

# HOUSING THE POOR: MIRAGE OR REALITY

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Forty-eight states and some eight hundred cities have their covetous eyes trained on the hundred or more millions of dollars which have been made available by the United States Government under the Public Works Administration for new housing. These cities without exception contain within their borders every type of slum and shack town which years of neglect of housing legislation, indifference to the demands for low-rental dwellings, and speculative real estate and building enterprise could create in the course of a century.

For the moment there is a new hope in the hearts of housing reformers that at last this country will follow the splendid examples of the European countries and pause to consider the wage earners and their right to a decent dwelling place. With the market of high-rental housing overstocked, over-capitalized, and increasingly non-productive, reviving a dead building industry and saving the land speculator and the non-productive slums from the sheriff's hammer becomes a new passion with the realty interests. In the meantime bankrupt municipal governments which derive from 80 to 90 per cent of their revenue from real property are taking the land speculator and the tenement owner at their word and are placing heavier and heavier burdens of taxation which must be passed on to the renter if the whole structure of the real estate market is to be prevented from collapsing about their ears.

The present situation might be briefly summarized as follows: There is an overwhelming amount of high-grade housing which, although badly planned and out of keeping with the most modern ideas of group planning, still could provide improved accommodations for hundreds of thousands of families. These accommodations, however, are not within the reach of the people who need housing most, and there are not enough people in this country with sufficient incomes to absorb the available dwellings renting at high rentals.

Housing legislation intended to bring the lower-cost housing within the regulatory control of law-enforcing bodies so as to insure better standards has produced

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only limited improvements in the new buildings, and has acted on the whole as a deterrent in the construction of low-rental housing, while encouraging the continued use of obsolete dwellings in existence prior to the enactment of the new dwellings laws. What has amounted to a legally enforced reduction in the building of new low-rental dwellings has kept up the demand for the old houses which, inadequate as they were, still met a need. Wholesale slum clearance without immediate or even predemolition replacement at all times threatened a housing shortage which kept the authorities from enforcing even the moderate regulations on old dwellings for fear that too much pressure would result in higher rents and greater congestion.

A disorganized and ever zealous realty business, bent on banking upon our continued rapid growth of population and confident in the power of advertising, has invested fabulous sums of money in real estate enterprises which had no relation to the developed suburban areas, which in terms of increasing population could never be occupied even under conditions of the most optimistic forecasts of population increases in the course of this century. Nor could the luxury housing be absorbed by any means other than a revolution which discounts incomes and turns over property rights to the government to be used on a communistic basis.

Is it any wonder that under these circumstances of business anarchy, the building industry is a mere shadow of its former self and that most of the 1,250,000 workers in the building industry are sharing a virtual dole with the unemployed architects and engineers, most of whom would otherwise be walking the streets?

If the building interests of this country had consciously been working for a revolution they could not have succeeded any better, except that revolutions imply fundamental philosophy, some reasonably well-thought-out objective, some shift of advantage from one class to the other. This, however, was a revolution brought about by unsound business methods, by entrepreneurs and speculators who still cling to their old ideas and methods with the result that they have carried with them into the mess the whole building industry which had served them so well during boom times.

*The Place of Government.* When the collapse could no longer be denied (it long had been a reality), our rugged individualism in matters of finance gave way to a call for government help. This, however, was merely a form of wishfulness which was not able to take the place of solid and courageous thinking. The catastrophe finally became so obvious that even the national government had to recognize it and act. The Home Loan Banks and, more recently, the Home Owners Loan Corporation, were set up to save the foolish and over-ambitious investors including the banks. But these institutions, endowed with public moneys but without the powers to act constructively, have failed to stem the tide.

At last came the Public Works Administration with its billions of dollars, and the raid began. Every conceivable undertaking which would produce work was devised, and even housing was given a new lease of hope when \$200,000,000 was

made available for housing. This amount finally dwindled to \$100,000,000 which is presumably at the disposal of the Housing Division of the Public Works Administration for housing purposes. Some other amounts had already been made available by the Reconstruction Finance Corporation to enterprising real estate promoters for housing, most of which when built will be out of reach of the lower third of our wage earners.

More recently under pressure from real estate interests and in particular from organized investment companies like the banks, the insurance companies, the mortgage companies, the efforts of the government to meet at least in part the needs for housing the lower-income groups has been nailed to the cross of slum clearance. This is the last resort of the *avant gard* of the slum owner, the investor in dead mortgages, and the hereditary slum owners. It is designed to save the skins of those who have been exploiting the slums as a matter of sound business practice and to keep the supply of housing down to the present level so as to avoid competition in quantity of accommodations, if not in quality.

Owing to the complexity of slum clearance due to legal difficulties of assembling and condemning land, it was necessary to create official housing authorities which would have the legal right to deal with property owners on the one hand and with the federal government and credit organizations on the other. The achievement of the National Public Housing Conference in securing legislation for such authorities is beyond praise. It may be the beginning of a country-wide movement for public housing, but for the present the path of these public housing authorities will be marked by skirmishes and battles in which every vested interest in present-day housing will join with the politicians in sabotaging their work. In fact the sabotage has already begun in New York State where legislation has been drafted to offset any constructive effort of the local housing authority. Such proposed legislation includes a change in the liberal definition of what a slum is, as contained in the new law providing for a Municipal Housing Authority.<sup>1</sup> Proposals for legislation are also being drafted which are intended to stifle action in selecting the types of slums to be cleared and to limit slum reconstruction strictly to replacement of dwellings actually demolished and no more. These are just the beginning of the wearing-down process which the enemies of low-rental housing will continue to practice.

*Difficulties of Slum Clearance.* Slums represent built-up areas, the accommodations of which are overtaxed and in which the buildings, their equipment, and the general character of their surroundings are out of harmony with recognized minimum requirements for common decency in privacy, health, and leisure-time use. Since most slums are intensively built up, the capitalization and assessed values of the land and buildings involve high land cost, compensation for buildings, and expenses in the assembling of parcels of land and the demolition of existing buildings.

The slums are not usually concentrated in one particular place but represent

blights covering various parts of communities, each with its own claim to distinction and each with its special character of population deserving assistance in housing. In the course of the last few months promises have been made that slum clearance will take precedence over all other housing efforts. Each section of the community, sensitive though it may be about being designated a slum, is eagerly awaiting its redemption through slum clearance. What a rush there will be for the pork barrel when the housing authorities begin their canvass for desirable land! What disappointments are awaiting them!

The sum of money available is not only insufficient to make a perceptible impression upon the slum problem of the cities of the United States, but it is not even sufficient to make a reasonably adequate demonstration of what could be accomplished should more funds be made available. With cost of land ranging between \$6.00 and \$20.00 per square foot in New York City slums plus additional compensation for buildings, and even with less costly land and buildings in other cities, it would still be impossible to build homes for the families paying five or six dollars a room unless interest rates were reduced to a minimum and land were taken at prices which would constitute virtual confiscation. Anything short of such revolutionary methods will fail to clear our slums, and the whole movement of the present day will again loom like a mirage in the desert of constructive and far-reaching achievement in housing.

*The Slum Dweller Clearing the Slum.* While reformers, financiers, politicians, and earnest social workers are struggling with the intricacies of the conflicts between the need for clearing the slums and the economic problems involved in protecting vested interests and rehousing low-income groups, slum clearance of a different order is going on. The slum dwellers are leaving by the thousands in search of better accommodations in outlying districts. In the last decade Manhattan Island has been deserted by about one half a million people. The boarded-up tenements are silent evidence of this mass exodus. The 187,000 families represented by this exodus involves a group loss to Manhattan of between 40 and 50 millions of dollars per year in rent alone, besides losses in trade. This same movement of population away from the slum centers is taking place in most of the 96 metropolitan cities of the United States, but particularly in the ten largest population centers such as Chicago, Philadelphia and Detroit.

Of course this is not slum clearance in the true sense of the word, but when property becomes unproductive a new use must be sought, and if such use does not exist within the present social and economic set-up of our cities, the exodus of the slum dwellers will, therefore, come as a free gift to the communities without publicly financed clearance.

This is exactly what took place in Europe, where so much modern low-cost housing has been built. Instead of trying to overcome the legal and economic difficulties involved in condemnation, low-cost housing was built in the outlying areas, leaving

the slums to clear themselves by the mere process of voluntary vacating on the part of the tenants who were afforded the opportunity to occupy, at reasonable rents, the new housing.

In my recent study of European housing enterprise, extending over a year's time, and covering the important cities of France, Germany, Holland, Belgium, England and Italy, I recall but few cases of slum clearance. None of these was of any magnitude, except in Rome where they had archeological motives and motives of civic improvement of a grandiose nature.

Once we provide decent housing within reach of places of employment, the slums will vanish by the sheer weight of their obsolescence, and with them, the burden of taxation and mortgage interest rates which can for the present be extorted from helpless slum dwellers who can find no other place to go at the rental rates which they can afford to pay. There is no need for legal condemnation proceedings; economic condemnation will suffice to achieve what all the laws in the land have failed to achieve in a century of muck-raking, sentimentalizing, and agitation.

*Rental Resources.* Rentals can be calculated only in terms of incomes. Low rentals worthy of the name must take into account the ability of prospective tenants to meet their housing cost in reasonable relation to their other needs. Let us see what the maximum rental resources of the wage earners of this country should be. The year 1929 marked the highest average wage scale in American industry. With 210,959 manufacturing plants in operation with 8,838,743 workers employed and a payroll of \$11,620,973,000 the average yearly wage was \$1,315. This average is the highest in the history of American industry and is more than twice as high as the average yearly wage for 1909. We should not assume, however, that every worker in industry received this amount of wages. It must be remembered that there is always a considerable turnover in all industry and that this varies between 10 and 25 per cent or more. Thus, individual workers are not always employed full time, in which case the average income calculated in total number of workers having a relation to a given industry would be materially reduced.

Assuming, however, that at this high-water-mark of employment the average wages are representative of the normal wages of industrial workers, it is clear that the monthly wage would be \$109.15. Recognizing the usual proportion between wages and rents at a minimum of 20 per cent and a maximum of 25 per cent, the rentals which these wage earners could pay would range between \$20.45 and \$27.28 per month. This calculation is, of course, on the assumption that all of the workers were employed full time, that there was no turnover and no reduction in wages due to illness.

Since 1929 there has been a steady decrease in both number employed and in wage-scales as well as total wages. The last available figures show that in 1932 the manufacturing industry of this country has decreased 54 per cent, while transportation, agriculture, mining have decreased 40, 46 and 60 per cent respectively, with the

construction industry cut 72 per cent within a three-year period. This cut in the construction industry applies to a slightly higher extent in the case of residential construction.

*Housing Shortage.* Based upon the normal increase in the population of the United States, there is a need for an annual construction rate of 300,000 dwellings. If we take account of at least a one per cent obsolescence per year, the 30,000,000 dwelling places of the country would yield another 300,000 of obsolescent homes which need to be replaced. Assuming that half of the population of the United States live in the 257 cities for which construction figures are available, the annual requirement for new dwellings in these cities alone would be at least 300,000.

With reference to actual needs, overproduction began in a small way in 1922 and grew to considerable proportions by 1928. But this year-by-year oversupply began to be balanced in 1929, and the overproduction of the previous seven years was canceled out with amazing rapidity in but two years' time. 1930 saw the balance struck. At the end of 1933 the cumulative deficit in the normal rate of construction amounted to 800,000 dwelling units, the construction of which would involve an investment of about four billion dollars. As this period of depression continues we shall be faced with a housing shortage which will be two or three times as great as that of the post-war period.

This, of course, does not mean that all dwellings are rented now. On the contrary, there are thousands of luxury dwellings which stand idle because of luxury rentals which tenants are not able to pay. There are also hundreds of thousands of dwellings which have reached a state of obsolescence and dilapidation and have had to be abandoned because they no longer meet the minimum requirements of the low or the lowest standard of decency demanded by even the poorest of the people.

It is safe to say that the present shortage in low-rental housing needed to take care of the lower-income groups of this country could be met only by an investment of 30 to 40 billions of dollars and that it would take five years of employment of the whole building industry with all its present organization and machinery and all the workers in building trades to supply the housing needed at the present moment.

*Where is Building Needed?* The population of the United States has been moving about and trying to find new and better living conditions than were afforded by the congested slums or the small towns in which industry and living conditions afforded less advantage than the larger population centers. Nearly half of the people of the United States live within the precincts of the 86 metropolitan centers, yet most of the congested areas have been losing population to the surrounding territories within the general sphere of metropolitan influences.

We have been talking of the need for decentralization, and the process of this decentralization has been going on apace, but it has been towards the periphery of great agglomerations of population rather than toward the open country or the independent small community. It has tended rather to populate the outer fringes of the

great metropolitan centers. In New York, Chicago, and other large cities this is where housing can find its best market, and also in these outlying areas can land be secured at sufficiently low cost to make low-rental housing possible. It is only after this has been achieved that it will be possible to bring lands fit for housing in large cities within the range of land prices suitable for low-cost housing. Under present conditions this is quite impossible.

However, there is and always will be a heavy residue of population which although unable to pay high rentals must or desires to remain in the center of our large cities. For the moment there is no possibility that they can be afforded new and high-grade housing. They will have to be contented with the old buildings, unless the government is willing to meet the difference in the cost between what they can pay and what they need in order to live decently. In fact from 80 to 90 per cent of the people in our cities will for a long time to come have to live in the old buildings. There is therefore only one method of improving the conditions of these houses and that is rehabilitation under some broad scheme involving private investment or government financing, either by subsidy or by liberal loans.

It is a fact that at present many of the slum areas are reasonably well equipped with schools, churches, water, gas, sewers, and other services. These represent a large investment which could be salvaged by improvement of the houses. Otherwise, while the deserting population would have to secure these services at heavy cost, existing services in the city slums would have to remain idle as, indeed, many of them already are found to be in New York and other places.

The problem for the moment is therefore one of providing new housing where the population is seeking new places in which to live and of rehabilitating old housing in the congested areas where rehabilitation is possible and can result in materially improved conditions. Where improvement is impossible because of the degree of obsolescence of the buildings, the only use for the land would be found in the creation of much needed open spaces which would enhance the value of adjoining properties as places of habitation.

*The Government Policy in Housing Finance.* So far the Housing Division of the Public Works Administration has not come forward with any constructive plan. The changes in policy have borne the earmarks of pressure from vested interests as pitted against the sound judgment of Robert D. Kohn, the Director of the Housing Division, who has had to withstand the criticism of the reformers who were impatient for action, and the political influence of the banks, the insurance companies, the mortgage companies, and others fearful that a liberal policy in federal aid for housing might leave the slum owners holding the sack.

A careful study of the present set-up of the federal government in housing finance presents several outstanding difficulties. If loans are made to private undertakings the interest rate to be charged by the federal government, the rate of amortization of the loan required, and the growing difficulty in securing tax exemption, makes

private building impossible if the lower-income groups are to be housed. If to this we add the high land cost which prevails in cities and the inability of private enterprise to invoke condemnation powers, it becomes obvious that any private loans for housing made by the federal government could be used neither for the building of cheap housing nor for slum replacement. It is simply a means of resuscitating the building industry, affording work to the unemployed, and perhaps adding more dwellings to an already overstocked market of high rental accommodations.

In an analysis which the writer made last October of a housing scheme intended for low-rental families, it was found that, with the government interest and amortization rates, only the higher rungs of wage earners could be housed on one dollar land in New York City. With the new wage scales and the increase in building material costs, this set-up would work out less favorably today than it did four months ago. It is only where land could be secured at a negligible price, where tax exemptions could be obtained, and the amortization of loans extended over a much longer period of time than is required by the federal government, that housing financed by it under private auspices could approach the higher rung of the well-paid working classes. An examination of the projects already approved by the federal government and the rentals which will be required will show at a glance that they cannot be classified as housing for the lower-income groups.

The loans to municipalities under municipal housing authorities are more in line with present-day needs, but even these fall short of the practices which have proved successful in European countries where cheap land was used and where the interest rates ranged as low as one per cent with long terms of amortization. However, the outright 30 per cent grants on labor and materials which the federal government has offered to municipal authorities is an important factor where land costs are low. As soon as the land costs rise above one dollar per square foot, the grant dwindles till it amounts to about 10 per cent when the land cost reaches ten dollars per square foot. The power to condemn land and buildings which is vested in the housing authorities may prove of value in some cases, but the practices in the United States would hardly inspire confidence in that method of acquiring land at a cost lower than the highest market or even speculative price.

It is strange that the policy of the Housing Division of the Public Works Administration was accepted as final. No one raised the question as to the adequacy of the proposed financial set-up; no one wished to do more than secure a slice of the millions which the government was prepared to loan. It is only recently that some thought has been given to the matter of reconciling the minimum needs of the lower-income families with the amount that they can pay. The result has been a growing skepticism as to the value of the whole federal finance scheme in terms of low-rent housing.

The problem as it stands today is not how we can reduce low-rental housing to the lowest possible level of decency and comfort but, assuming the sincerity of the



federal authority, to discover by what methods federal funds could be made to serve the interests of those who, although self-sustaining, are able to pay a minimum of rent. It is idle to say that the people should get more wages as long as conditions are as they are. The housing problem must be solved, if at all, by a more liberal policy of government finance.

*What Should the Federal Housing Policy Be?* The whole of the architectural profession, in so far as it is capable of originality and skill in reducing building costs, has been at work trying to bring housing construction for the lower-income groups within the range of possibility. They have failed and will continue to fail, because all the facts of costs are against them. There is only one alternative left, and that is a fuller recognition on the part of the government that it will have to bridge the gap between wages and rents by a more liberal use of public money. This means not only a larger amount of money to be devoted to housing, but also that loans should be made on better terms. There is no reason why government credit should not be granted at two per cent even if the rate paid on government bonds for housing were three per cent. On a billion dollars this would only amount to ten millions of dollars a year, an insignificant sum when compared with the many commercial outright subsidies granted to shipping or the airmail service. This amount of money would be reduced annually by the amount of amortization till it amounted to an insignificant sum when looked upon in the light of the vast federal budget.

If to this reduced interest rate were to be added the advantage of a long period of amortization of the building cost, and if the land cost were to be left out of the amortization requirements, something approaching low-cost housing could be built. This would provide work, retire from the Civil Works ranks many unemployed architects, engineers and skilled workers, and bring the building industry back to some kind of normal functioning.

Unless such a liberal policy is put into operation, there is every reason to believe that the stage for better housing has been set with much ado but that nothing is to come upon the scene.

Another way in which the Federal Government could be of service is in offering outright subsidies to private interests, either for the rehabilitation of old dwellings or the construction of new housing. These subsidies should be so calculated as to meet the difference between required rentals and the rent-paying capacity of the people most in need of housing. The English government has devised a method of subsidy whereby it pays regularly a part of the rent while the tenants pay the balance. Thus they can secure better housing at rentals consistent with their incomes and in harmony with their minimum needs. This would not work in this country, perhaps. It would not be out of the way, however, for the federal government to set aside a sum of a half a billion dollars as an experiment in housing subsidy and to lend this money to private individuals ready to invest in housing.

By offering one quarter of the cost of a dwelling to a private individual we should

be able to stimulate investment in housing which would soon bring into the market three times the amount of money for housing. Thus we should increase housing accommodations, increase the opportunities for employment and bring into profitable use idle money which is now kept in the vaults of our banks and insurance companies or in the proverbial stockings of those who cannot find an outlet for their cash in any kind of safe investment. We have enough information and experience to know that housing for the lower-income groups cannot be made to pay, unless the housing is of low grade or the government is prepared to meet the loss. Why not face the issue and decide whether we want better housing at any cost or are merely talking and quibbling to keep up our satisfaction with good intentions and to fool the workers into expecting relief which will never come?