House and Home, October, 1953, p.112.

¹⁹⁰ Staff Writers, "News Roundup", House and Home, February, 1956, p.37.

REGENT PARK

Notwithstanding public criticism and comments in this thesis about socialized housing, Toronto's Regent Park North has had considerable success as a pioneer public housing project. It has become a neighborhood or community with a recognizable status, not because it consists of a body of people living in the same locality, but because the people have interests in common. The people of Regent Park live together, go to school or work together, and play together.¹⁹¹ Literally from morning until night, from the preschool groups to the baseball games and teenagers dances, the project seems to be vibrantly alive with people and activities. There is a diversity of age and income and background and the atmosphere is healthy. This project is attractive and beneficial as are some other projects. There is no sign of the sterile, cold, unwelcome atmosphere that Jane Jacobs deplors as a threat to the longevity of her beloved Boston North End and Greenwich Village in The Death and Life of Great American Cities.

DISPLACEMENT

Whether redevelopment is inspired by a desire to improve the environment of the slum dweller or to revitalize

¹⁹¹ A. Rose, Regent Park, p.188.

the city, the program will fail if the slum neighborhood is merely displaced or scattered. The status of the neighborhood itself must be improved because of resistance to the integration of social and ethnic groups associated with slums into the wider society. Through 1960, the urban renewal projects of the 1949 United States Housing Act had displaced 85,000 American families. The United States mistake, a plan of action conceived primarily to replace substandard buildings, has left a legacy of unsolved social problems.¹⁹²

The primary lesson to be learned from the data and opinions of this thesis is that municipalities should enforce codes strictly and stop decay before it starts. When decay has a foothold, rehabilitation, not the bulldozer, is the cure. When decay has reached the point where rehabilitation is no longer possible, slum clearance and renewal with a large percentage of public housing is the most positive method of relief. Less desirable is the project of slum clearance and sale of the land for private development. This is the most economical method of redevelopment but displaced residents are seldom thoughtfully relocated. The future of our cities depends on the proper balance between public housing and private enterprise.

¹⁹² C.M.H.C., Canadian Housing Statistics, 4th Quarter, 1960, p.3.

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